



**HYBRID GOVERNANCE,
ORGANISATIONS AND SOCIETY**
VALUE CREATION PERSPECTIVES

Edited by
Jarmo Vakkuri and Jan-Erik Johanson



Hybrid Governance, Organisations and Society

The era of hybrid governance is here. More and more organisations occupy a position between public and private ownership. And value is created not through business or public interests alone, but through distinct forms of hybrid governance. National governments are looking to transform their administrative systems to become more business-driven. Likewise, private enterprises are seeing value gains in promoting public interest in their corporate social responsibility programmes.

But how can we conceptualise, evaluate and measure the value and performance of hybrid governance and organisations? This book offers a comprehensive overview of how hybrids produce value. It explores the drivers, obstacles and complications for value creation in different hybrid contexts: state-owned enterprises, urban policy-making, universities and non-profits from around the world. The authors address several types of value contents, for instance, financial, social and public value. Furthermore, the book provides a novel way of understanding multiple forms of doing value in hybrid settings. The book explains mixing, compromising and legitimising as important mechanisms of value creation.

Aimed at researchers and students of public management, public administration, business management, corporate social responsibility and governance, this book provides a theoretical, conceptual and empirical understanding of value creation in hybrid organisations. It is also an invaluable overview of performance evaluation and measurement systems and practices in hybrid organisations and governance.

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Hybrid Governance, Organisations and Society

Value Creation Perspectives

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Jarmo Vakkuri and
Jan-Erik Johanson

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Preface

This edited volume continues our fascinating journey through the rich world of hybrids. *Governing Hybrid Organisations*, our first book (published by Routledge), was an effort to explore the institutional space between public, private and civil society forms of institutional action. For us, the most important aspect of that contribution was to practise our wondering method of how to identify and theorise about hybrid organisations and systems in societies.

In this book, we want to take a step further to link the complex settings of values and value-creation mechanisms with hybrid organisations in various contexts of hybridity. While we are aware of the societal interest in pursuing what is “valuable,” there are a number of missing links between value-creation mechanisms and institutional settings where value is created and enacted. The mission of this book is not only to discuss how to define hybrid organisations and hybrid systems in the evolving ecology of institutional variants, but also to bring the value-creation efforts to the forefront of the examination of hybrid action. Furthermore, we are all keen on understanding the impacts of hybridity on value creation. This is particularly true when we encounter several competing institutional logics, shared ownership structures, multiple funding schemes for important societal programmes and disputes over professional boundaries. Our interest is based on the observation that there is already an emerging stream of research addressing hybridity, hybrid governance and organisations as well as research on values and value creation. However, the intellectual building blocks that would enable a combination of these aspects of hybridity with the dimensions of value creation have not been well formed. By exploring the dissonance and ambiguities of value creation in hybrid settings, this book constructs foundations for a better, more nuanced understanding of hybrid value creation.

We wanted to attain broad global coverage to demonstrate the role of hybrid governance and value-definition problems in different parts of the world. More than ever before, it is time for researchers to become knowledgeable about the variety of cultural conditions and mechanisms through which hybrid governance evolves, as well as to become aware of what type

of value-creation problems we may then face. The cases we present, which originate from all around the world, do not only serve as illustrative examples. Based on the framework of the book, we also see them as manifestations of novel mixes of value, compromises of value definitions between different sectors and actors or legitimisations of value propositions in a given context. It was because of this that we wished to create an edited volume, and we believe that, through the inspiring process of several scholars conducting research together, we are contributing to a more eloquent and in-depth understanding of value creation in hybrid settings.

As always, research work includes numerous concurrent processes, each of which has bearing on the others. There are three parallel processes that have been of particular importance. First, alongside writing and editing this book, we have been intensively working on our four-year research project, “Performance measurement for hybrid governance” (HYPER), funded by the Academy of Finland; this volume provides an important contribution and interesting extensions to this project. Second, the work on hybrid value creation has taken place in guest-edited special issues of scholarly journals such as *Public Money and Management*, which was published in 2017, and *Journal of Public Budgeting, Accounting & Financial Management* and *Accounting, Auditing & Accountability Journal*, which will be published in the near future. Third, this edited volume is a result of long-term collaboration amongst colleagues worldwide. An important outcome of those efforts is the Special Interest Group (SIG) network *Governing and Managing Hybridity* that, together with a large group of interested scholars, we established in 2018 in the context of International Research Society for Public Management (IRSPM). With this book, we are most pleased to add something new to the continuing discussion of hybridity and hybrid governance.

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We are deeply grateful to our colleagues and co-authors for joining this inspiring research effort. We truly believe that “without others, you are nothing,” and in compiling an edited volume, it is a simple fact that the individual parts define the nature of the whole. We appreciate the industriousness of our co-writers in amending, correcting and reformulating their ideas during the editorial process. The fruits of this labour can be seen in the cohesion and integrity of the volume. It has been our great pleasure to work with such a group of esteemed colleagues. Many thanks to you all.

We are grateful to the Academy of Finland for the four-year research grant for our HYPER project (Grant number 309134). This has been instrumental in taking our ideas into yet more new directions with our research group of enthusiastic colleagues. Sincere thanks to all the members of our HYPER research group for their intelligible reflections and contributions. We also wish to thank Jaakko Joentakanen for his assistance in the final stages of the book project. The Special Interest Group (SIG) network *Governing and Managing Hybridity* is a nascent forum for exchanging ideas on hybridity, hybrid governance and hybrid organisations. This community is and will be an extremely fruitful platform for facilitating new ideas and theories about hybridity. We owe gratitude to all those who have been active in this collaboration.

We have enjoyed and benefitted from the pleasant research spirit among the Faculty of Management and Business at Tampere University in Finland. The faculty is in many ways an optimal working environment: it is small enough to allow for non-formal communication among colleagues, but large enough to allow for specialisation among peers. Moreover, the combination of disciplines and research groups of public administration, political science, economics and business studies has created unique conditions for research on hybridity and hybrid governance. Institutional structures matter. In fact, they have benefitted us greatly in our work.

Finally, we want to thank our families who are always partly accountable for our research efforts. Thanks to Marjo, Julia and Olivia Vakkuri as well as Eikka, Iina and Rami Johanson, and Laura Tuominen for your love, understanding and patience.



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Part I

Muddling through value creation in evolving society



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1 Value creation among hybrids

Jarmo Vakkuri and Jan-Erik Johanson

The aim of the chapter

Irrespective of its significant impact on organising societal activities, the valuation of economic and social action is a quagmire. Among other things, it depends on the perspective we take on social and economic activities. It has become commonplace to refer to the tension between financial and social values, where “financial” value is associated with calculable forms of worth resulting from the processes of market exchange and use (Lepak et al. 2007) and where “social” value is a bricolage of service impacts on different stakeholders and constituencies within society (Stark 2009; Domenico et al. 2010; Mazzucato 2018). In the public administration literature, the notion of public value (or values) has been conceived to describe value creation in the public sphere as something that cannot be encapsulated in market transactions and their residuals (Moore 1995; Hartley et al. 2017).

It appears complicated to link value creation mechanisms to the institutional contexts where value is created and enacted. This chapter fills this research gap by providing a theoretico-conceptual account of the dissonance of value creation in the context of hybridity. By “hybridity” we refer to the interface of public, private and civil society through distinct modes of ownership, parallel but competing institutional logics, a diverse funding base and various forms of social and institutional control (Billis 2010; Johanson and Vakkuri 2017). We contend that there is a significant lack of theoretical, conceptual and empirical understanding of value creation in the context of hybridity and of the ways in which the dissonant characteristics of value are conceptualised (Stark 2009; Jagd 2011), measured (Nicholls 2009), created and captured (Mazzucato 2015), blended (Emerson 2003) and shared (Porter and Kramer 2011). We aim to improve the understanding of the plethora of value concepts and value creation mechanisms in the context of hybridity, where value has a mixed, polysemic and ambiguous character and where institutions, organisations and networks of actors may provide several categories of value simultaneously: value for society, taxpayers and the public, as well as value for customers and shareholders

(cf. Witesman and Walters 2015). The chapter draws from previous interdisciplinary research and theoretical thinking, and it uses empirical findings from illustrative case studies for argumentation.

The chapter is structured as follows: First, we provide basic conceptualisations of value, values and value creation in society. Our aim is to provide a tentative synthesis of the mechanisms of “doing value” in society. Second, we illustrate the context of hybridity and discuss how hybridity is linked with value creation. The final section of the chapter presents the conclusions.

Value(s) and value creation: what are we talking about?

Fundamentally, the puzzle of value creation is to define what is valuable to human beings, institutions and societies. In terms of its political, institutional and even practical implications, the conceptualisation of value, directly or indirectly, precludes the “rationality” and “usefulness” of social activities. Depicting something as “valuable” makes it preferable to alternative choices of resource allocation, attention directing and political action.

Value may not be one single thing, service or good, which is why we often tend to address value in both the singular and plural forms (Jørgensen and Bozeman 2007; Meynhardt 2009). When we talk about one single value, we often end up having discussions on whether anything can be transformed into monetary value or wealth, or whether we should focus on more elaborate and nuanced conceptualisations of value (Boltanski and Thévenot 2006; Mazzucato 2018).

Values are, by definition, contested concepts (van der Wal et al. 2006, 317), which is why value definitions cannot be monopolised by any discipline or academic tribe. Instead, discussions of value have been predominant in several disciplinary traditions, originally and most notably in moral philosophy and the ethical reflections of the Greeks, as well as the incredibly rich variety of subsequent discussions on how to define “right” or “wrong” and “good” or “bad” and how to organise societal activities based on those assumptions and principles (Hardin 1988; Elster 1989; Moore and Grandy 2017).

In social life, values may be treated as the outcomes of social interaction and communication, where something is valuable with respect to the context of interaction. According to Stark (2011), those contexts of interaction may be associated with economic exchange and monetary valuations, but not necessarily. They may also be related to non-market orders of worth that people hold dear and consider valuable in their lives. Stark offers three different modes for such interaction. First, based on the Marshallian scheme of economic equilibrium, we may use *prices* as a system of balancing the accounts of agents. Second, we may use *prizes* of competitions and contests to indicate the value of social activities. Modern social and institutional life is becoming rife with ratings, rankings and tests of different types.

Finally, we may *praise* activities and actors when they express imaginative performance – that is, when they are able to inspire, move or amaze us (Dewey 1939; Stark 2011). Moreover, the “worlds” of value constellations may include different types of value hierarchies where some things have intrinsic value, as they are regarded as goals or ends to be achieved, and others have extrinsic value – that is, they serve as a means to higher ends (Boltanski and Thévenot 2006; van der Wal et al. 2006; Gale 2019).

In economic and managerial thought, it has become common to conceptualise value through exchange and use. Lepak et al. (2007) described use value as referring to specific characteristics of a new task or service whose value is determined by users with respect to their expectations. Value materialises in the utilisation mechanisms of a given commodity or task. Value in exchange is intrinsically embedded in the market- and transaction-driven systems of societies. Here, the idea of exchange refers to the monetised form of value that manifests itself in the process of transaction and exchange. This can be observed from the “seller” side – the recipient of the monetary value – or from the “purchaser” side – the investor in the transaction process. This thinking yields several interpretations (Mazzucato 2015, 2018).

The public administration literature puts forward the idea that one should talk about public value as something that has a life of its own. Hartley et al. (2017) explored the concept of public value in the following ways: (1) as contributions to the “public sphere” (cf. Meynhardt 2009), (2) as value addition through different institutional arrangements and (3) as the strategic heuristics of the triangle approach proposed by Moore (1995). There have been systematic attempts to conceptualise public value as related not only to government activities but also to different types and levels of contributions to the public sphere (Jørgensen and Bozeman 2007; Meynhardt 2009; Osborne et al. 2016; Bozeman 2019). If one loosens the assumption that value is calculable, then the list of values tends to become longer. For that purpose, an inventory is needed. Jørgensen and Bozeman (2007) identified 72 public values with respect to seven associations: (1) the public sector’s contribution to society, (2) the transformation of interests to public decisions, (3) the relationship between public administration and politicians, (4) the link between public administration and the environment, (5) the intraorganisational aspects of public administration, (6) the behaviour of public sector employees and (7) the connection between public administration and citizens. With this extensive public value inventory, Jørgensen and Bozeman were able to identify both the set of public values and the relative proximity of different values.

Another interesting example of value constellations is the comparison of public and private sector characteristics as “judgments of worth, principles or standards which should have weight in the choice of action” (van der Wal et al. 2006, 318). Following this idea, there is a value continuum or a value panorama, where some values may be different in the public and private sectors. For instance, impartiality and obedience may be inherently

predominant in the public sector, while profitability and innovativeness may be more emphasised in the business sector. On the other hand, there may be common core values, such as efficiency and transparency, that are relevant for both contexts. For example, efficiency is frequently linked with New Public Management (NPM) reforms in the government, with the assumption that efficiency is relevant due to NPM-type reforms (van der Wal et al. 2008). The common wisdom is that governments apply the efficiency principle because public organisations are being transformed into business firms. This idea omits the fact that efficiency has been one of the cornerstones of classic public administration discussion and that the problem of efficiency has been how to allocate and organise scarce resources. Efficiency is about being parsimonious (Simon and Barnard 1947), but it is both an instrumental and a moral value. Using taxpayers' resources in an attempt to mitigate the absence of waste may also be considered a moral argument (van der Wal et al. 2006).

(Obsession with) value neutrality and value creation in society

The dissonance of value conceptualisations has several implications for society. Most importantly, it is complicated to find a coherent and conceptual, let alone evidence-based, understanding for decisions to facilitate value in society. It is easier for societies to discuss the "production" of value rather than the value itself. Such ambiguity may explain the comprehensive yet fairly biased discussion on the content of value vis-à-vis the production of value. John Dewey was one of the early scholars who observed this. He explored the ways to understand valuation, not merely as values themselves but also through the conditions that generate value (Dewey 1939). This was also a linguistic indication of the English language preferring verbs over nouns; in human thinking, a link exists between the intellectual and emotional, cognitive and affective and objective and subjective dimensions of value. As always, such dissonance may be interpreted and used differently. It may be treated not only as a limitation to palpable value definitions but also as a source of legitimisation and sometimes rhetoric manoeuvring (Stark 2009; Aspers and Beckert 2011).

There are two important methods for bridging the variety of dimensions of value. In the process of evaluation, value is assigned to a given good or service based on fairly static principles or "criteria," as they are frequently called in contemporary evaluation research and practice. In other words, an object is evaluated based on certain sets of criteria or principles, and the process aims at assigning value to the objects based on the criteria. On the other hand, the process of valorisation reflects an assumption of more dynamic characteristics of economic activity. Valorisation is an activity that creates and increases value. While evaluation updates the value in a given good or service, valorisation is about establishing or augmenting value by doing (see Vatin 2013).

Let us consider another viewpoint regarding the connection between the form and content of value creation. This distinction is closely aligned with the historically constituted emphasis on, or obsession with, value neutrality – *wertfreiheit* – in the social sciences (Porter 1995, 2006). The idea is to view ends as given and define the task of the scientist as the search for optimal means for achieving those ends (Johanson and Vakkuri 2017). In neoclassical economics, the attempt to insist on value neutrality was historically regarded as pushing academic research into a more scientific and less value-loaded mode of argumentation. The mission is to scrutinise the consequences of actions in terms of their “optimality” (Caldwell 1984). This is done by separating goals from action, because distinguishing them from each other allows an analysis to focus on elements that may be considered more neutral targets of scientific inquiry. This thinking has deep roots, particularly in neoclassical economics, where quantification has played an important role in verification, analysis and solid judgement and where “what is” instead of “what ought to be” questions have been adopted as part of the programmes of positive economics (Friedman 1953; Porter 2006). Such an assumption of value neutrality has been systematically questioned from the ethical perspective. The proposition that, in understanding value creation, values can be treated as exogenous and external may be somewhat confusing. It has constantly created antagonism over whether the value problem should be addressed only by people and institutions making individual and political choices or whether scientific inquiry can contribute to seeking such a balance (Weber 1985).

In his seminal paper, Dahl (1947) discussed three important factors related to why and how public administration could be considered a scientific discipline: (a) how should we deal with normative values influencing the research designs in public administration, (b) how should we aim to capture the implications of human behaviour in public administration research and (c) what are the implications of different institutional settings for how politico-administrative systems should be scrutinised. Dahl’s argumentation can be understood as a reaction to scientific policy discussions at that time on how academic disciplines should be legitimised. One important way of legitimising public administration as a discipline was to argue that scientific inquiry should be able to follow value neutrality. However, as Dahl (1947, 3) maintained, “The student of public administration cannot avoid a concern with ends. What he ought to avoid is the failure to make explicit the ends or values that form the groundwork of his doctrine.” This argument was part of an extensive scientific debate concerning the characteristics of the public administration discipline with respect to how value propositions should be integrated into research efforts. For instance, the well-known debate between Herbert Simon and Dwight Waldo was about determining the extent to which public administration research may be influenced or informed by value-laden assumptions of the social world, how we should understand the connection between “values” and “facts” and whether the public administration discipline should be developed as part of

the family of social sciences or as a field of professional study (Simon 1947; Waldo 1952; Raadschelders 2008). However, as Wright (2015) accordingly maintained, there is probably much development in public administration research that has contributed to a more comprehensive understanding of the value-neutrality principle. It may be naïve to commit oneself to absolute value neutrality, but it is of utmost importance to acknowledge the impacts of normative values on the setting and designs of public administration research.

Value creation amidst hybridity

How to scrutinise the processes of doing value in society: insights into previous research traditions

Research on value creation has primarily concentrated on “doing” rather than “knowing” (Vakkuri 2010). Instead of concentrating on how we are able to know the contents of value(s), research has emphasised the question of how we act upon our (ambiguous and contested) conceptions of value. This has contributed to the extensive proliferation of “doing” mechanisms in the value creation literature. In practice, there exists a rich variety of verbs, as representations of doing value, to define the ways in which value could be produced, enhanced and facilitated. Table 1.1 provides one snapshot of such efforts in previous research.

The list is by no means exhaustive, but it vividly illustrates the different doing mechanisms in the context of value creation. Interestingly enough, the list characterises the doing mechanisms from the viewpoint of actors (e.g. producing, using and co-producing value), as features and dynamics of what is happening in the doing process (e.g. balancing, sharing and legitimising value) and by specifying the impacts of the doing process on the ultimate forms of value (e.g. the outputs of transforming, blending and layering value, where some previous value categories have been modified into variants of value; Osborne et al. 2016). However, it is also fair to contemplate that those three perspectives of value creation may be treated as institutionally hollow, as they are not able to explicate the specific implications of the mechanisms in different institutional settings. For instance, “balancing” value may vary across institutional settings with respect to the actors that aim to balance value(s), the context-specific mechanisms through which novel balances of value are fabricated and the impacts of balancing outputs on the behaviours of actors in distinct institutional settings.

Conceptualisations of value creation in different institutional contexts should be able to benefit more fully from the interdisciplinary richness between, for instance, public administration, political science, business studies and social policy. For that, we provide an illustration of hybridity and connect it with the problems of value creation. Having discussed the problem of value creation in a general manner, we now move to the contextual problem of value creation in hybrid settings.

Table 1.1 Value creation in prior research: the doing perspective

<i>Form of doing value</i>	<i>Definition</i>	<i>Examples of studies</i>
Producing value	Sequential, transitive and organisation-based creation of measurable and monetisable value	Ramirez (1999)
Using value	Specific quality of a task or service as it is perceived by users with respect to their needs	Bowman and Ambrosini (2000)
Exchanging value	The realisation of the monetary amount through the process of exchange from the viewpoint of the seller or the buyer	Lepak et al. (2007), Mazzucato (2018)
Creating value	The process through which an individual, organisation or society develops novel and innovative tasks and services for different purposes, where resources are diverted from known combinations to new and innovative ones	Lepak et al. (2007)
Capturing value	The process through which actors that have not been involved in the process of value creation retain some of the value created earlier, for instance, by the mechanisms of competition or isolation	Coff (1999), Jacobides et al. (2006)
Appropriating value	The process of distributing value to different customers, stakeholders and the public; sometimes used interchangeably with “value capture”	Teece (1986)
Extracting value	The process of capturing value from agencies that have created the value	Mazzucato (2018)
Destroying value	A service delivery process in which the interaction of actors and organisations results in negative or even dysfunctional impacts for the users and citizens	Plé and Gáceres (2010)
Retaining value	An organisation’s attempt to maintain the value it has created, for instance, through keeping the customers it has attracted	Lindgreen et al. (2012)
Slipping value	The process by which an actor loses some of the value at the expense of clients or other stakeholders that may benefit from the utility of a service without the need to provide adequate compensation; the use value thus created is high, but the exchange value is low	Bos-de Vos et al. (2019)
Devolving value	The process of giving away some of the value created based on market power for the customer’s sake	Agafonow (2015)
Transforming value	The process of value creation providing radical changes to the original service or task; for instance, market-type reforms do not create “markets” as such, but instead keep most policy goals in the policy apparatus while introducing competitive dynamics (markets) to the public sector	Johanson and Vakkuri (2017)

(Continued)

<i>Form of doing value</i>	<i>Definition</i>	<i>Examples of studies</i>
Sharing value	The process through which the value created can be shared with other constituencies and stakeholders; for instance, business firms creating strategies for competitiveness simultaneously “share” some of that value with the community	Porter and Kramer (2011)
Blending value	Amalgamating new combinations of value from original value elements, where new elements are no longer discernible from the old ones; this may include mixing financial and social value into blended aggregates	Polzer et al. (2016), Emerson (2003), Nicholls (2009)
Complementing value	Exploration of complementary resources and assets to create value or to capture the “greatest possible amount of surplus, regardless of whether others emulate the ideas or not.” (Jacobides et al. 2006, 1217)	Jacobides et al. (2006)
Competing value(s)	Value creation may incorporate multiple values that are in competition with each other (e.g. in health care systems, organisations may pursue professional and business value simultaneously); institutions practise different strategies to manage such competition	Thornton and Ocasio (1999), Reay and Hinings (2009)
Contradicting value	Incompatible mechanisms of value creation may lead to a situation where an organisation or institutional field has to adopt distinct institutional logics that are in opposition to each other	Pache and Santos (2013), Reay and Hinings (2009)
Oscillating value	Temporal splitting of value into subcomponents that may or may not contribute to value creation in the long run	Jay (2013)
Layering value	Turning original value constellations into new constructs where the historical value layers remain visible	Polzer et al. (2016)
Balancing value	The conscious search for an appropriate combination of different value constellations to reach compromises, for instance, in the context of social enterprises	Pirson (2012)
Co-producing value	Producing value through synchronic, interactive and multi-actor-based networks, often together with customers, citizens and stakeholders, with an emphasis on social change	Ostrom et al. (1978), Ostrom (2009), Ramirez (1999), Osborne (2007)
Justifying value	The process of legitimising value creation, through disputes, to different stakeholders and constituencies, with respect to different “worlds” of value	Boltanski and Thévenot (2006), Stark (2009)

Characterising hybridity and hybrid governance

With respect to pursuing important but highly complex societal goals, such as improving the level of education, fighting environmental pollution and maintaining infrastructure, it is difficult to disentangle the goals of public organisations from the contributions of private- or civil society- based activity. It is important to explore the space between public and private forms of action, the realm of hybrid organisations and hybrid governance (Johanson and Vakkuri 2017). Hybridity with all its characteristics provides not only an important extension but also new dilemmas for value creation efforts.

Hybridity refers to the combination of two or more pure species that integrates original species in a novel manner (Skelcher and Smith 2015; Johanson and Vakkuri 2017). Therefore, hybridity may be seen as a form of impurity. Biological analogies lack a clear reference point in institutional life, as organisations do not have DNA to enable breeding or a definite length of existence. In social and institutional settings, hybridity may refer to several enmeshed aspects, such as politics and administration (Aberbach et al. 1981), markets and hierarchies (Powell 1990; Williamson 1999) or a multiplicity of professional expertise (Noordegraaf 2007). The governance of societal activities combines features of both private and public management and action. The following important forms may be identified:

- a *mixed ownership* between public and private actors (e.g. state-owned enterprises pursuing politically driven goals while exploiting business logics and operating in global financial markets [Thynne 2011])
- b *goal incongruence and competition* between institutional logics, for example, the logic of profit-seeking vis-à-vis the logic of effectiveness, and social impacts (e.g. health care firms using business logics supplementing or replacing the public provision of health care, or social enterprises attempting to “do well by doing good” [Reay and Hinings 2009; Kreps and Monin 2011; Pache and Santos 2013; Ebrahim et al. 2014])
- c *multiplicity of funding arrangements* between public and private actors, including investors and financiers (e.g. several types of public-private partnership arrangements in financing public service delivery [Hodge and Greve 2009])
- d *public and private forms of financial and social control*, including regulatory control of the markets, professional self-control and customer-driven market control within a single system of service delivery (e.g. multifaceted control and audit systems of organisations operating based on professional clan control and customer-driven satisfaction logics [Power 2000])

Some of these features have increased due to market-based reforms driven by the quest for modernity and legitimacy, whereas others involve the

timeless questions of organising and service delivery explained by the inherent complexities of goal setting, resource allocation and measurement (Skelcher and Smith 2015). It is difficult to see hybrids and hybridity merely as inventions of the NPM (let alone the new public governance) epoch. As Badian (1983) succinctly argued, even the ancient Romans had hybrid forms of governance, including the *societas publicanorum* model for publicans conducting outsourced activities for the Roman government as private entrepreneurs. Apparently, there were sophisticated and multilevel models of governance where publicans, through contracting schemes and sometimes through networks of *societates*, were executors of several public duties, such as maintaining local facilities and collecting taxes (Poitras and Willeboordse 2019).

However, the perceived impurity of hybrid governance has raised concerns regarding how to tame the monstrous characteristics of hybridity (Vakkuri and Johanson 2018). One conspicuous argument was offered by Jane Jacobs (1992), who suggested that even though governments and markets have deficiencies, both are needed by society. The real threat comes from the introduction of monstrous hybrids combining hierarchical government with fluid business practices, which corrupt government activity and distort healthy profit-seeking. Societies and social decision-making systems favour clarity and consistency, which motivates them to apply clear, divisible and easy-to-measure categories of institutional activities. In such a context, hybridity manifests itself as a threat to clarity and consistency, accounting for ambiguous forms of organising that are in constant need of simplifications.

Governance deficits and a lack of accountability have led to discussions about which models and instruments could be used to ensure the efficient and sustainable provision of public services (Osborne 2007). The design and effects of governance reforms and governance issues, such as high-performing management structures, are of special importance. What about the third sector – that is, the realm of non-profits and other voluntary organisations? Hybridity can be seen as a result of a layering or sedimentation process of steering mechanisms such as traditional public administration, NPM and new public governance joining public, private and third-sector activities. Moreover, hybridity also exists in identities, actions and practices in which the agents are real people executing their duties (Noordegraaf 2007). Politicians, public and business managers, street-level workers and professionals work together in hybrid settings. It is crucial to explore the links between institutional structures, logics and the people in different settings of hybridity.

From multiplicity of values to multiplicity of value creation logics

Value has a mixed, polysemic and ambiguous character (cf. van der Wal and van Hout 2009). In principle, hybrids should be able to provide several distinct categories of value simultaneously. This is primarily because

an important part of value that is relevant to societies is not created through business firms or the governments alone, but as a collaborative or “collective” process with complementary resources, capacities and capabilities (Mazzucato and Ryan-Collins 2019). For instance, private enterprises attune themselves not only to providing value to their shareholders but also to satisfying the needs and demands of their wider stakeholders. On a global scale, corporate social responsibility may operate in quite different social conditions. Within the developing world, corporate responsibility for the well-being of employees can function as the main source of social and health benefits. Such responsibility guarantees a safety net for employees in case of negative incidents affecting employee well-being. To put it otherwise, corporate responsibility may well exceed legally stipulated requirements in circumstances in which the government cannot meet the citizens’ demands for services. The promotion of societal objectives can be lucrative for achieving business goals, increasing the reputation of the enterprise and attracting prospective employees to the company.

In economic thought, common-pool resources and club goods provide one platform for the analysis of value creation in conditions of externalities and difficulties in the exclusion of possible beneficiaries. The principles of valuation can contradict one another, and within the hybrid context, the valuation of performance relates to multiple and possibly conflicting perspectives. Despite its ambiguities, hybrid governance can be a viable solution to the value creation problems of society. The legitimacy of the goals, outputs and outcomes may serve as a source of continuity of hybrid activities. We can tolerate ambiguous entities due to their noble goals of doing good for society while doing well in financial terms (Kreps and Monin 2011).

Value means different things to different people, institutions and organisations. Accordingly, doing value incorporates the intrinsic characteristics of polysemy and ambiguity. Our illustration of the verbs of doing value (Table 1.1) indicates that most of such doing involves combining previous or existing categories of value. This may explain why and how actors “blend,” “share,” “mix” or “co-produce” value. Moreover, within an institutional system, some actors “produce” value, while others “capture,” “appropriate,” “retain” or sometimes “destroy” value. Based on such reasoning, value cannot be encapsulated in one single definition or concept, let alone in a single index or measure. Rather, we are dealing with different types of value simultaneously. How can we understand such multiplicity?

Value creation logics may be treated as highly central to the institutional functioning and survival of hybrid activities and organisations (Besharov and Smith 2014). Hybrids intend to meet varied demands and expectations from different institutional environments with multiple institutional logics. Therefore, multiplicity, competition and, sometimes,

the conflict of institutional logics have an important impact on the ways in which hybrid institutions create value. Let us consider two variations of value creation logics in hybrid settings. First, different value creation logics may co-evolve separately in a single hybrid setting. The problem may be the simultaneity of incompatible value creation logics and managing the respective complications of distinct value creation logics. Paradoxes may exist at different stages of such managerial endeavours. For instance, health care organisations may include separate and conflicting value creation logics, of which some focus on facilitating business value while others pursue social or professional value (Jay 2013; Pache and Santos 2013). Second, the object of value creation efforts – value(s) – may become hybridised through distinct value creation logics. We may see mechanisms of blending, sedimentation and layering, each of which represents different nuances in the dynamics of value creation processes. The outcomes of value creation are different from what they were at the previous stages of institutional design.

As regards the role of multiple constituencies in value creation, several forms of hybridity may be recognised. For instance, in social enterprises, it is important to distinguish customers from beneficiaries and analyse the implications for value creation. Integrated hybrids are able to pursue their missions by integrating beneficiaries with customers. For example, micro-finance organisations may pursue both business and social goals by providing loans to their customers (Ebrahim et al. 2014). On the other hand, in the case of differentiated hybrids, where customers and beneficiaries are separate groups, serving customers does not contribute to the welfare of beneficiaries, or vice versa. For these hybrids, producing business value is different from producing social value.

In hybrid settings, multiple institutional logics have often been considered a source of competition between logics (Kreps and Monin 2011; Quélin et al. 2017). Multiple logics sometimes contribute to conflicts in institutional settings; in others, multiplicity may be a source of innovations. We may talk about logic compatibility, consistency and coherence of multiple logics in creating and reinforcing higher performance and successful organisational action. The greater the compatibility of distinct value creation logics with respect to the goals of the organisation, the more stable and more aligned the hybrid organisations will be (Binder 2007; McPherson and Sauder 2013; Besharov and Smith 2014). However, the multiplicity of value creation logics also coalesces with the competition and conflicts of logics. It may not be easy to identify the winners and losers of value creation logics, as this depends on how we see the temporality of value creation logics. In other words, the plurality of value creation logics may imply not only competition and conflict but also harmony and collaboration. A conflictual setting might be a transitory phase or a more stable and permanent form of interaction between logics (Polzer et al. 2016).

Linking value creation mechanisms and hybridity

We are interested in exploring the impacts of dissonance – that is, diverse and ambiguous criteria for valuation and performance evaluation in hybrid settings of governance and organisations. We explore three mechanisms of value creation pertinent to hybrid settings, systems and organisations: (a) mixing, (b) compromising and (c) legitimising value in hybrid settings (Figure 1.1).

Mixing distinct value categories may take several forms. One common feature of these forms is the act of combining some previous or existing value categories with the aim of contributing to novel variants of value. For instance, hybrids may blend value by amalgamating new combinations of value from original value elements, where new elements are not discernible from the old ones. Furthermore, there may be layered mixes of value where hybrids turn original value constellations into new constructs where the previous value layers remain visible.

Mixing forms of value may be understood through analogies of the chemical process of combining physical ingredients with each other. Using this analogy, mixing may be a conscious process of combining two substances into a single entity, as in adding milk in your cup of tea. However, it might also be an accidental process which does not require particular human information processing, such as spilling your tea on the tablecloth, thereby producing a mess of stained textile and unconsumed beverage. Furthermore, experimental mixing may well combine conscious attempts with accidental elements, as in experimenting with substances without knowing their reactive outcomes. Have you ever tried putting milk in your lemon tea and been surprised as the liquid begins to curdle? In a similar fashion, mixing forms of value in hybrid settings of institutional activities may take place intentionally or unintentionally. The former refers to mixing forms of value “by design,” whereas the latter relates to mixing forms of value “by default” (Johanson and Vakkuri 2017).

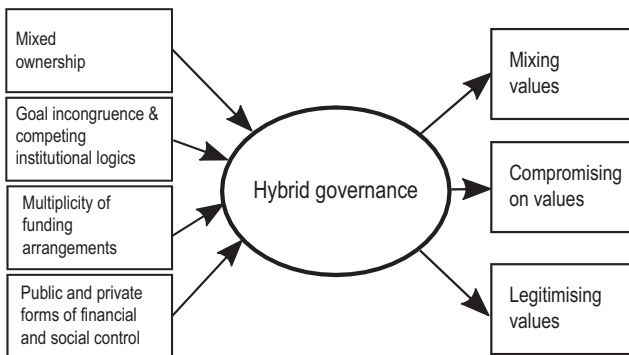


Figure 1.1 Linking hybrid governance with value creation mechanisms.

The growing outsourcing of government activities coincides with the global increase in market regulation. Another type of development is manifested in the increase of cooperative practices between individuals, communities, organisations and societies. The rise of networks between individual and collective persons makes it difficult to disentangle public and private actions and actors from one another. What are the practices by which public and private goals enmesh in the day-to-day routines of organisational life, whether in management-led hierarchies, loosely coupled networks of voluntary activities or professional-dominated communities? How do the actors cross the lines between public and private operators? How do the clashes between professionals and management relate to the distinction between public and private values? The dilution of the public–private distinction into multi-actor networks invites empirical scrutiny of the practical occurrences of public–private interactions. Some of these practices might present designed interaction patterns, such as public–private partnerships, while others might represent ad hoc solutions to unanticipated emergent problems. Hybrid settings may create value through important, sometimes unexpected, mixtures of public, private and other forms of institutional action (Godenhjelm and Sjöblom in this volume). This may result in new forms of social capital in society, forms of harvesting the long-term legitimacy of institutions or complementary sets of resource combinations between public and private sectors (Vakkuri and Johanson 2018).

One important example of a “by default” form of mixing value is the market emulating reforms of the past decades. A more businesslike, efficient and streamlined government has long been expected to save the financial resources of taxpayers and provide more customised services for citizens. Political influence on society, regulation of industries, demands for openness and transparency and public scrutiny of production point to the idea that government goals remain part of the resulting market arrangements. With respect to the value created, it would be tempting to assume that through this transformation from “hierarchies” to “markets,” or from “public” to “private,” there would be additional gains in value. In other words, there would be transformative value created through efficient mixes of public and private characteristics of management and finances (Mazzucato and Ryan-Collins 2019). However, no solid evidence of that exists (Hood and Dixon 2015). What makes this transformation interesting is the way such a process creates new value creation logics and new forms of value that are no longer private or public but something in between – that is, hybrids. They become transformed, blended and hybridised (cf. van der Wal and van Hout 2009). Mixing business-driven, managerial processes with public sector service delivery to attain transformative value in governments does not necessarily create pure markets but instead aims to keep most public policy goals in the policy apparatus while trying to introduce

competitive dynamics and market-type mechanisms to the public sector. Some value may thus be created, appropriated and complemented, and some value will most probably even be destroyed. What is important is the mechanism by which public policy rationales turn into often unexpected, unintentional outcomes of value creation.

Hybrids need to reconcile the different competing value creation logics by establishing compromises between them. *Compromising* forms of value creation in hybrid settings concerns solving explicit or implicit grievances among the interacting parties. This is particularly relevant in hybrid settings due to the importance of managing contradictory and even conflictual value creation logics. In a sense, we are no longer dealing with incidents in natural world analogies, but with social action among human beings and institutions. Not only does compromise require conscious attempts to reach meaningful social outcomes, but there is also an element of reciprocal interaction in the process. A compromise implies that the interests of both (or more) parties are taken into account in the resolution, and none of the parties gets to realise all of its interests (cf. Katoh in this volume).

Therefore, within hybrid organisations, a compromise may not always be fair, as some participants may need to give up more of their interests and preferences than they would like to, for the sake of compromise. Yet compromise is required to deal with the incompatibility of competing and conflicting value creation logics. Such an effort may involve a great deal of “balancing,” “sharing” or “blending” (Rajala in this volume). It may even include what Pache and Santos (2013) referred to as selective coupling. This indicates that when compromising between competing logics of value creation, hybrid organisations do not necessarily appropriate one total structure of logics for one specific purpose. Instead, they may use multiple logics to serve several parallel purposes and external demands. They shop for different characteristics and substructures of value creation logics. For instance, health care organisations may select some features of “social welfare logic” to justify their strategies and activities while still keeping most of the focus on business interests and values.

How are value creation efforts **legitimised**? For hybrids, this may be seen as an example of institutional impurity, suffering from a tension between hollow politics and lousy business. This is a significant puzzle. How do they measure the multitude of produced values? Who is to be credited and who is to be blamed for the results of public–private actions? The measurement of private and public activities is not easy, but the measurement of performance becomes even more complicated as the outcomes comprise qualitatively different measurement categories in hybrid settings. From the internal point of view, hybrids are inherently attuned to catering to the demands of multiple audiences: the government, citizens and clients, as well

as the competitive markets. This is equally reflected in value creation. Market or industrial logic is but one option in hybrid value creation. Hybrids can embrace, alternatively, the values of environmental sustainability, the safety of home or the social capital in the networked project environment. Hybrids can mix these elements in their performance. The actual forum often makes a difference in defining the actual performance of public-private actions.

Therefore, in terms of legitimisation, the multiplicity of value creation logics is both a curse and a blessing for hybrid organisations (Johanson and Vakkuri 2017; Karré in this volume). Incompatibility of logics may cause tensions, conflicts and locked-in problems, resulting in ambiguous and inconsistent forms of value, but they also give leeway to decide how to legitimise value for different audiences. Hybrid organisations may sometimes wish to remain hidden just because it is rational for them to do so. Different stakeholders and audiences are aware of the dissonance of value creation mechanisms and forms of demonstrating value. Hybrids may have the option to choose the modes of value they wish to demonstrate and not to disclose those forms of value they wish to hide.

Thus, gaining approval for activities provides constant complications to the value creation process. Consider the audience that needs to be convinced of the existing value creation regime. Legitimation of value creation might proceed through practical logic (it works), through tradition (it has been around for a while) or with trust in the community (they are able achievers). Furthermore, a number of concrete empirical subjects may capture our attention to value creation, such as environmental, civic or project values, which may alter and augment existing value creation regimes. Success in the value creation regime can be witnessed in the compliance and resistance of external audiences.

A widely known recipe for solving the legitimisation problem originates from the early institutional discussion on decoupling (Meyer and Rowan 1977; Bromley and Powell 2012). Incompatible elements of value creation are divided into two categories: those of symbolic elements that are used to conform to external legitimacy demands and those of actual operations that are needed to fulfil the everyday activities of the organisation. To legitimise their activities, hybrids are motivated to say one thing and to do another (Brunsson 1989). This solution may make sense and be feasible. In a more general sense, hybrid contexts are subject to specific forms of gaming in the legitimisation of value. With multiple audiences, it is tempting for hybrid organisations to make loose promises, as it is highly unlikely that the accountability system would be able to grasp all the broken promises or even attribute credit or blame in evaluating whether the broken promises are due to the success or failure of hybrid activities.

Table 1.2 synthesises our discussion on the three forms of value creation mechanisms: mixing, compromising and legitimising.

Table 1.2 Mixing, compromising and legitimising as forms of doing value in hybrid settings

	<i>Why is it relevant in hybrid settings?</i>	<i>How does it work in hybrid settings?</i>	<i>What examples could illustrate the value creation form?</i>
Mixing	Multiple actors concur with multiple values and the multiplicity of value creation logics. Innovative combinations are required and designed due to the incompatibility of value forms and categories.	Combinations of previous or existing value categories are created with the aim of generating novel variants of value. These combinations may evolve “by design” or “by default.”	National innovation and triple helix systems blending value creation logics and value forms from different levels of hybrid governance Public policy and management reforms for transforming value in governments, often in unexpected ways Microfinance organisations integrating value forms for their customers and beneficiaries by contributing to the self-sufficiency of citizens and small businesses. State-owned enterprises compromising values of society and social goals with those of business interests and global financial markets Hybrid organisations compromising over contradictory value propositions in their performance measurement systems Business corporations seeking a balance between shareholder value and other accountabilities to communities and society through active corporate social responsibility schemes.
Compromising	Multiple, competing, sometimes conflicting logics and aims coalesce with the need to seek compromises. Compromises are required for institutional survival and choice.	Reconciliation of the different, competing value creation logics through compromises. This concerns solving explicit or implicit grievances among the interacting parties.	In societal systems with fragmented interests and large public and private conglomerates, hybrid organisations can be conducive to increased social capital by bridging communities. Contrasting value creation logics of hybrid universities create legitimacy problems for performance evaluation schemes. On the other hand, universities may use measurement ambiguities for strategic purposes. Hybrid activities are not expected to be legitimate in all accounts, which gives hybrid organisations leeway to make choices about the most beneficial audiences and stakeholders.
Legitimising	Different audiences and accountability demands constitute a particular request for legitimising activities as well as creating legitimisation strategies in hybrid organisations and systems. For hybrids that may be seen as a variant of institutional impurity or as tension between hollow politics and lousy business, this is a significant puzzle.	In the value creation of society, hybrids as such may be used as a platform for harvesting legitimacy. Furthermore, legitimacy concerns provide both constraints from external audiences and society on hybrids and opportunities for hybrid organisations and systems to benefit from the multiplicity of legitimisation audiences.	

Mixing, compromising and legitimising value in the context of hybridity

This framing chapter explored two significant perspectives of value creation efforts. First, the notion of value creation is indeed a quagmire. Value, values and value creation are highly ambiguous constructs. It is not difficult to decipher that it is far easier to analyse optimal means to achieve value and value creation than to find consensus on what is valuable to people, institutions and society. Therefore, it is understandable that the analysis of form is often regarded as scientifically more legitimate and purposeful than analysis of the content. Perhaps this is one explanation of how human intelligence, with its variations of administrative pragmatism, manages to cope with concepts with no unequivocal content.

Second, our aim was to explore how the concepts of value creation and hybridity can be understood together, as with such combinations, societies aim to tackle highly important but complicated problems, such as supporting health, improving social and environmental sustainability and facilitating liveable communities for the urbanising world. The special mission of the chapter was to associate the value concepts and value creation mechanisms with the contexts of hybrid governance, where value has an ambiguous character and where institutions should often be able to provide several categories of value simultaneously. How is this possible? How can we understand the mechanisms of generating and doing value in hybrid settings with the multiplicity of ownership structures, diversified sources of funding, competing and conflicting institutional logics and mixed forms of social and institutional control?

In the chapter, these questions were addressed by unravelling the basic characteristics of value creation. This elucidates the rich variety of doing mechanisms in value creation, but without context-specific links to characteristics that would be important for understanding links between public, private or third-sector actors and organisations – let alone institutional logics shaping the behaviours of such organisations as well as professions, managers and people. Based on such reasoning, it makes sense to argue that some forms of value creation may be more present and important in certain institutional settings than in others. However, even more important is the way in which the links between value creation and hybridity may be comprehended. In the chapter, this was analysed through complexities in governing and managing conflicting value creation logics within a single hybrid setting to make sense of hybridised products of value creation in society, as well as to explore value creation through multifaceted interactions of different levels of hybrid governance. This has motivated us to reflect on three forms of value creation mechanisms relevant in the context of hybridity: mixing, compromising and legitimising. Mixing is pertinent, because the impetus for combining value creation logics and value propositions becomes particularly crucial in hybrid settings. Compromising is important, because seeking and finding

compromise over parallel, competing and sometimes contradictory value creation logics is necessary for the institutional survival of hybrids. Finally, legitimising matters, due to the fundamental nature of hybrids, which, as outsiders of the “safe” and already legitimised public and private categories of institutional life, need to find their institutional niche in an innovative manner. As discussed, this is not only a curse for hybrids; it may also open up new avenues for strategic thinking, unexplored activities and novel institutional choice.

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2 Presenting the topics of the volume

Jarmo Vakkuri and Jan-Erik Johanson

This volume builds conceptual foundations to understand hybrids' value creation in their institutional contexts, offering insights into the dynamics of hybrid action and providing descriptions of the multiple levels and rationalities of their survival and productive capacities. This volume's chapters offer a variety of contexts, conditions and processes for hybrid activity and settings that address several types of value "content," for example, financial, social and public value, further characterised by multiple "forms" of doing value. The myriad of value-creation concepts introduced in Chapter 1 gives rise to the analytic distinction into mixing, compromising and legitimising value. This edited volume is organised thematically based on these conceptualisations (Figure 2.1).

The book covers a variety of geographical locations, such as Europe, Asia and South America. In terms of hybrid contexts, the chapters deal with state-owned enterprises, universities, health care services, urban development, pension policies, social services, voluntary action, boundary-crossing activities and project work. Some of the research subjects, such as state-owned enterprises and universities, are more or less hybrid in nature in incorporating parallel, and sometimes incongruent, goals. Other institutional contexts, such as social service production and voluntary action, have developed hybridity to generate new forms of value and find ways to adapt to changing environmental conditions. Hybrids need tools to create mutual understanding of their motives, actions and goals. For them, strategic goals and performance measurement can work as boundary objects in building common points of comprehension.

This book highlights hybrid activity's problems and complications, but the chapters also present hybrids' advantages in terms of their value-creation potential. We wish to highlight that hybrids contain both value-generation and value-destroying elements. Indeed, hybrids are equipped with multiple rationalities and value-creation logics. For us, this means that finding their value-generating capabilities requires not only thoughtful scrutiny but also, to some extent, new explorations of the ways in which our fairly limited notions of value creation could be revisited in the first place. Fundamental virtues of value creation need to be combined with the idea of hybrid action, which involves a multiplicity of goals, audiences and accountabilities.

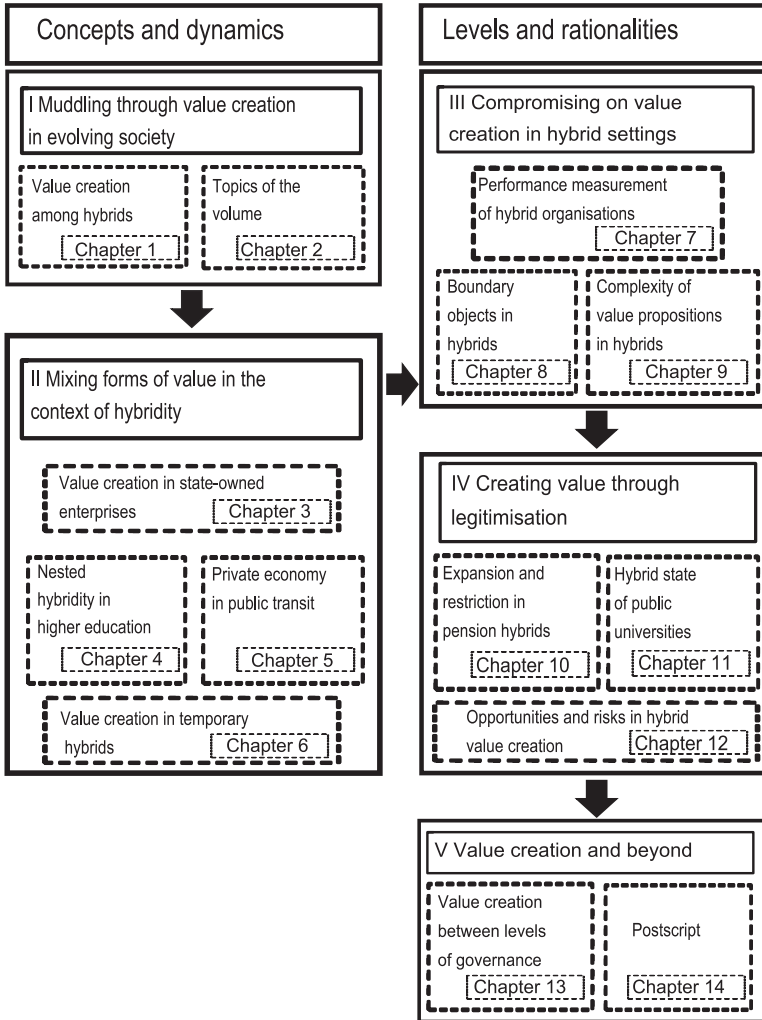


Figure 2.1 Exploring value creation perspectives in hybrid governance.

The problem of understanding value creation in hybrid contexts lies in the difficulties in dealing with such multiplicity.

Chapter descriptions

Mixing value forms in the context of hybridity

Value has a mixed and, therefore, ambiguous character. As hybrids should be able to provide several distinct categories of value simultaneously,

mixing as a value-creation mechanism becomes important and, to some extent, necessary for institutional survival. Mixing refers to the process of combining previously created or existing value categories. The aim is to contribute to novel variants, blends and layers of value, the characteristics of which are addressed eloquently in the chapters of this section.

The examination of Brazilian state-owned enterprises (SOEs) demonstrates the inherent problems present in the demarcation line between government and business, and between public interest and profit-seeking. Moreover, Fontes-Filho and Carris de Almeida's discussion showcases society's constellations, as well as the distinction between the trust within tightly knit community groups and a lack of trust in members of other groups in society. SOEs can be viewed as one way to integrate fragmented interests into large conglomerates, which cannot be reached otherwise due to problems in bringing communities together. In this sense, SOEs' functioning mirrors society's functioning, but SOEs also provide solutions to societal problems. Of course, some of the difficulties originate from aspects of Brazil's political system and its various complexities, but the examination illustrates the need for perseverance and patience in the operation of hybrids, which are well-characterised by the distinction between "the house" and "the street" in Brazilian folklore. Tolerance of ambiguities and conflicts is a valuable commodity in governing with contradictory goals in a single system of decision-making. Thus, the solution created is far from perfect, but it may be able to mix some value forms that would remain hidden otherwise.

The combination of hybridity, value creation and the university context resembles a Russian nesting doll, with multiple internal layers that each decrease in size. The nature of hybridity changes in moving from the university system level to the analysis of academics and professionals in performing their day-to-day duties. Pekkola et al. study the impact of nested characteristics of hybridity on value creation at universities. Nestedness manifests itself broadly in value regimes. Within the system level, competition exists between preferred types of public values, whereas among academics and professionals, a rivalry exists over professional values. Nested hybridity portrays a battlefield with multiple frontiers and uncertain results. While higher education systems are tools for economic progress and political control, they also reflect professional groups' relative power positions. The outcome of these struggles is highly indeterminate and extends any simplistic notions of managerialism, as the value of knowledge production depends on the type of production regime. Nested hybridity enables us to view the highly sophisticated system of institutional mechanisms that shapes both internal and external dynamics in higher education. Furthermore, the multiple levels of hybridity elicit the idea that higher education institutions are robust in their constitution not because of their influence or strengths but due to their fundamentally fragmented constellations, which evade straightforward implementation of any single-minded policy goals.

The case example of Chinese bike-sharing practices, by Xu and Lu, explores the process of mixing value among different actors at different levels of hybrid governance. The chapter links an interesting day-to-day activity with important and complicated problems of urban transportation in big Chinese cities. In addition to public provisions, private enterprises offer bike sharing to their customers, aided by web-based charging and GPS searches for their location. The activity's sheer size is staggering. It is estimated that in China in 2017, nearly 20 enterprises launched operations comprising 20 million bicycles. The governance question relates to the choice between public and private provision of the service, as well as logistics, for example, storage spaces for the bicycles, recycling retired bicycles' parts and dealing with bike vandalism and theft. This Chinese case illustrates some of the important policy problems in mixing value forms among citizens, cities, central government, private enterprises and non-profits. Furthermore, it demonstrates how value mixes may be understood as multifaceted and multilevel relationships that facilitate common "goods," as well as regulate "bads" and undesired consequences. Societal contexts instigate highly diversified bases for value creation in important policy settings, such as urban sustainability.

Godenhjelm and Sjöblom portray projects as octopus-like arrangements that incorporate mixed ownership, goal ambiguity, varied forms of finance and different sources of social control. Projects are equipped to integrate several participants in temporally bound endeavours, not only governments and businesses but also voluntary actors and non-profits. Regarding value creation, projects can produce trust, create shared learning experiences and might help adapt to changing conditions by mediating conflicting interests. Moreover, projects are instrumental in crossing the boundaries of multi-level governance between supranational goals and local action. Indeed, projectification introduces a novel aspect in hybrid arrangements. Projects are not, by definition, hybrids in combining public and private interests together, but they have the ability to do so. In other words, with the strength of adapting to rapidly changing environmental conditions, projectification incorporates an important potential to facilitate public value creation. The value of such efforts cannot be assessed solely on the basis of the success of projects as mere "projects," but rather on their integrative function of joining people and actors together who would have been disconnected otherwise. In particular, for projects with hybridity characteristics, this should be an important criterion for defining the value and effectiveness of projects' efforts.

Compromises in value creation in hybrid settings

Due to the importance of governing and managing competing, in many cases, contradictory and even conflictual, value-creation logics, compromised value-creation mechanisms are deeply embedded in hybrid settings.

Actors and organisations are incentivised to reconcile competing value-creation logics by establishing different types of compromises between them. In this part of the book, the authors seek to understand the richness of compromising processes in hybrid activities and the respective impacts of such compromises on hybrid value creation.

The chapter by Campanale et al. associates the multiplicity of different actors' values within a hybrid governance setting with how that multiplicity might be addressed in performance-measurement solutions. The study draws on two cases of non-profit hybrid organisations in the context of social services in Tuscany, Italy. The two organisations are similar in terms of several hybridity characteristics. They both rely on citizen participation and the mission of mutual solidarity in managing social services. A shared perspective on compromise regarding performance measurement also exists. The community values of cohesion, mutuality and welfare appear in performance measurement, whereas funders' perspective in terms of efficiency and standardisation of services is largely absent. The chapter addresses the issue of the most vulnerable groups in society. The way in which the needs of the most marginalised groups are taken care of tests any society's morality. Hybrid arrangements are instrumental in channelling multiple sources of funding and resources to those whose voices do not easily capture the attention of corporate boards of directors or political decision-makers. The chapter makes us recognise that the multiplicity of value perspectives may create complicated choices for performance evaluations, as well as facilitate opportunities to develop more comprehensive and inclusive performance measurement systems. Contemporary theoretical thinking clearly lacks an in-depth understanding of rationality ideals in hybrid contexts in which dealing with multiple values actually may be a virtue for measurements.

An enduring dilemma facing value creation among hybrids concerns the problem of boundaries. Value is created, produced and facilitated by different sectors, professions and institutional cultures, making boundary-crossing activities particularly important among hybrid settings. Problems with comprehension, comparison and compatibility arise, requiring active involvement of the participants to solve these obstacles and create compromises on value creation. This does not point to a political idea on finding a compromise but rather to a fundamental need for connection and to understand others. When faced with different ideas, logics and practices, boundary objects serve as devices for establishing meaningful interactions and mutual comprehension between individuals of different institutional backgrounds. Tomi Rajala elaborates on hybrids' boundary objects in their formation of goals and performances. The chapter provides insight into the often incidental nature of selecting boundary objects for practical use within hybrid settings. Moreover, the chapter illustrates the nuanced methods of creating compromises, for example, by using conceptual extensions to define a common base for value creation while allowing for high goal incongruence between actors.

The case examination of hybrids in Japan opens up a view on the fluid nature of arrangements in Green Fund Akita, which does not follow organisational structures of the industrialised West. The chapter reminds us of the keiretsu structures of Japanese industries, which combine astonishing complexity with several functionalities in their operations. Green Fund Akita is a hybrid system that aims to incorporate traditional non-profit actions with both business logic and principles of cooperative movement into a multi-purpose entity without clear organisational boundaries. The case illustrates the ways in which profit-driven production goals, the building of communities and sustainability can be organised and governed together to contribute to regional development. This may not be a perfect solution or combination but rather may be viewed as a compromise that, to some extent, manages to cover highly complicated and incongruent goals of value creation simultaneously.

Creating value through legitimisations

For hybrids that may be viewed as institutions balancing between hollow politics and lousy business, legitimacy is definitely a crucial concern. Legitimacy demands from external audiences and society impose constraints and limitations on hybrid activities. However, the same concerns may provide opportunities for smart hybrid organisations and systems to benefit from the multiplicity and fluidity of legitimisation requirements. Moreover, hybrids themselves may be viewed as a platform for harvesting legitimacy. Thus, legitimising value is about not only justifying past value-creation activities but also recognising that value is created through legitimisations. The chapters of this section address such a rich and nuanced picture of legitimacy in hybrid activities and organisations.

Value propositions specify the value that matters and define the institutional logics that guide value creation. Hybrids, due to their ambiguous nature, need to not only satisfy the needs of their multiple stakeholder groups but also convince their constituencies of the importance of institutional arrangements' long-term stability. In most cases, no specific, individual measures define value, that is, we can recognise it only by observing how relevant actors and actor networks can solve disputes through justified actions. Sorsa studies such complexity of value propositions in the hybridity context through two models of pension policy schemes: "World Bank hybridity" and "corporatist hybridity." Uncertainty in the Finnish pension system was related to emerging fragmentation and complexity, while in the Netherlands, the main issue was coverage and solidarity between different stakeholder groups. The chapter reflects value-proposition thinking in two ways. First, expansive value propositions suggest that hybridity is used to create broader value than what conventional institutional arrangements can offer. Restrictive value propositions, in turn, deploy hybridity to regulate and constrain the logics of conventional institutional arrangements.

One interesting finding from the introduction of business logic in universities is the perceptual influence of embracing for-profit ideology. When one begins to view academic work as market activity, academics themselves start to value their work in terms of outputs, outcomes and capabilities to respond to “market expectations.” The calculation and quantification of outputs become important in legitimising value. Habersam et al. explore the ways in which entrepreneurial thinking begins to invade all areas of academic work, regardless of its initial limited applicability. This is also a story about changing orders of worth, from embracing civic and community values to espousing market value. While striving for more business-like practices, universities have created idiosyncratic means to cope with legitimacy needs. Universities’ emerging bottom-up micro-level tactics enable the combination of separate and sometimes conflicting macro-level strategic goals. There was little indication of substantive change in the ways in which research and teaching were valued. Interestingly enough, the main consequence was perceptual. Academics began to view their environments as more competitive, and they started to benchmark themselves against others through the use of performance indicators. Habersam et al.’s chapter intelligibly examines the problems of legitimising value in hybridised university systems. The ability to live with diverse rationalities and competing legitimacy concerns is one of the enduring value-creating processes at public universities that the hybridity perspective may help unveil and develop further.

Philip Karré discusses opportunities and risks regarding value creation among two types of hybrid organisations: those operating at the nexus of the public and private sectors, such as state-owned enterprises and quangos, as well as those seeking to combine value-creation logics of public, private and third sectors, such as social enterprises. Karré elaborates on the complicated problem of value creation in hybrid settings, in which opportunities and risks may be two sides of the same coin. For instance, hybridity may provide room for innovation and experimentation through the multifaceted characteristics of organisational missions, but the very same characteristics may facilitate excessive goal ambiguity and mission drift, thereby detrimentally impacting hybrid organisations’ legitimacy. Such a heads-and-tails situation helps us understand the tricky problems of legitimisation in hybrid settings. The chapter proposes that opportunities with value creation associated with hybridity features should be balanced with accompanying risks. Perhaps the intelligence of hybrid organisations lies in finding such a balance, and that hybrid organisations’ performance compared with other hybrid organisations should be assessed based on that principle. Furthermore, the chapter convincingly argues in favour of more fully understanding the characteristics, clashes and complications of value-creation logics in hybrid settings. This is important for scientific research on hybrid governance and organisations, as well as policy practices worldwide.

Value creation and beyond

The final section of the book includes two chapters, the first by Johanson and Vakkuri and the postscript by Barry Bozeman. Johanson and Vakkuri discuss the levels of interaction in hybrid value creation by demonstrating the need to go beyond organisationally constituted notions of value and, even more importantly, to understand the roles and sources of value creation throughout different societal levels. In essence, hybrids can unite public, private and voluntary actions, but motivating forces and activity-building engines are attuned to value creation differently. Within the public sphere, the political decision-making arena is the main engine of the government, and individual firms and their collective aggregations are able actors, as are local community groups. Top-down government value-creation efforts are contrasted with the value-capturing endeavours of private enterprises and with the restrictions on beneficiaries in local communities. The bottom-up developments in hybridity originating from voluntary actions or business endeavours not only require diffusion of adaptation to make a significant contribution but also need to gain approval for their continuous activity.

In his postscript, Barry Bozeman provides an interesting account of the notion of public value by asking what it actually is, how we should understand it in the context of current market societies and to what extent we can identify and evaluate public value. Moreover, the chapter calls for greater scrutiny of public value by asking what might be similar or different in public value if the concept's content and implications entailed comparisons between public, private and hybrid organisations. Extant research in this area exists, but, as Bozeman argues, it definitely is not enough. Given that as a scholarly community, we have an ambition to conceptualise public value as being related not only to residuals or failures of market activity, or to government activities, but also to different types and levels of contribution to the public sphere, we have an important mission. The concept of public value should be updated to meet the needs of the hybridising societies.



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Part II

Mixing value forms in the context of hybridity



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3 The quest for value creation in state-owned enterprises

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Introduction

The state-owned enterprise (SOE) is a strategy of the state to explore an economic activity. The SOE is designed to meet the need for faster response, adaptable to the demand, using efficient tools and reducing the bonds and controls that limit state action. These companies may be entirely or partially state-owned. When they are partially state-owned – common in emerging economies – the state remains in control of the company, but private investors publicly trade part of the company’s shares in the stock market. The possibility of publicly trading contributes to improving the SOEs’ efficiency and performance, increasing the external monitoring by the market and other agents and favouring access to capital, as well as refining corporate governance standards, due to the disciplinary effect demanded by the presence of external shareholders (Organisation for Economic Co-operation and Development [OECD] 2016).

Although the rationale for SOE varies among countries and industries (OECD 2015), these companies are established to address market failures or institutional gaps and guide their operation grounded on the mission that underpinned their creation. They are usually designed to produce a benefit to society, but when using equity funds from private shareholders, they also need to achieve the investors’ goals related to financial performance and profitability. Thus, when private investors hold shares in a SOE, the company must observe two institutional logics – political and commercial – which is a characteristic of hybrid organisations (Alexius et al. 2019). Conflicts between these logics may result in dysfunctions and dilemmas in decision-making about the company’s performance, priorities, strategies and values. Hence, the social function of the listed SOE must coexist with the logic – and expectation – of value maximisation for shareholders.

Listed SOEs are important instruments of the state, subject both to the constantly changing political orientation and to the market pressure for results and creation of economic value. In this context, SOEs must develop strategies to operate considering these different and antagonistic pressures, usually combining practices to find a compromise among the diversity of

interests and expectations or ritually stating a logic, without implementing it when at the operational level (decoupling) (Pache and Santos 2013). Whatever the strategy adopted, it turns out that the listed SOE becomes internally fragmented and inconsistent, either because it is not allowed to be fully dedicated to the goals of a single logic or because it adopts a behaviour that external constituents perceive as false or different from what was expected.

For Jensen (2009), an organisation that does not appear complete and is not capable of honouring its word has a flaw in integrity. For the author, from a purely positive perspective, integrity is “the state of being whole, complete, unbroken, unimpaired, sound, in perfect condition” (Erhard and Jensen 2017). When considering “integrity” under a positive perspective (therefore different from the normative one), it represents a factor of production as important as knowledge and technology. Thus, it is possible to identify a causal link between integrity issues derived from conflicting or overlapping objectives and poor performance and value creation in organisations.

Listed SOEs are likely to have difficulties maintaining integrity and focus, due to their hybrid nature and the need to realign to the constant changes in political orientations. Therefore, this paper aims to assess how the hybrid nature of these organisations influences their performance and value creation, particularly observing the elements associated with state-ownership.

From the literature review on hybrid organisations, we identified a group of issues representing the essential pressures that could influence the behaviour and jeopardise the performance of listed SOEs. They were used to elaborate the script of semi-structured interviews that were conducted with 17 managers, board members and specialists in SOEs, selected based on the snowball sampling approach. The analysis carried out allowed identifying the limitations on these companies’ performance and value creation due to their hybrid nature, particularly the limitations related to the state ownership. The participation of the government weakens the company’s capacity to keep promises, hindering values and ethical principles and negatively affecting the company’s governance, since the government’s control over the SOE may be affected by political alliances that may undermine clarity, convergence and stability of the company’s goals in the long term.

The theoretical framework presented in the next section summarises the concepts and references on organisational hybridity and integrity used in the study.

Hybrid organisations and their multiple logics

According to Jay (2013), the term “hybrid organisation” has two prominent uses in the literature. One of them is based on ideas by Walter Powell, exposed in his 1990 book *Neither market nor hierarchy: Network forms of*

organisation. The second is used to describe organisations in which there is a combination of public and private institutional logics.

When considering this second perspective, hybrid organisations are defined as institutions that have to meet or operate on two different institutional logics, usually combining a search for profit and social missions (Eldar 2017). They operate in a grey area between the public and private sectors, the most cited being cooperatives, mutual companies, social enterprises and state enterprises. They are situated in a context of institutional plurality that requires the incorporation of often-conflicting elements of multiple institutional logics (Mair et al. 2015). For these authors, there are three characteristics of hybrid organisations: they involve a variety of stakeholders; pursue multiple and sometimes conflicting goals and engage in divergent or inconsistent activities. Hybrid organisations may differ from one another in terms of finance, ownership and organisational structure, and the differences can be explained by the fact that each of them develops according to their history and purposes (Grossi et al. 2015).

The Economist (2009) published a report on “the proliferation of hybrid organisations that blur the line between the public and the private sectors.” The report says that “they are confusing entities that seem to flit between one world and another to suit their own purposes.” Based on the national SOEs of Dubai, China, Russia, Norway and Brazil, the hybrid model allows associating the public sector’s security with the private sector’s boldness, which facilitates raising funds from all over the world “at a favourable rate, thanks to ‘implicit’ government guarantees.” In addition, the report reminds that a hybrid company may use the political influences “to outperform their less well-connected rivals.” On the other hand, these companies are intrinsically confused and subject to many contradictory pressures. Therefore, their internal operations are not easy to understand, and their behaviour is hard to predict (The Economist 2009).

According to Pache and Santos (2013), the existence and operation of hybrid organisations pose challenges to the conceptualisation of organisations as entities that reproduce a single coherent institutional model as a way to obtain legitimacy and relevant external support. Because they incorporate institutional logics that are not always compatible, hybrid organisations may face challenges in maintaining antagonistic management practices that may not work easily together. They need to address the conflicts and disputes between the groups that represent or advocate the different logics, trying to make one prevail over the others, expanding the institutional conflict.

Hybrid organisations assume different forms, combining aspects and finding themselves between the spheres of public and private organisations. Johanson and Vakkuri (2017) argue that the level of hybridity depends on the characteristics of the ownership and the forms of funding, the incongruity of objectives, as well as the forms of financial and social control. The ambiguities of the operation raise questions about the organisation’s

spatial location, the source of legitimacy, the classification principles and the method of evaluation of hybrid activities.

Pache and Santos (2013) studied the strategies adopted in four hybrid organisations when dealing with the contradictory pressures of social and commercial logics. They observed that the organisations selectively used intact practices from each of the logics, instead of adopting the decoupling strategies usually mentioned in the literature (when organisations create and maintain gaps between symbolically adopted policies and the manifested organisational behaviour), or compromising, which is characterised by its attempts to adopt institutionalised references or recipes. This strategy allowed them to inspire legitimacy for external stakeholders without having to engage in costly deception or negotiations.

Alexius and Furusten (2019) consider that hybrids represent a legitimate and well-adapted actor to engage multiple stakeholders in a dialogue towards social innovation since they bring together different logics and institutional orders, connected to an explicit social mission and performance as a business in the market. The ability to balance the distinct institutional logics is the source of legitimacy to hybrid organisations when engaging stakeholders in broad dialogues, presenting possibilities for social innovation and public service.

Despite evidence of the impact and benefits to society, field studies point out that hybrids are organisations subject to the risk of internal tensions and vagueness in the mission due to the maintenance of incompatible goals and may face difficulties in achieving financial sustainability (Santos et al. 2015). According to Besharov and Smith (2014), multiple institutional logics represent a “theoretical puzzle.”

Value creation and the challenge of multiple institutional logics

The effectiveness of any organisation depends on the value it creates for its stakeholders. Lepak et al. (2007) consider that the concept of value creation is still poorly understood and there is little consensus on what value creation is or how it can be achieved. Bowman and Ambrosini (2000) separate the concept of value into two parts, *use value*, referring to the perceived value by the customer, and *exchange value*, relating to the price or to the value paid by the buyer to the producer by the perceived use value.

By operating in multiple contexts, subject to multiple rationalities and different expectations from distinct groups of customers, users or stakeholders, hybrid organisations may be subject to a reduction in value creation capacity, as they must split their efforts to meet different demands. The hybrid nature requires an ability for the organisation to decide which stakeholders it intends to address and prioritise, what needs will be met and what value will be delivered. The hybrid organisation can become subject to alignment with multiple rationalities, leading to conflicts in the internal environment.

Hybrid organisations, like SOEs, focused on creating spaces and opportunities for activities aimed at financial return while meeting public policy and addressing social goals, have an additional challenge. In addition to delivering economic returns to the private investor, they need to decipher the conundrum and the implicit complexity of defining public value, and its diffuse beneficiary, and align the contributions generated to both groups. While in the private sector the value created for shareholders or owners is easily identified (Lazonick and O'sullivan 2000), for the public sector the definition of value is more blurred (Jørgensen and Bozeman 2007) and depends on the capacity of the public actor to offer effective responses to the collective needs or demands desired by the society (Moore 1995).

However, the orientation to create such different values, public and private, can have significant implications for the organisation, undermining its performance. Porter (1980), proposing his model of generic strategies based on low cost and differentiation, considered that these models would be mutually exclusive, or “a recipe for disaster” (p. xiv). The lack of focus and clarity in an ambiguous strategic positioning would make it difficult to match the requirements of a model based on efficiency and the lowest production cost with one of real differentiation, capable of adding a premium price to its products and services. A company trapped in the midst of two distinct strategic logics would also likely be subject to operating under a blurry organisational culture and a conflicting set of organisational objectives and motivation system.

In the same perspective, Erhard and Jensen (2017) consider that organisations that act in their entirety – complete, unimpaired, sound and in perfect condition – may have undermined their achievements. For the authors, who follow a positive perspective of the concept of integrity, related to workability and performance, integrity represents a factor of production, similar to knowledge; technology; and human, physical or social capital, and its absence harms the individual, the organisation and others.

The literature has shown that an individual or an organisation has integrity when they are whole and complete and honour their word (Jensen 2009). Hybrid organisations, however, may be tempted to adopt decoupling strategies (making distinctions between policies and practices followed only symbolically and the manifested behaviour), or compromising, responding partially and in what is essential to the different demands of interest groups, or selectively adopting intact practices associated with each institutional logic (Pache and Santos 2013). Thus, the decoupling strategies used by hybrid organisations, such as SOEs for survival, legitimacy and institutional support, may result in severe limitations on their integrity and, consequently, their performance.

Koppell (2006) notes that the conflicting nature of objectives in hybrid organisations undermines the possibility of external control, especially by parliament, as well as the establishment of coherent goals and performance appraisal. Establishing an appropriate mix of trade-offs across the

organisation's objectives is a very serious challenge for the principals, the political system, but leads to a comfortable way for the agent to behave, since any preference seems unfulfilled or vague. As he points out, while lawmakers typically define contradictory policies such as tobacco product subsidiaries and promote anti-smoking campaigns, this contradiction rarely occurs within the same agency, as is the case with hybrid organisations. In seeking to respond appropriately to contradictory objectives, these organisations face the risk of establishing a multiplicity of interpretations and reinterpretations that make it difficult to ascertain if and when they have been met. In another study, Koppell (2005) analyses that organisations that try to meet conflicting expectations are probably dysfunctional, ending up not pleasing anyone while trying to please everyone, promoting the "disease" he calls multiple accountability disorder (MAD).

The lack of clarity of the mission provided by a single objective function, as represented by profit or shareholder value maximisation in private companies, can lead to managerial confusion, conflict, inefficiency and even a failure in competition. Because of this integrity failure, the presence of multiple objectives or missions in a hybrid organisation makes it mathematically impossible to develop a maximisation function as it does for a single objective (Jensen 2010). Moreover, in a multi-purpose organisation, the power of the principal is reduced and the manager's (agent's) discretionary power significantly increased. In public organisations, this represents a transfer of power from the political system to the bureaucracy, or to administrators appointed by specific political groups.

State-owned enterprises in Brazil

SOEs are businesses with strong international presence and relevance in economic and social terms, even after years of privatisation efforts throughout the world. According to Büge et al. (2013), SOEs accounted for more than 10% of the 2,000 largest global companies in the 2013 Forbes Global ranking, representing about 6% of the global GDP, and present in 37 countries. However, these companies' performance is not always consistent with expectations. According to *The Economist*, the most important SOEs, from several countries, that went public or raised private funds between 2000 and 2010, reduced their participation in the global market capitalisation, from 22% in 2007 to 13% in 2014 (The Economist, 2014).

Usually, SOEs can be classified into two groups according to their ownership structure. They can be SOEs controlled by the state as the only investor, or they can have the participation of private investors forming a mixed-ownership company, which is the case of publicly traded SOEs.

However, the business nature of SOEs is not often sufficient to avoid the influence of different political and economic interests. Particularly in the case of listed SOEs, their objectives become multiple, and there are conflicts between the necessary business efficiency and the accomplishment of the

enterprises' social function in pursuing the collective interest that justified its creation.

The listed SOEs operate according to different institutional logics, oriented simultaneously towards profit and fulfilment of social function. From a business perspective, the listing in the stock exchanges increases the possibility of benchmarking with other companies according to parameters of efficiency and performance, affecting the ability to obtain funds (both quantity and costs) in order to finance their projects. Adequate shareholder remuneration is key to maintaining a stable and future capital flow.

From the state's point of view, SOEs have a social function and must serve to the collective interest, often participating in the implementation and funding of public policies, even assuming activities that are not compatible with their mission. Politics play a relevant role in the performance of SOEs, promoting or jeopardising the company's development. Politics may harm the company's development by inspiring instability and using it to serve the interests of coalitions in power since the organisation becomes entangled in the idiosyncrasies and inconsistencies of the political system controlling its governance. Therefore, the SOEs are oriented by a variety and often conflicting objectives, and they have to be accountable to different interest groups, from shareholders and other investors, to representatives of the political system and society as a whole.

In Brazil, the federal government in 2018 had 46 SOEs under its direct control, and 89 under indirect control. Of the 410 companies listed in the Brazilian stock exchange, 31 were SOEs, and they accounted for about 15% of the total market cap of US \$954.71 billion (Brazilian Institute of Corporate Governance [IBGC] 2019). Summing up all SOEs (listed or not), controlled by the federal and states governments, these companies had 837,930 employees in December 2016 (Fontes Filho 2018).

Recently, corruption scandals have evidenced failures in governance and control of Brazilian SOEs, such as the public case involving Petrobras, the listed oil company with the highest market value. In September 2018, the company agreed to pay US \$853.2 million in penalties over the "Lava Jato" (Car Wash) bribery scandal, on charges of "facilitating the payment of hundreds of millions of dollars in bribes to Brazilian politicians and political parties and then cooked the books to conceal the bribe payments from investors and regulators" (Schipani 2018).

A number of recent efforts have been made to improve the governance of the SOEs. It is worth mentioning the enactment of Law 13303 in June 2016, which established numerous rules for professionalising the management of SOEs, seeking to protect the appointment and performance of executives and board members from lobbying pressures and political influences not aligned with the company's objectives.

It is important to clarify that within the presidential model adopted in the country, the SOEs are under the direct command of the executive branch. However, the large number of political parties (more than 20) can

lead to agreements to accommodate interests and obtain governability. This model, called “coalitional presidentialism” (Abranches 1988), shows that presidentialism may adopt features of the parliamentary system due to the fragmentation of power, working to align different political forces. These agreements, on the other hand, are unstable and subject to frequent changes in policy directions and in the orientations from the state to SOEs.

Three recent cases show the challenge for SOE listed companies in balancing their social, political and economic objectives, aligned with the logic of the state and shareholders in the Brazilian context. These cases include Eletrobras in electricity production, Petrobras in oil production and Sabesp in water supply and sewage processing.

With the argument of promoting an average reduction of 20% in the energy tariff, on September 11, 2012, the federal government issued new legislation, anticipating the operating concessions of the generating and transmission companies. Companies with electricity concessions could either accept new contracts with lower rates or maintain old rates but risk losing leases when they come up for extension. The market reacted immediately to the new rules, with a drop of more than 20% in the share price of companies in the sector. Despite criticism from the market and experts, Eletrobras, a state-owned holding company in the electric power sector, accepted the proposal to anticipate the concession and reduce tariffs. As a result, six months after the new legislation, the company’s stock accumulated a loss of 63.5% in value.

Between 2011 and 2017, the company practically halved its market value, and in 2012, in only one year, had a positive result. Their eventual use to leverage state investments could have contributed significantly to their problems, leading their gross debt to exceed market value. As a result, the company could encounter difficulties in making the necessary investments to remain a relevant player in the market in the coming years and will be able to include itself in the agenda of forthcoming privatisations (Desiderio 2018).

Possibly the Petrobras case is one of the most emblematic examples of the duality of the performance of an SOE. Petrobras is one of the largest Brazilian companies and has an important role in leveraging the oil and gas sector in Brazil, and today it is the largest operator of deepwater and ultra-deepwater subsea equipment in the world of oil industry, as a result of its expansion of offshore production activities. According to its bylaws,

the Company’s purpose is the exploration, extraction, refining, processing, sale and transportation of oil from wells, shale or other rocks, oil products, natural gas and other fluid hydrocarbons, in addition to other energy related activities. It may research, develop, produce, transport, distribute and sell all forms of energy, and engage in any other related or similar activities.

(Article 3)

However, according to the news, for a long time, the company could have been used as a mechanism of economic policy, on a controversial fuel subsidy that unofficially helped the Brazilian government to control inflation, importing fuel at international prices and selling it at lower prices for the internal consumer.

Recently, Petrobras' new CEO, nominated by a government of a liberal economic orientation, stated that between 2008 and 2018, subsidies to control the price of fuel represented a loss of R \$180 billion (US \$ 44 billion), leading to a debt situation of US \$106 billion, twice the average of the ten largest companies in the industry, rebounded with interest that consumes 25% of the company's cash generation (Wiziack 2019). But even this liberal government was close to succumbing to the temptation to use the company as a political bargaining tool, to the detriment of its performance, faced with the threat of a new truckers' strike in protests against rising fuel prices, which, in 2018, paralysed the economy. Initially, Petrobras said it would raise the price per litre of diesel by 5.74%, prompting the immediate reaction of Brazilian President Jair Bolsonaro, who announced the suspension of the increase. This decision produced a drop of more than 7% in one day in Petrobras stock price, leading the government to suspend the decision (Harris 2019).

The next case refers to the way Sabesp handled the demands of shareholders and society, a mixed capital company controlled by the Sao Paulo state, currently responsible for supplying water and collecting and treating sewage in 370 municipalities. It was the first SOE to have its shares traded on the Novo Mercado in 2002, a special listing segment for companies that comply with best corporate governance practices. In 2014, the state experienced a long spell of drought and serious water supply problems, and the company was held responsible by the population and the press of privileging shareholders to the detriment of society. Thus, in the midst of the crisis, it paid shareholders twice the mandatory dividend, rather than investing in system maintenance, control of water waste, expansion of the distribution network and improved efficiency.

One of the most profitable companies in the country, its managers received bonuses based on earnings for the period, regardless of any type of efficiency and productivity indicator. Thus, while in the previous ten years it had accumulated a profit of about R \$10 billion, it allocated only R \$1.7 billion (US \$ 3.7 billion) annually for investments. Because of this scenario, Sabesp shares fell 28% that year, and in the third quarter, profit shrank 80% (Filgueiras 2014).

This situation produced the following comment by Fantin (2015):

Thus, we have the following equation: the more water is consumed, the more SABESP will collect, regardless of the loss of the product/water of almost 40%, the first objective is to make the company attractive to investors and, consequently, to give priority to profit.

(p. 18)

Digging deeper in to the SOEs

To explore the relationship between the hybrid nature and the integrity of the listed SOEs, we developed a semi-structured interview, supported by the dilemmas pointed out in the theoretical framework, to collect the perception of field actors and specialists. The interview's script was composed of four blocks related to (i) the context of large political alliances and the long-term goals of listed SOEs, (ii) the non-priority of the profit and the diffuse orientation given to listed-SOE, (iii) the public nature and consistency of the long-term actions of listed SOEs and (iv) the political pressures and ethical values of the listed SOEs. Seventeen professionals with recognised experience in the Brazilian listed SOEs (managers, board members, specialists in the area) were interviewed individually in the third quarter of 2018. The sample selection started by proximity and after that adopted the snowball approach. The interviews stopped when reaching saturation, that is, when the collection of additional data did not bring significant new evidence (Suddaby 2006; Power and Gendron 2015). Following are the highlights of the interviews. The main features are presented in Table 3.1.

Table 3.1 Objectives and main results of the interviews

<i>Feature</i>	<i>Objective</i>	<i>Consideration of interviewees</i>
Context of large political alliances and the long-term goals of listed SOEs	It seeks to identify the effects that a fragmented political system based on unstable alliances and without a prevailing ideology can have on the stability of the objectives of the listed SOEs.	The fragmentation of political interests within the blockholders of SOEs can both create difficulties in harmonising long-term objectives and create space for political nominations in SOEs. The terms of political mandates force time pressures for project execution and achievement of results not aligned with business logic. Respondents felt that formation of political alliances was a natural business event.
Non-priority of profits and the diffuse orientation in listed SOE	Assessing whether the non-prevalence of profit objectives and shareholder value maximisation diffuses the company's operating priorities and the possibilities for evaluating its results and performance.	The respondents stated that the goal of maximising shareholder value and profitability is the prevalent objective of SOEs. Respondents expressed ambiguity as to whether the listed SOE should pursue public interest or profit.

<i>Feature</i>	<i>Objective</i>	<i>Consideration of interviewees</i>
The public nature and ability to maintain the consistency of long-term actions	In this topic we seek to clarify whether the nature of the state and the idiosyncrasies and possible instabilities undermine the consistency of listed SOE actions in the long run.	The prevailing perception was that political nature does not impact the consistency of the company's long-term action, justified by the assumption that this is a legitimate and desirable action. The main problem was bureaucratic laws and rules, formalisation and constraints that limit state action and undermine performance of SOEs in market competition.
The political pressures and ethical values	This perspective aimed to identify whether the intensity of political pressures could reduce concern and commitment to the values and ethics of listed SOEs.	Political pressures may undermine the ethical behaviour of the SOEs, but it is understood that their internal culture and the support and influence of minority shareholders are key to controlling any failures or deviations.

The context of major political alliances and the long-term objectives

The instability due to the changes in political alliances, observed by the frequent revision of the listed SOEs' long-term goals, is one of the consequences of the public nature of these organisations affecting its performance. Of the 17 interviewees, 12 had the perception that the coalitional presidentialism in Brazil allows several political groups, not necessarily united by the same ideology, to be part of a single political bloc represented in the control of the SOE. Therefore, the company's administration may have representatives with several different interests, even if legitimate, creating additional difficulties in harmonising and outlining long-term goals.

In addition to the coalitions, the political rhythm forces the SOE to assess its pressures and results within a mandate time, since it is during this period that the society evaluates and manifests the achievements and behaviour of the elected politicians. The mismatch between the political and technical times may compromise the sustainability of the company's long-term objectives. This sustainability will likely be threatened in cases where new political mandates require the substitution of members of the SOE's administration, which may cause the discontinuation of strategies and projects. This is a frequent situation, considering that the SOEs are one of the main

objects of bargaining in the political process of forming coalitions. As one of the interviewees mentioned:

I understand that given the current political situation in Brazil, yes, for a variety of reasons, but perhaps the main one is that there is a large political party fragmentation, (...) the majority of them, or all of them, do not have a clear ideology. In a coalitional government, to gain these parties' support, to gain support in the parliament, it is necessary to distribute positions. In general, the positions most wanted, at least in the federal sphere, are the positions in the state-owned companies.

On the other hand, the interviewees who did not assume that political alliances were harmful considered this dynamic a natural fact in the company and indicated that its impact depends on the quality of the governance.

Therefore, the answers indicate that political alliances may represent obstacles to good governance and corporate integrity. However, they are considered legitimate parameters in the listed SOEs' operation, when observed the legal limits and the corporate by-laws.

Profit and orientations are diffuse

The interviewees were asked if the fact that profit was not a priority could imply in diffuse orientation and difficulties regarding the evaluation of the listed SOE. Eleven respondents said that there was an objective of pursuing profit, and, therefore, there were no questions related to diffuse orientation due to the absence of this objective. Other interviewees mentioned that if the company did not have the objective of pursuing profit and its operation was limited to serve the public interest, it would be likely to see orientations that are more diffuse and difficult to assess. During the interviews, it was possible to identify doubts on whether the listed SOE should pursue public interest or profit, as if there were a dichotomy, although only one respondent expressed concern regarding the potential conflict between profit and public interest.

The interviewees considered that the listed SOE had a clear objective of pursuing profit and maximising shareholder value, to ensure sustainability, attract new investments and be able to adequately fulfil its social purpose and the public interest that legitimates its creation. Therefore, public interest and profit would not be antagonistic interests, but rather coexistent, which implies in finding a balance between these aspects. With no balance, there is a risk that the organisation may be subject to more diffuse and difficult orientations.

According to the interviewees:

Every state-owned or private enterprise has a public interest and aims for profit. This combination allows for sustainability.

Pursuing both profit and public interest is healthy. The company must reach a point of convergence. You cannot think of maximum profit alone, but the creation of a broader value.

The interviews pointed out that the tension between profit objectives and attention to social demands may not be a real problem. For the interviewees, it seems obvious the need to pursue both objectives, aligned with the different institutional logics. Also, they indicated that the duality or hybrid nature of SOEs represents, in reality, a false dilemma. Nevertheless, it is also interesting to note the evaluation of a single interviewee, referring to this dilemma:

(...) there is a previous discussion if it is up to a listed-SOE to prioritise profit, as it is a state-owned enterprise. Perhaps if the focus is on the priority of profit, we must rethink the role of this company as a state-owned enterprise. If we assume that it can be a state-owned company and still prioritise profits, it seems clear to me that this can, to some extent, create a conflict between the interests of minority shareholders and the controlling shareholder, which is the government. Perhaps this is the great dilemma of Brazil's SOEs, how to reconcile interests that to some extent may be antagonistic.

The public nature and ability to maintain the consistency of long-term actions

This topic aims to clarify whether the nature of the state impairs the consistency of the listed-SOEs' operation in the long term. For the majority of the interviewees, the public nature alone does not undermine the consistency of actions in the long-term, based on the assumption that this is a legitimate and even desirable action. Only five interviewees stated that there are losses, arguing that the normative limitations imposed on the listed SOEs do not allow them to have the operational agility as observed in private companies. They mentioned the constraints posed by the imposition of the political dynamics before the technical planning, the changes in power that affect the control of the company and the need to meet external commands and orientation. One observation summarises this assessment:

State-owned companies are forced to obey archaic laws. There are control bodies that adopt literal interpretations and do not understand the context of decision-making. They penalise managers when necessary and bold decisions are made to benefit the company.

Another aspect observed in the interviews refers to the discussion of the state as the company's controller against the control of private entities. The understanding is that if this control causes losses because of prioritising

the controller's interests rather than the business strategies, it is also an asset in many aspects, such as the ability to present guarantees backed by the state and cost absorption.

Typical interviewees reinforce the importance of clarity of mission and values guiding the performance of listed SOEs, since the profusion and competition of different objectives that interest the various stakeholders can increase agency problems.

Political pressures and ethical values

For the respondents, according to the predominant perspective, the political pressures can lead to greater flexibility in the values and ethical commitments of the listed SOEs. However, they point out that listed SOEs have tools to protect themselves from this condition. For example, the minority shareholder, when active, can support the organisation to withstand these pressures. Also, a strong organisational culture, compliance and ombudsman structures, transparency and accountability policies, as well as the commands introduced by the new SOEs law (Law 13.303/16) can all contribute to protect state-owned companies from spurious external pressures and guide ethical behaviour.

Yes, this is true, even when submitted to transparency. (...) We have to admit that (...) intensifying pressures or demands from interest groups can either harm the listed SOEs' values, or lead the company to losses, or compromise its integrity.

The interviewees recognised that this topic requires attention regarding the company's integrity. They assumed that this loss should not occur, considering the legislation and the governance practice adopted in the companies.

Therefore, it was possible to understand that political pressure, whether for positions or public interest, can be damaging to the company. As mentioned, an important way to minimise this problem is by strengthening the integrity and ethics-related organisational culture.

The house and the street

Perhaps, the scenario identified in the Brazilian case worked in this research points to another strategy to deal with organisational hybridity, in addition to the three strategies identified by Pache and Santos (2013). That would be a naturalisation or *laissez-faire* strategy.

An important cultural trait in Brazilians is precisely the ability to combine two distinct worlds, public space and private space, or the world of home and street (DaMatta 1997).

This dual and paradoxical character is represented by the conflict (or hybridity) of two logics, one representing private and personal relations (the

house) and another quite distinct logic guiding public relations with other individuals (the street). In the logic of the house, the individual and those in his relationship prevail socially over the whole, and the rules and laws are redefined and interpreted according to personal and proximity relationships. In the logic of the street, which manifests itself when the individual leaves his or her “home,” relations become impersonal and formal, rules are for everyone and generally oppressive and citizens lose the identity and comfort brought about by their personal relationships. Thus, the Brazilian society presents multiple spaces and times in simultaneous coexistence. In other words, the hybrid nature, with its multiple institutional identities, is something permanent in the Brazilian social life.

As a result, living with hybridity is something long naturalised in the Brazilian society. For SOE, perhaps the long tradition of policy and policy changes has made it less relevant to question which objective or value matters most. Do not ask yourself; no question, and life goes on.

The ambiguity, or duality, present in the performance of the listed SOEs was evident in the words of the interviewees. The hybrid nature of listed SOEs, reflected in the social function and pursuit of profit, signals a difficult balance between conflicting demands that can be amplified by the effects of the coalitional presidentialism and its intrinsic bargains, lack of internal cohesion, the plurality and frequent changes of priorities, which will be able to affect the ability of the listed SOE to maintain long-term goals.

In the Brazilian case, in particular, SOE management can be more easily changed by the constant realignments and changes in political agreements that support the government. This configuration undermines the company’s orientation towards long-term goals, as well as contributing to misalignment in managers’ perspectives, competencies and interests and employee motivation. Matching expectations of the political system and shareholders can also be a significant challenge in the face of the difference between political time and business cycles (Pekkola et al. in this volume). Particularly during election times, pressures for results and demands for actions that have an immediate impact on society can hinder the pace of business and the shape of business plans.

Nevertheless, according to the interviewees, these political pressures do not appear to represent sufficient forces to lead to ethical lapses and integrity failures in SOE, despite the recent example offered by the reported cases in the press. The quality of governance is considered adequate and capable to minimise political pressures and stabilise ethical practices, particularly when coupled with an appropriate culture, which helps to reduce the power of deviant political pressures.

The idea of the “learning curve” experienced by the listed SOEs regarding the corruption cases they went through opens a possible field of analysis. However, it reinforces the need for internal stability – linked, according to the interviewees, to the quality of governance and legal framework – for the very maintenance of knowledge and the history of the reactions and

responses of the organisation to these events. One limitation can be found precisely in the fragility of this internal stability in the Brazilian public environment and in the very politicisation of the bureaucracy (Dahlström and Lapuente 2017).

To cope with political pressures in a business structure is, in essence, the nature of hybrid organisations, which permeate various sectors and can in no way have “flexible” ethical values. The multiple influences and divergent expectations of stakeholders, as seen in the interviews, are not a trivial matter in leading these organisations, and indeed conflicts are barriers to their wholeness of purpose and action. In this sense, it is worth noting that giving in to this pressure directly affects the integrity of an organisation. Integrity is not just a matter of honouring your word; it requires acting according to rational values, and it does not mean eliminating the possibility of change (Becker 1998). The integrity of the company – its ability to make decisions that are in line with the principles and values assumed – requires not only appropriate behaviour but also that the company transmits signals to its employees and the market that it acts faithfully to their values and practices what it declares (tone from the top), despite the pressures (Muritiba and Curitiba 2017).

Also noteworthy in the interviewees’ speech is that possibly the main losses resulting from the majority participation of the state in SOEs refer to the need for the company to adapt to specific laws related to procurement and bidding, archaic internal processes, rendering of accounts to state entities of control and a whole set of practices that impose significant limitations on SOE’s efficiency and operational agility.

The difficulties imposed by SOE’s hybrid nature in value creation can also be analysed based on the three cases narrated earlier, which exemplify a long history of problems faced by Brazilian listed SOEs in overcoming political pressures and ensuring efficient performance. However, political influence is, to some extent, desirable and necessary in a state enterprise. The problem occurs when these pressures represent unique interests of political groups participating in power coalitions, and that use SOE’s social function as an argument for patronage or dispersed actions in terms of social impact and often little related to the social objective of the company, as laid down in its bylaws.

The fragility in defining the scope of SOE’s social function represents a discretionary power disputed by the various political groups and stakeholders, internal and external to the company. To this vagueness or lack of precision is added the duality present in the listed SOE hybridity, highlighting situations in which the creation of public value is opposed to the creation of value to the company’s shareholders. Dewenter and Malatesta (2001) emphasise that by failing to seek greater profitability to pursue political and social objectives, SOEs tend to reduce efficiency in monitoring the operation and managers, leading to a possible drop in organisational performance.

Aragão (2018) deals with the subject by highlighting profit as a secondary public interest. The author finds support in the Brazilian Constitution to affirm that pursuing profit is legitimate since the constitution allows the state to exercise economic activity on equal terms and in competition with the private sector. In this sense, there is a primary public interest, which is the implementation of an end-activity of collective interest and a secondary public interest, which would be pecuniary. Both would be unavailable rights, avoiding the bias of seeing the secondary public interest as something less noble and more available than the primary public interest, since usually the primary public interest cannot be achieved without the secondary.

Corroborating the literature (Yeung 2005), the governance of SOEs is subject to influences from the state, market and civil society, which are very different influences regarding the sources of power, values, rationalities and norms. This variety can generate conflicts in the orientations, even in the case of listed SOEs, where there is a controlling shareholder.

However, if it is impossible for the private company to maximise more than one objective (Jensen 2010), it is reasonable to assume that for the listed SOEs, this balancing attempt ends up producing the effects of decoupling, compromising or selective use of each logic, public and private, analysed by Pache and Santos (2013). Probably, all of these strategies can have negative impacts on SOE performance and value creation.

What aroused curiosity in the interviews was the assessment that pursuing both profit and public interest is healthy, a combination that allows for sustainability. In this sense, the duality of listed SOE's mission represents a false dilemma, and its hybridity is considered as natural and derived from a socio-historical process of rationalisation and justification of the situation. It is therefore surprising to note that, despite a long history of turbulence and conflicts, the political alliances in the management of SOE were not considered a problem, but a natural and legitimate fact. Balancing these interests can contribute to the sustainability of the organisation, and the tensions between the two logics are not perceived as a real problem and are naturally incorporated into the daily life of managers.

It is possible that the legitimacy discourse led the interviewees to minimise this dilemma, as observed in the affirmation that the public nature of the company and the state as a controller agent do not harm the company's competitiveness. Actually, there are very different influences that permeate the company, which makes that conflicts and limitations to action are likely to occur, and makes real the problems arising from the multiplicity of influences and orientations.

Continuity of duality

Value creation is a straightforward guideline, a well-defined goal of the organisation, which must be appraisable. If the value created for the private

shareholder is clearly measured, the very definition of public value is somewhat nebulous and subject to great subjectivity and discretion. Listed SOEs are located exactly at the confluence of these two sets of values to be created, experiencing the requirement of identification, clarification and reach of both, and the management of priorities and conflicts intrinsic to the duality of perspectives (Karré in this volume).

The hybrid nature of listed SOEs poses challenges to their integrity, performance and value creation. The positive perspective of integrity as a way of acting and operating whole and complete (Jensen 2009), with consistency in proposals and actions, aligns with Porter's (1980) analysis when it comes to the need for a clear positioning of the organisation's strategy, avoiding the "stuck in the middle" posture. For SOEs, and particularly those listed in the stock exchanges, these recommendations represent the challenge of dealing with the varied, unstable, temporary and idiosyncratic pressures of the political system, society and shareholders

In this study, we sought to identify the impact of the hybrid nature on the integrity of listed SOEs in Brazil. As observed, the impact may be related to the degree of legitimacy of the company's operation, its ability to coordinate social objectives and the delivery of economic value, the quality of corporate governance and the culture of corporate integrity, ethical values and systems of compliance.

It is possible to identify SOEs as a convergence of the two institutional logics since the promulgation of the new legislation (Law 13.303) in 2016. Following the commands of this legislation, the SOEs are promoting greater independence and professionalism in the choice of managers, linking their mandates to the fulfilment of previous goals. That is, the hybrid nature of listed SOEs would be converging in a single plan of action and institutional logic. In any case, the analyses indicated that the greater pressures, brought by both the market and the public sector itself for transparency, accountability and results, can further stimulate the convergence of listed SOEs to a single logic that merges elements of the current duality.

Perhaps, as discussed by Pache and Santos (2013) and Alexius and Örnberg (2015), a decoupling situation is materialising, creating a new model or institutional reference in the field to legitimise behaviours and actions (Scott 1995). A single logic could reduce the dilemmas and consequent pressures on managers to choose the most appropriate paths, bringing greater stability over time, and positive effects to the integrity of the SOE, its efficiency and social effectiveness.

Future studies could deepen the analysis of the impact of coercive pressures such as those brought by the new legislation on the behaviour of such organisations. Studies could investigate whether there is a purely ceremonial implementation (DiMaggio and Powell 1983) in a compromising strategy for legitimacy (Pache and Santos 2013), or if there is a real change in behaviour and its impacts on the hybridity of the listed SOEs.

Another perspective of analysis, however, is that the naturalisation or laissez-faire strategy, discussed earlier, would continue to prevail, and again the changes would be processed by the organisations and the political system, and everything would remain the same. The continuity of this study may indicate whether, in fact, there is another configuration present to deal with the hybrid nature of SOEs, or if it is just a move to ultimately keep everything the same in the game of forces and interests that drives the listed SOE. As a popular saying goes in Brazil, the changes are just “for the English to see,” which points to the fact that under an agreement signed with England in the second half of the 19th century, Brazil had to patrol its coasts to control the traffic of slaves, but since the Brazilian government had little interest in the deal, it did just enough to appear to be striving to fulfil its obligations. And for England to see that the country kept its promises.

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4 Nested hybridity and value definition in public higher education

A conceptual view

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Introduction

Hybridity in universities is an understudied phenomenon. A (critical) research stream investigates the (negative) influence of markets and private-sector logics on universities and academic work (Enders et al. 2015; see also Siekkinen 2019), but only a few studies attempt to understand the hybridity of universities (Bruckmann and Carvalho 2018). In organisations, hybridity has the following dimensions: mixed ownership, goal incongruence, competing institutional logics, multiple funding arrangements and public and private forms of financial and social control (Johanson and Vakkuri 2017). Hybridity in universities has increased due to structural reforms related to organisations and their decision-making, competing logics of the profession and organisations, diversification of funding sources and changes in value-oriented principles. Changes in professionals' roles in controlling academic work are driven by stakeholder participation and growing demands for societal and policy relevance. Additionally, hybridity results from the policy push to merge different types of higher education institutions (HEIs) (Pinheiro et al. 2016).

Hybridity is not a new phenomenon in universities, which historically have accommodated multiple functions, programmes and cultures (Kerr 2001). In the famous triangle of coordination, Clark (1983) introduced the notion that hybrid principles exist in universities because the roles of the academic oligarchy, the market and the state vary across nations and history. More recently, the rise of market and government-led reforms inspired by new public management (NPM) and academic capitalism has infused marketplace logic into modern universities (Slaughter and Leslie 1997). This development has increased universities' staff in administration, support and professional management (Gornitzka and Larsen 2004). Additionally, new groups of professional support staff have emerged (Whitchurch 2008; Rytberg and Geschwind 2017; Stage and Aagaard 2019).

Earlier studies have shed light on how contradictory logics in universities, mediated by managers, among other factors, are connected to the rise of hybrid leadership (Berg and Pinheiro 2016; see also Deem 2004;). Other studies have indicated a link between entrepreneurialism and administrative capacity (e.g., Baltaru and Soysal 2018). However, much remains to be understood regarding the dynamic, complex interplay of goal incongruence, (clashing) institutional logics and internal change and transformation. Consequently, based on the literature, hybridity seems interwoven into higher education's (HE's) systemic structures, policies, institutional logics, values and work practices.

We explore multilevel hybridity in HE systems, particularly the effects of marketisation on publicly funded universities. We build a study based on the literature on how government policies and mechanisms, such as funding models, nurture the hybrid-operating context of universities. We shed light on how policies affect universities' hybridity as organisations. Furthermore, we explore how these hybrid policies and organisational practices create new hybrid positions in the HE organisational field (Pinheiro et al. 2016) and influence academic leaders' positions. To understand the links among different layers of hybridity, we adopt a conceptual perspective of nested hybridity to analyse four levels of hybridity and hybrid value creation in HE: the system, the institution (organisation), tasks (work descriptions and positions) and work.

The concept of nested hybridity assumes that the systems at the different levels are embedded and interconnected. Our study's main implication for studies on hybridity is that many changes that either foster or hinder hybridity occur, not solely at national or organisational levels but also at the level of professional practices and work descriptions. If the analysis of hybridity is conducted only at institutional and policy levels, the analysis remains detached from professional practices, where hybridity is best observed. Additionally, hybridity is changing the definitions of public-private division. Studies approaching changes in the public sector often stress the changing (degenerating) values of public institutions, the privatisation of the operating environment and the strengthening of managerialism. In section *Nested hybridity and value definition*, we first define the idea of nested hybridity and value definition, followed by the descriptions of the different levels of nested hybridity (section 'Levels of hybridity').

Nested hybridity and value definition

The sociology of professions highlights the professions' role in the creation of public policies, practices and structures. Despite academic concerns that business management and performance measurements in the public domain weaken professional practices and values, professionals institute

new practices (Noordegraaf and Stein 2013). Professionals are the objects and the subjects of change (Newman 2013).

It is professionals who are entrusted with the impossible job of reconciling the needs and wants and of managing the relationship between hope and fear who they serve. Professionals are also carriers of all of the contradictions of “modern” welfare states, embodying the dreams of quality and social justice while struggling with the realities of unruly populations, administrative recalcitrance, and political game playing (Newman 2013, 41).

It is often empirically difficult to verify whether system-level hybridity results from changes in work or whether system-level changes alter academic work. This gives rise to the debate on whether the individual or the collective is the source of new values and practices. A crucial question in hybridity and hybrid value creation (as in strategic management, more generally) is whether new, value-creating knowledge is fundamentally about organisational processes or more rooted in the attributes and the abilities of the individuals involved (Felin and Hesterly 2007). This question gains high importance in professional sectors, such as HE. In its simplest form, the issue becomes a question of causal directionality, whether hybridity results from downward causation or supervenience, that is, upward causation (Felin and Hesterly 2007). Professional practices constitute an important intermediate variable between individual and organisational levels, and the direction of causality is difficult to capture. Hybrid practices and values occur at every level. We therefore argue that hybridity is nested in public-service organisations, such as HEIs.

The idea of nestedness originates from the ecological system theory. In a seminal book, Bronfenbrenner (1979) introduced the idea of nested systems, describing a Russian doll-like system of concentric circles formed by microsystems, mesosystems, exosystems and macrosystems. We describe work in an academic community as the microsystem, the organisation of academic work in work descriptions and managerial dyads as the mesosystem, institutional logics and policies as the exosystem and the HE system (societal views on HE) as the macrosystem. These subsystems parallel Noordegraaf’s (2015) levels of professional work: socio-political (ideological and cultural configurations), institutional (institutional logics), organisational (different sets of coordination principles) and psychological perspectives (multiple work values, identities and traits of professional action).

In current research on HE systems, the discussion on nestedness has mostly concerned the system and the organisational levels. The typical macrofocus in HE research is shown in a study on nestedness in European universities by Hüther and Krücken (2016), who made the region the

lowest level of analysis. Pinheiro et al. (2014) introduced the concept of nestedness and included the organisational level in discussions but used it synonymously with closely related policy tensions, without explicitly separating the levels analysed or emphasising the dynamics of microsystems and mesosystems. Consequently, the analysis that takes into account the individual level, as well as the level of work descriptions and positions, has not been done earlier.

The nestedness of hybridity is interlinked to the discussion on public value, especially to the value-definition process. In HE policy, the system-level value of HE is defined by governments and their stakeholders. If this process is approached by the concepts of traditional policy analysis, these statements on public values are transferred to public organisations and implemented by their management practices. However, HE is an example of a complex field where policy implementation is often experimental, characterised by high policy ambiguity and, often, much conflict on goals.

Thus, professionals are responsible for operationalising vague goals, such as “quality of science,” “societal relevance” or “needed skills in labour markets,” and policy formulations on measurable output levels are actually done bottom-up at the “street level” (see Lipsky 1980) by the same professionals who are steered by these policies. It is also important to identify the professional group that legitimises the activities. Does it comprise professional bureaucrats and support service officials and their values and norms (e.g., pedagogical development, innovation services and civil service ethics), or academics and their disciplinary and professional norms?

Although academic self-governance is decreasing in the hybrid environment, professional work and scientific evaluation remain to play an important role in managerial reforms, for instance, being the most important steering force in publication forums, funding agencies, as well as in the work of HE evaluation and programme evaluation councils (De Boer et al. 2007; see also Musselin 2013b). Thus, the value definition is also nested and hybrid, entailing a dynamic process involving different policy levels and actors.

Hybridity affects the public value definition process at all levels of the nested system, since public values are also layered (see Jørgensen and Bozeman 2007). The nestedness of the public value definition in professional service organisations (see Figure 4.1) starts from the micro level and continues to the macro level. One level has implications for the others. In the following section, we discuss the different levels of hybridity. We then conclude by describing the interlinkages among the layered systems.

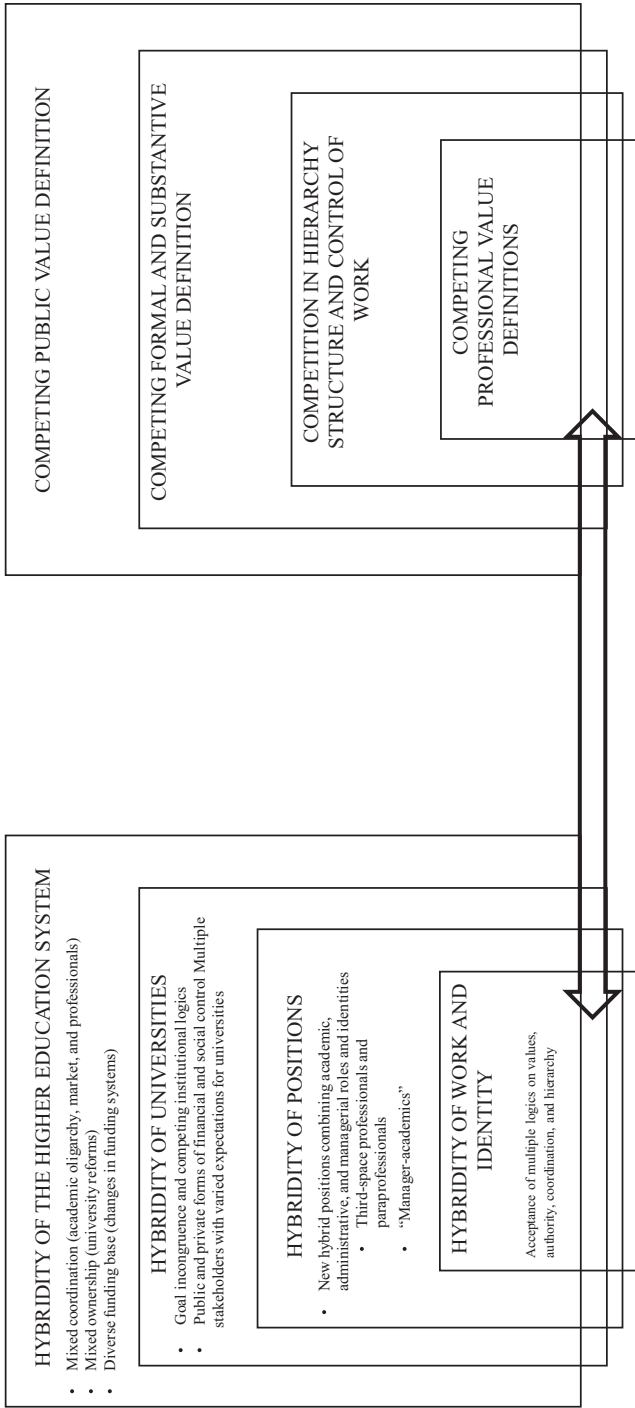


Figure 4.1 Nested hybridity and nested value definition in higher education.

Levels of hybridity

Hybridity in higher education policy

In many Western countries (Greve et al. 2016), government reforms that are aimed to modernise the public sector endanger HE's public funding base and nature as a public good (Marginson 2011). HE policy is a branch of public policy with many societal (non-academic) aims. HEIs are often used as policy instruments to implement government policies (Pekkola and Kivistö 2016) and advance different goals (Saarinen and Välimaa 2012). Governments and citizens place increasing expectations on HEIs (Hazelkorn 2015). For instance, research must show societal relevance and impacts identified ex-ante (Kogan and Teichler 2007), while teaching is measured by ex post indicators, such as graduates' employment rates and returns on investment (Moraru et al. 2015). The student's role as a customer has been also discussed for more than decade also in public systems (e.g., Eagle and Brennan 2007). Moreover, governments have made multiple attempts to steer and measure the universities' so-called third mission or societal interaction (cf. Pinheiro et al. 2015; Agasisti 2017). Universities are perceived as engines of national and regional economic development (for a recent literature review, see Pinheiro and Benneworth 2018).

Mixed ownership and funding arrangements are arguably among the most important changes driving HE hybridisation (Johanson and Vakkuri 2017). In Western, Central and Eastern Europe, as well as in less-developed areas, the numbers of private HEIs have grown rapidly, changing the dynamics of the national systems and their profiles in general (Levy 2018; cf. Dobbins 2011; Jamshidi et al. 2012). Many continental HE systems have made more incremental and thus more moderate changes (Pinheiro et al. 2019). First, the changes in the structures of ownership typically involve a shift in the legal status from public to private (e.g., limited companies and foundations). Second, service units or in-house companies (e.g., spin-offs, consultancy, continuing education and laboratory services) and support services (e.g., cleaning, real estate management and religious services) are established to perform some HEI functions. Third, many support services (e.g., marketing and recruitment campaigns for senior management and students) are outsourced. However, most of the few studies on outsourcing have been conducted in the United States (cf. Gupta et al. 2005; Wekullo 2017).

Changes in funding have also increased HE hybridity. Western HE systems have encouraged HEIs to expand their funding sources, and declining government funding has forced many universities to search for new funding streams, increasingly from the private sector (Hagen 2002). Many European countries that historically have fully funded public HEI systems have sought to diversify the funding streams of HEIs by introducing student fees, for-profit services and non-profit but fee-based education (European

Universities Association 2011). New actors, including research institutes, non-profit organisations, firms and think tanks, have entered the competitive public funding, knowledge-production market (Slaughter and Rhoades 2004). This once-closed, bureaucratic, relatively organised resource environment has become more dynamic and turbulent (Pekkola 2014).

Traditionally, HE policies have been implemented through a mixture of top-down (bureaucratic) and bottom-up (professional) logics (cf. Gornitzka and Maassen 2000). Two decades of NPM-inspired reforms have shaped the current policy environment, privileging the efficient and effective management of independent performance centres or subunits (Christensen and Lægred 2011; Geschwind et al. 2019). Consequently, performance units pursue performance and objectives that make managers responsible for selecting the steering instruments and implementation approaches, often borrowed from the private sector (cf. Parsons 1995). The system-level mixture of private and public ownership and diverse funding (i.e., hybridity) has spilled over into universities and their units amid changes to HEIs' state-brokered social contract (Maassen 2014). Once based on trust, over the past 15 years, it has increasingly centred on outcomes and deliverables, particularly performance-based agreements and contracts between HEIs and national authorities (Gornitzka et al. 2004).

Hybridity of system-level value definition

The system-level value definition can be described with the concept of network governance. Khelifi (2019) uses network governance model to describe the process of policy definition in HE, characterised as state-driven network governance. The value of HE is defined together with national stakeholders and international policy actors (e.g., Bologna Process). As defined in the HE literature (e.g. Lyytinen et al. 2017), the main stakeholders are the actors in innovation, competitiveness and technology policies, as well as education, science and civilisation (culture) policies.

In the macro-level discussions, the hybridity of public value creation in the HE sector can be best observed in the policy discourse within the sector. The traditional values that universities have been producing for society and societal decision-making, such as civilisation, objectivity and neutrality, have been replaced by competitiveness, relevance and strategic benefit. The HE sector is expected to produce knowledge that is relevant for stakeholders and fitting for strategic societal needs.

Hybridity of universities as organisations

Universities are hybrid organisations due to their multiple functions, loosely coupled structures and subcultures (cf. Pinheiro and Young 2017). HEIs are characterised by inherited, competing, organisational and academic institutional logics, which have intensified in recent decades (Birnbaum 1988;

Canhilar et al. 2016). Wide-ranging reforms introducing market-like logics (managerialism and NPM) into HE systems globally (Slaughter and Leslie 1997) have highlighted tensions between competing institutional logics (managerial versus professional; Berg and Pinheiro 2016).

The literature on professions has addressed these tensions through the interplay between the often clashing organisational and professional logics (e.g., Evetts 2009). In the organisational field of HE, a major tension arises in the notions of the university as an institution and an organisation (Clark 1983; Olsen 2007; Välimaa 2018, 2019). Regarding the university's basic tasks as an institution, its core teaching and research functions and normative values (e.g., professional autonomy, collegiality and universality) have been rather stable. However, the university as an organisation (governance structures and goals) has changed dramatically due to increasing external expectations (Välimaa 2018, 2019), particularly by reforms aiming to increase accountability, efficiency and responsiveness (Pinheiro and Stensaker 2014).

Since the late 1990s, the corporatisation of universities under NPM pressure has drawn research attention (cf. Langmead and Kenway 1998; Marginson and Considine 2000; Giroux 2009; Välimaa 2012). These mostly critical studies have emphasised the threat of managerialism to the traditional and ultimate goals of HEIs in society and to academic work and professionalism (Santiago and Carvalho 2010). In the welfare-state context, the HEIs' social and cultural relevance was framed by democratisation principles. HEIs were considered essential instruments to promote universal access to education and contribute to a more equitable, respectful and just society (Carvalho in press; Zaijda et al. 2006). With the NPM/managerialism influence, HEIs are now conceptualised as service providers expected to offer effective solutions and added value to the complex net of social agents with whom they interact (Carvalho in press).

HEIs are “‘enterprised’ by a powerful logic of managed performance, executive centralisation and a new code of corporate governance” (Considine 2001, 145). This logic has been called a competitive ethos, contrary to the collegial ethos (Kallio et al. 2016). The values of performance-based management have been opposed to normative publicness (Chatelain-Ponroy et al. 2018), as “professionalism is replaced by accountability; collegiality by competition and interpersonal performative comparison” (Ball 1997, 261). The competing logic of managerialism is exemplified by universities' performance management systems.

At the organisational level, other important sources of organisational hybridity are public and private forms of financial and social control. Many European countries have incorporated universities into the public sector and directly linked bureaucratic control to public legislation, directing uses of financial resources, the work of civil servants and HEIs' structures and processes. Recent reforms in national HE systems have changed this picture. Corporate law increasingly regulates finances and employment

relations, while complicated contractual arrangements control academic work, intellectual property rights and various relationships (e.g., Välimaa 2012; Musselin 2013a).

Hybridity of organisational value definition

The hybridity of the logics of the value definition and production process at the organisational level can be described as a competition between formal and substantive rationalities or between two or more substantive rationalities. Substantive rationality represents the degree to which something is supplied according to some ethical criteria. In contrast, formal rationality is a form of technical, procedural and calculable rationality, which is context-free and instrumental (Weber 1978; see also Eisen 1978; Broadbent and Laughlin 2009). Much of the discussion on public value creation in a hybrid organisational setting is actually about the balance between formal and substantive rationalities.

All performance measurement systems aim to create a bridge between substantive and formal rationalities (see Broadbent and Laughlin 2009) in order to convert national policy goals into defined goals and indicators that measure organisational substantive behaviour. In HEIs, this means performance measurement and managerial practices or ethos that are implemented in organisations across disciplinary and professional boundaries. Consequently, at the organisational level, the discussions on hybridity tend to focus on the academics who either adapt or resist the “iron gage” of performance management and managerialism. Additionally, hybridity is blurring different substantive rationalities, such as private (industrial/utilitarian) and public (civil service/ethical) values (see Weber 1978, 85). Hybridity can also be observed as an interference with or an integration of stakeholders into the organisational decision-making and definition of value.

De Boer et al. (2007) describe the impact of NPM-related policies, such as productisation, third-party funding, tuition fees and vouchers, on organisational governance. They utilise the analogy equaliser (or a tuning board) to describe the balance between different (hybrid) definitions of academic work. They argue that governance of a university as an organisation is a hybrid of five dimensions creating the “organisational frequency” for managing academics: state regulation, stakeholder guidance, academic self-governance, managerial self-governance and competition. When universities draft their own definitions of public value and plan their performance management systems to measure, report and communicate the value, they have to take into account the systemic dimension for finding their own tune.

Hybridity of work descriptions and positions in universities

At the organisational level, private and public domains and forms of control in HEIs have been perceived as reflecting the binary divide between

professional and managerial values and practices. Whitchurch (2008, 2010) calls the combination of private and public spaces and logics “the third space.” The third space blurs activities and roles, changing the working life and creating the need for new skills in professional work. At the system and the organisational levels, the hybridity of HE affects the work descriptions, job demands and academics’ identities that are sensitive to external influences (Henkel 2010; Evetts 2011). Competing institutional logics and private and public control create areas of hybridity in HEIs’ organisational structure, particularly in the intersections of the competing logics.

While in the Humboldtian tradition academic roles were clearly associated with the main roles of teaching and research, current studies conclude that the use of academic time varies across countries (Kozmina 2014). To a great extent, the diversity of roles stems from the hybridity at the system and the institutional levels. Institutions employ academics with diversified roles; some have a research-intensive focus, while others have a teaching focus. Teaching and research are disintegrating simultaneously with the tendency to separate funding and quality evaluation for teaching and research. Thus, academic roles and identities become more complex and hybrid, as some focus only on research and others only on teaching, translating to the existence of two distinct professional groups in some countries (Carvalho 2017). HEIs are expected to add value to society by teaching students specific skills that facilitate their integration into the labour market. At the same time, HEIs are externally pressed by government policies and the economic environment to produce more transferable and applicable knowledge that is able to add value to the economy.

Additionally, the new managerial ethos has changed managerial roles. A new group of public managers in professional organisations has emerged (Ackroyd 2013). McGivern et al. (2015) describe hybrids as professionals who manage professional work, professional colleagues and other staff and have roles framed by both professionalism and managerial logics. Hendrikx and van Gestel (2017) frame hybrid professionalism in the context of leadership and managerialism, highlighting that public-sector reforms have caused most changes in professional work and added a managerial twist to the public sector. In addition to system-level changes, competing institutional logics and new hybrid positions are observable most clearly in the hybridity of academic work.

In the new institutional frames of universities, manager-academics constitute a group separate from conventional academics who do not hold management positions (Deem 2004; Pekkola et al. 2018). In these positions, the roles of managers and academics differ, creating tensions in their daily work (Santiago and Carvalho 2010). Manager-academics have changed roles, from *primus inter pares* to directors responsible for performing and producing outputs based on hierarchically made decisions derived from government-funding schemes (e.g., Jones 2011; Kallio et al. 2016). Hybridity can be observed in university managers’ new roles that respond to various

developments in operational environments. In turn, they have created new challenges to internal governance and management (Stensaker 2018).

However, as Siekkinen (2019) describes in her research, in addition to roles of academics related to their profession (teaching/research) and organisation (manager), new tasks are emerging, influenced by HE's changing operational environment. These new tasks are connected to the increasing emphasis on commercialisation (Slaughter and Leslie 1997) as well as impact (Kogan and Teichler 2007), and they have created new roles related to entrepreneurialism/societal impact. Thus, this idea goes beyond hybridity, combining three aspects, which Siekkinen calls "connected academic professionalism" (2019, 65–66).

Furthermore, the competing institutional logics at the organisational level can be observed in the new types of positions and work descriptions that intensify the division of labour in HE, even as the division between bureaucratic and academic logics has blurred. Partly due to the discontinuity of public control of administrative work, new hybrid positions have been formed in HE's "third space" (Whitchurch 2008), "grey area" or "purple zone" (see also Musselin 2007).

Paraprofessional positions lie at the intersection of academic and bureaucratic logics. Among several conceptual definitions, Teichler (2015) identifies professionals specialising in HE, including institutional researchers, international officers, quality managers and career officers. Macfarlane (2011) identifies para-academics who combine traditional academic and professional support roles. Whitchurch (2006, 2008, 2010) describes the new domain of third-space professionals in the HE workforce between academic and professional staff (e.g., managers, traditional specialised professionals and niche professionals without academic contracts). Third-space professionals work in a space with connections to both domains, follow career trajectories that do not easily fit traditional structures and forge new paths with multiple options. These professionals often work in project environments and develop distinctive identities, although some studies have found no changes in the traditional power relations within academia (Carvalho and Videira 2019). All these concepts and the empirical research on them indicate increasing hybridity within organisations.

Hybrid positions and value definition

In their recent study on European flagship universities, Maassen and Stensaker (2019) describe how changing job descriptions and positions have affected academic work. According to them, universities have become more "complete" organisations in administrative and managerial terms because specialised and standardised support functions have been strengthened. However, the academic front still functions under values and norms that are defined in disciplinary arenas and networks, not in universities as organisations. In the European flagship universities, the growing numbers

of specialised professional administrative positions with their own professional values and norms have decoupled the administration from the academic workforce. As a solution, the new academic-managers are expected to compensate for the decoupling of the university administration from its academic activities. However, the manager-academics often lack the capacity to do so effectively.

The positions and the work descriptions (academic or support services) as such are not entities in which value is created (that could be compared to national, organisational or individual levels). However, the work descriptions form the nucleus for the definition of organisational value-creation processes. These practices link the discussion to the discussion of value definition as an important part of a public manager's work (Moore 1995). The hybridity of management and professional positions has an important impact on the definition of value in professional practices, as well as the definition of the organisational processes and locations where the value definition is conducted. With simple terms of organisational designs, the initial processes of job specialisation, formalisation of behaviour, as well as planning of the control system (e.g., Mintzberg 1989) have important implications for the value-creation process.

Hybridity of academics' professional work

Changes in societal control by the market and the state have altered the role of professional work, traditionally framed in either the Anglo-Saxon liberal tradition or continental welfare-state contexts (cf. Bertilsson 1990). The increasing importance of the organisation in the coordination of professions and professional work has also long been evident (Brint 1994; Brock and Saks 2016). A major trend is the universities' increasing organisational control of academic work amid growing institutional autonomy and the weakening role of the state (Musselin 2007, 2013a).

Studies on hybridity in universities' work have often highlighted competing logics. The main outcomes of the introduction of new managerial logics can be perceived as the concentration of power at the top, the creation of line management structures, increasing demands for evaluation and accountability and attempts to manage and control academics and their work (Bleiklie and Michelsen 2008; Musselin 2008). Some scholars have interpreted this development as the triumph of organisational logic over the academic knowledge culture in HEIs' structure (Carvalho and Santiago 2010). Thus, many studies have presented managerialism as contradictory to professionalism (Evetts 2009). However, scholars have recently attempted to overcome this dichotomy and taken a more nuanced approach to the relationship between managerialism and professionalism. Research on the professions has emphasised their hybrid nature when professional and managerial principles unite (Carvalho 2014; Noordegraaf 2015; see also Evetts 2018).

Noordegraaf (2015) defines hybridity as the coexistence of competing logics. Rather than highlighting tensions, hybridity aims to overcome contradictions; “hybrid professionalism arises when professional and managerial principles come together—principles that concern 1) how the work is coordinated, 2) how authority is established and 3) what values are at stake” (Noordegraaf 2015, 2–3). Hybrid professionalism combines occupational and organisational professionalism with the organisations’ explicit normative aim to manage professionals as a natural part of their work (Noordegraaf 2011). When managerial principles are internalised in professional work and managerial practices become part of daily work, professionalism moves into a fourth model beyond hybridity (Noordegraaf 2011, 2015).

Noordegraaf (2015) proposes that hybrid professionalism mixes professional and managerial coordination, authority and values and introduces four categories of professional work:

- 1 *Pure professionalism* restores the traditional professional logic, free from and protected against managerial logics. Professionals are privileged to optimise the case treatment.
- 2 *Controlled professionalism* emphasises disciplinary professional work in organisational settings and structures. Instead of professionals, products are privileged to achieve results.
- 3 *Managed professionalism* hybridises structures, systems and roles in professional and organisational logics. Meaningful professional performance is privileged to link the case treatment and organisational challenges.
- 4 *Organising professionalism* goes beyond hybridity by embedding organising roles and capacities in professional action. Professional processes are privileged to handle multiple cases in demanding environments.

In Noordegraaf’s (2015) classification, the first two models represent the pure logics of professions and organisations, while the third model combines professional and organisational logics. In the fourth model, “‘hybrid professionalism’ is ‘meaningfully managed professional work’, [and] the move beyond hybridity implies new forms of professionalism in which organising becomes part of professional work and repertoires” (Noordegraaf 2015, 198).

Street-level hybridity of value definition

The final level of the value-creation chain is the level of professional work, where the client’s needs are met and public value is closely linked to individual value (Newman 2013). This is aggregated into public values, which are transferred to professional values. At the end, professionals create value in their daily work.

According to recent HE studies, it seems that hybrid professionalism is observable in academia. Professionals encounter academic demands on the definition of their work and its value, as well as the organisational definition of the work and its value (Kallio et al. 2016). However, according to empirical studies (Pekkola et al. 2016), it seems clear that academic valuing of the work is superior to managerial and organisational valuing. Additionally, indirectly, academic valuing is embedded in organisational and managerial practices (De Boer et al. 2007).

Thus, system-level hybridity is directly connected to academics' individual work as part of their professions, not as members of their organisations. The sources of hybridity and the hybrid value-definition processes in academia are described in Table 4.1.

Table 4.1 The sources of hybridity and the hybrid value-definition processes in academia

<i>Level of analysis</i>	<i>Main source of hybridity</i>	<i>Hybridity of value definition</i>
System level	<ul style="list-style-type: none"> – Diversified funding base – Public and private ownership and legislative framework 	<ul style="list-style-type: none"> – Competing values of different policy fields (education, science, innovations, employment) – Hybrid value-definition process related to network governance
Institutional level	<ul style="list-style-type: none"> – Competing bureaucratic, managerial and academic logics 	<ul style="list-style-type: none"> – Tuning of the different dimensions of system-level policies and network governance into organisational definition and measurement of value
Work descriptions and positions	<ul style="list-style-type: none"> – New non-academic professional positions with their own norms and values – New types of manager-academics – Mixed roles: professional, organisational and entrepreneurial/societal impacts 	<ul style="list-style-type: none"> – Competing definition of value by professional support services and academics – Balancing role of managers
Individual level	<ul style="list-style-type: none"> – Different logics of disciplinary work and organisational work – Different logics of different tasks (research, teaching and other tasks) 	<ul style="list-style-type: none"> – Indirect academic definition of the value outside the organisation by external academic reviewers

Nested hybridity, nested value definition?

The discussion on interwoven systemic levels has mostly concerned regional, national and international system-level policy layers. For instance, the interlinkages of European, national and regional HE systems have been analysed. Based on our reading of the literature, we argue that the nested system cannot be analysed or understood without taking into account the organisational and the professional levels of academic work. All subsystems of the nested system, namely, socio-political, institutional, organisational and psychological perspectives, are needed to understand the hybridity of HE and HE policies (cf. Johanson and Vakkuri in this volume).

It is difficult to determine the direction of causation in the policy formulation and implementation process. Most of the HE policies are ambiguous and often conflicting; thus, ground-level professionals play an important role in defining the policies and deciding whether these are implemented in their daily work. The hybridity occurs simultaneously at all nested levels and has implications for policy formulation and implementation.

At the organisational level, the most important factor in operationalising hybridity to meet the strategic value definition of the organisation is the performance management system that is designed to create a bridge between substantive and formal rationalities. The most important aspect of understanding hybridity is to comprehend the nested dynamics of value definition. At the end, individual behaviour and its interpretation in the framework of the performance management system create the value in the organisation that is communicated to the stakeholders at different levels of the nested system.

Another organisational way to impact the value definition is the definition of the work descriptions and the tasks of support service personnel and academics. In universities, as bottom-heavy organisations, the formation of paraprofessional positions pushes the value-creation and goal-definition process from the line organisation towards technostructure and staff authority lines. Furthermore, it transfers control from a bottom-up to a top-down direction. This is amplified by detaching managerial positions from normal professorial positions.

The new types of professional practices that are embodied in the work descriptions and the positions further cement the authority structure within the organisational definition of the value-creation process. For instance, it makes a significant difference if quality standards and performance promises are coordinated by “education developers” or academics. This division of coordination responsibility also has an impact on the control of the value-creation process.

The emergence of new paraprofessional positions strengthens the process organisation and the roles of upper-middle and top management. Therefore, the value definition is transferred from a bottom-up collegial

to a top-down process where technical advisers, specialists and strategic manager-academics, who scan the environment, play an important role. An example is a curriculum-design process that is detached from academic professional development and undertaken by educational developers according to the labour market needs and negotiated by academic managers, such as deans.

National policies, organisational practices and work descriptions may have a steering impact on professional work but can also be considered “expensive but harmless rituals,” or “annoyances,” in framing professional practices (see, e.g., Power 1997). Thus, the hybridity of different substantive rationalities or the alignment of formal and substantive rationalities needs to take place at the level of individual professionals in order to have a real impact on the primary value-creation processes. To summarise, the hybridity of different logics and actors at all levels of the nested system has an effect on the value definition in public policy processes. This nestedness of the policy process cannot be understood without analysing professional practices and operational understanding of professionals on the value definition and the performance measurement system (Habersam et al. in this volume). At the end, the ground-level academics are those who define the value of their work and formulate the policies, together with manager-academics and professional support service staff.

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5 Integrating the private economy with the public transport sector in China

Guangjian Xu and Qianqian Lu

Shared bicycles as public goods

As is widely known, public goods are mostly provided by the government. However, pure public goods scarcely exist in reality, and most are quasi-public goods, which create space for hybrid governance. In the field of transportation, particularly short-distance transportation, how might multiple subjects best participate in governance? China's practice of recent years provides an excellent case study. As early as 2012, some cities in China tried to resolve the inconvenience of short-distance traffic through the provision of urban public bicycles. The urban public bicycles provided by city governments are freely accessible to residents, who may register in their municipal transportation departments and receive their membership cards. However, some city governments have provided only limited numbers of public bicycles, which means that, to some extent, public bicycles are quasi-public goods with indivisibility of utility, rivalry and non-excludability. Since 2015, shared bicycles provided by the private sector have gradually become mainstream in China. The bicycles are mainly provided by enterprises such as Mobike, which purchase bicycles on a large scale and make them available in any densely populated areas in the city. The users pay for the expenses incurred by each use through their mobile communication devices. In such cases, the shared bicycles are owned by private enterprises, and they use this shared mode to improve the efficiency of the schemes and charge the right to use. Since private companies share large numbers of bicycles, they can basically meet the residents' needs. Therefore, in this way, shared bicycles have the indivisibility of utility, the non-excludability of consumption and the rivalry of consumption, characteristic of the so-called club goods. Both the public bicycles provided by the government and shared bicycles provided by the private sector represent attempts to resolve the public problem of short-distance public traffic.

Public value creation and the negative effects of shared bicycles

According to Brown and Potoski's study (2003), the institutional explanation of government service production decisions is based on transaction

cost theory. In providing public services, the government will choose a method – internal production, joint contract with the market, complete contracts with other governments, signing with the private sector or a full contract with an NGO – based on an evaluation of transaction costs. Urban public bicycle schemes represent an attempt by governments to use internal production to provide short-distance public transportation solutions, while shared bicycle is a way for private companies to actively create public value. Urban public bicycles are characterised by small release numbers, designated parking zones and individuals’ use of the bicycles under their own names. Shared bicycle schemes are characterised by large release numbers, unspecified parking spots and user anonymity. As Jan-Erik Johanson and Jarmo Vakkuri (2017) noted, “hybridity refers to ambiguous types of social organising.” In the field of urban transportation in China, joint collaboration between the government and private enterprises makes shared bicycle schemes a typical practice of hybrid governance.

Consider the following details that shed light why the shared bicycles offer a means of resolving the problem of short-distance transportation in urban China.

- The number of shared bicycles is very high. The Beijing Bicycle Electric Vehicle Association has reported that nearly 20 enterprises launched close to 20 million bicycles nationwide in 2017. From the beginning of September 2017, the number of shared bicycles available in Beijing was 2.35 million, greatly reducing rivalry among prospective users.
- Numerous parking spaces are available for shared bicycles, supplemented by mobile positioning technology, which reduces the search costs.
- The utilisation rate of shared bicycles has greatly improved compared to that of private bicycles, and the shared bicycle model is realised by means of a network platform.
- Shared bicycle enterprises encourage individuals to donate their own bicycles in exchange for free use rights, which further enhances the pooling and efficient use of resources. It should be noted that most shared bicycles are still provided by the enterprises and not all are donated by private donors. Therefore, shared bicycles are not always exactly “shared.” This is actually an attempt to improve the efficiency of shared bicycle systems.

Although shared bicycle schemes can help the government to address the problem of short-distance transportation, it should be noted that shared bicycle schemes have also had some negative consequences.

- In urban environments where public parking space has not increased, public spaces, such as sidewalks, bus stops and subway stations, have become crowded as a result of the random parking of shared bicycles.

Moreover, the random parking of shared bicycles has also caused cities' external appearances to deteriorate, which has increased the management burden of municipal administrations. At present, the volume of release exceeds use in the shared bicycle industry. On 31 July 2019, the Beijing Municipal Commission of Transport released a report on the operation of shared bicycles during the first half of the year. According to the data, in the first half of 2019, the average number of bicycles shared by the consumers was 1.604 million, and the average daily turnover rate was only 1.1 times per vehicle. This means that the bicycles in use were only used up to once per day and that the number of vehicles available was seriously oversupplied.

- Problems that include the safety and quality of shared bicycles, public transportation accidents and injuries caused by the improper use of bicycles have created obstacles to administrative law enforcement and the judicial sector. For example, a serious accident occurred in March 2017 in Shanghai when a 12-year-old child riding a shared bicycle was hit by a bus and died. His parents filed a lawsuit against the company responsible for providing the shared bicycles and claimed 8.78 million yuan.
- Due to imperfect regulations with respect to funds management, many small businesses may face the problem of a broken capital chain, which endangers the safety of user funds. Since most bike-sharing companies are not yet profitable, their operating capital mainly derives from two sources: external investment and deposits that users must pay before using the shared bicycles. Furthermore, the enterprises spend large amounts of money on purchasing more bicycles to increasing their market occupancy or on maintaining their older bicycles, which means that their operating cash maintains a delicate balance. Once part of the capital is occupied, it may lead to capital chain rupture. For example, if users decide to stop using a certain enterprise's bicycles and ask that their deposits be returned, that enterprise may not have adequate cash flow to cover the amount of deposits required. Therefore, deposits are refunded slowly, which may lead to trust problems and deterioration in the company's cash flow. This may lead to further associated problems, for example, the run-up problem, by accelerating the company's bankruptcy and compromising the protection of personal funds. At the end of 2018, OFO, the shared bicycle operator giant, suffered a cash flow rupture due to rapid expansion and poor management. After extending the refund period for some users, the trust crisis was aggravated, causing more than 10 million people to apply for refunds of their deposits online. Some users even went to the company office building to ask for a refund of the deposit on the spot, which ultimately caused considerable financial trouble for this well-known company.
- Finally, the accumulation of scrapped vehicles contributes to environmental pollution. The maintenance of shared bicycles is a major part of the cost. Although operators continue to improve the quality of

shared bicycles, their life cycles are still greatly shortened as a result of increased utilisation rates. After the conclusion of their life cycles, the burden of subsequent recycling is huge. Shared bicycles are part of the companies' own assets. Generally speaking, shared bicycles that have accumulated due to illegal parking and body scrapping should be claimed by the enterprise. However, as the enterprises do not claim them in time, most shared bicycles that have reached the end of their service lives were placed in piles that resemble scrap heaps in the suburbs, which constitute a waste of resources. Scrapped bicycles not only occupy public space and land resources but also generate solid waste. According to an estimate by the Beijing Bicycle Electric Vehicle Association, the scrapping of 20 million bicycles would generate close to 300,000 tonnes of scrap metal (www.bjbicycle.cn 2017). Since 2018, several shared bicycle scrap heaps are seen in Beijing, Guangzhou, Nanjing, Wuhan, Fuzhou and other cities.

Therefore, on the whole, shared bicycles have caused certain losses to public value due to the negative externalities of consumption and production, while providing short-distance public transportation solutions.

Different roles in hybrid governance of shared bicycles

In response to the creation and loss of public values that result from shared bicycles, the government again becomes involved in the governance of short-distance public traffic, while enterprises and non-profit organisations also initiate their own efforts to mitigate the negative effects (Xu and Zhang 2018).

Many of China's local governments have taken compulsory administrative measures to control the growth of the number of shared bicycles. Statistics show that during the first half of 2018, the average number of shared bicycles used daily in Beijing was 1.42 million, with each bicycle cycled only 0.7 times per day. In addition, the activity level per bicycle per month is less than 50%, which indicates that almost half of the shared bicycles remain unused. Since 2018, to reduce the pressure on urban space, many cities, such as Wuhan, Shenzhen and Beijing, have announced their intention to reduce the number of available shared bicycles from time to time, and this task has been assigned to the enterprises that continue to operate shared bicycle schemes. The government mainly implements the following three methods to reduce the numbers of shared bicycles.

- 1 Direct administrative orders to reduce the number of shared bicycles: Taking Wuhan as an example, just two enterprises operate shared bicycles – Mobike and Haro Bicycle – and the number of available bicycles has reached 765,100. However, the Wuhan Municipal Government requested a reduction of 185,000 shared bicycles by the end of

September 2019. On 28 August 2019, the Beijing Municipal Commission of Transport also announced that the number of shared bicycles offered by Mobike and Didi Chuxing would be reduced by 50% by the end of 2019.

- 2 Pushing companies on the verge of bankruptcy out of the market: Beijing has carried out the rectification of bike-sharing enterprises that are on the verge of bankruptcy. Now, nine enterprises in total continue to operate shared bicycles. Following an inquiry by the Beijing Municipal Commission of Transport, four enterprises – Zhixiang Chuxing, Popular Logo Bicycle, Struggling Bicycle and Zhixiang Bicycle – must step back from operating bike-sharing schemes or the government will accelerate the rectification.
- 3 Multidimensional management regulations and reductions in the number of shared bicycles based on the evaluation result: OFO, Mobike, Xiaolan, Haro Bicycle and Convenience Bee, which have already entered Beijing, have begun to stipulate supervision and management with respect to aspects such as the operational efficiency of bicycles and parking regulations. At present, Beijing is preparing to enact the Appraisal Management Approach to the Operation and Service Quality of Bicycle-sharing Enterprises, and will take into account the operation service, parking conditions, dispatch ability and complaint service as the basis for the increase or reduction of shared bicycles. This project has not been confirmed, but it has been put into trial use in some cities. For example, the objective of the quota project in Xiamen City is to give 45% of the share to the enterprise ranking first in comprehensive assessment, 35% to that ranking second and 20% to that ranking third, while the enterprise ranking fourth will not be qualified to operate bicycle-sharing services. Beijing, Shanghai, Guangzhou, Shenzhen and Wuhan have reduced their available shared bicycles by at least 2,706,100, to 40.8% fewer than were available during the peak period.

Furthermore, some pilot governments are enacting and stipulating administrative laws and regulations aimed at compelling enterprises to reclaim scrapped shared bicycles, since the bicycles form part of the enterprises' assets. If base-level governments want to deal with accumulated shared bicycles, relevant policies must be issued by the superior departments and treatment funds must be allocated. In August 2019, Shenzhen City intended to propose a law pertaining to shared bicycles. They will implement step-by-step management measures to resolve three problems: the arbitrary launching, illegal parking and late disposal of damaged bicycles. The first is aimed at compelling operators to reclaim or dispose of their bicycles, with a potential fine of between 50,000 yuan (renminbi) and 100,000 yuan (renminbi); the second measure holds that if operators fail to reclaim or dispose of their bicycles according to the regulations, the supervisory department can detain their bicycles and will have the right to deal with the detained

bicycles in line with the “Comprehensive Enforcement Regulations of Urban Management of Shenzhen Special Economic Zone.” Taking Haro Bicycle as an example, Beijing has established relationships with all sub-district offices and actively responded to the cleaning orders of all WeChat management groups to implement political management of surplus shared bicycles.

In addition, enterprises also have taken steps to resolve the negative externalities of consumption that results from shared bicycle schemes. Now, two methods are in place to deal with the surplus shared bicycles: the first is to dismantle and recycle parts of the bicycles, while the second is to sell the bicycles in their entirety. Furthermore, the government has compulsively regulated the recycling of bicycles, and recycling enterprises undertook the main task of dismantling and recycling bicycle parts.

To improve the use of bicycles, bicycle enterprises have cooperated with recycling enterprises one after another to deal with the abandoned bicycles that have accumulated over several years. China Recycling Development Co., Ltd., is the largest professional enterprise to recycle renewable resources in China. At the same time, it assumes the largest burden of shared bicycle recycling in Beijing. Since 2017, it has cooperated with bike-sharing enterprises to deal jointly with the sustainable recycling of bicycles. The process comprises four steps: picking, handling, dismantling and recycling. The bicycles that have reached the standards for discarding are selected and placed uniformly by the personnel in charge of the scheme’s operation and maintenance, and the personnel will inform recycling enterprises that they should transport the bicycles to regeneration warehouses where professional dismantling personnel will refine and dismantle them before classifying and storing them. In this process, the hazardous waste materials generated will be sent to the enterprise’s professional hazardous waste disposal agency. The vehicles’ baskets, frames and wheels, which cannot usually be used, will be split in the dismantling process; even tiny stainless steel screws will be removed for separate storage. At present, the recycling company has established five regional recycling networks throughout the country, and the number of recycling branches has reached 2,000, the number of sorting and processing centres for all kinds of renewable resources has reached 32, spread throughout most of the country’s cities, and the number of shared bicycles recycled has reached over 400,000.

Non-profit organisations have also achieved a lot in the resolution of shared bicycle oversupply. Several operators of shared bicycles have gone bankrupt and have signed numerous orders with bicycle manufacturers that they have been unable to pay for following bankruptcy. Accordingly, numerous new bicycles are detained in manufacturing plants. Therefore, some non-profit organisations have contacted bicycle manufacturers in an attempt to buy bicycles directly at a reduced price and then to donate them to students in poorer areas, to ensure that resources are fully exploited.

Besides the supervision and management of the policy in the market, bicycle enterprises have also begun seeking a new outlet. In August 2019,

OFO launched a new system with zones, which has been launched online in Luohu and Futian Districts of Shenzhen City, and has operated successfully. When users finish using the bicycles, they must find designated parking points to which they must return the bicycles. From a zone-based system to one without zones and back to one with zones, shared bicycle schemes seem to have come full circle. During the times of free development of systems with no zones, the excessive launching of shared bicycles driven by interests and capital caused a waste of resources. Now, with zoning systems that allow programmes to be better controlled, it is hoped that the bicycle scrap heap phenomenon can be improved.

Finally, central government agencies have also become involved in the governance of bicycle-shared following the basic maturity of pilot projects. On 16 May 2019, the Ministry of Transport and five other ministries and commissions issued “Measures for The Management of Funds for Users of New Forms of Transportation (trial),” which constrains bicycle-shared enterprises with respect to “the amount of deposit” and “returning time of deposit.” This means that specific regulation targets the deposit issue, which constitutes the most critical blow to bicycle-share enterprises since the “ban on investment” restricted bicycle numbers. At this time, the policy’s gap-closing effect insured customers’ deposits, restricted the excessive expansion of shared bicycles and pushed bike-sharing enterprises to seek more reliable ways to make profits.

Problems and possible alternative solutions for hybrid governance

Although hybrid governance could reduce the burden on the public budget, it may also cause problems with respect to the cooperation of private and public sectors, with a risk of leading into operational failures (Xu and Wu 2015). Therefore, in response to these problems with respect to the hybrid governance of shared bicycle schemes, this chapter proposes some targeted policy suggestions in an attempt to improve the current governance of shared bicycles in China and create better public value.

Government-related problems

Based on an analysis of the policies of shared bicycles in different regions of China, it is not difficult to observe that several dislocated, offside and defaulted situations are currently present in some local governments’ processes of supervision and implementation of policies.

First, governments interfere excessively in business operations. Some governments require the enterprises to buy insurance for users or even that “enterprises pay first.” Shared bicycle schemes are not a pure public good but rather a transaction between enterprises and users. Therefore, governmental intervention not only damages the benefits of enterprises but also

has no legitimacy. Some local governments have stipulated that shared bicycle companies must “set up deposit accounts to guarantee the use of special funds.” In fact, the deposit problem is an issue between enterprises and users, both of whom can resolve it through legal ways.

Second, government regulation is organised in a fragmented manner. Urban road management involves not only professional departments, such as transportation and traffic police, but also various levels of government departments, such as city, district and sub-district (towns and townships) (Johanson and Vakkuri in this volume). Due to departmental protectionism, disordered governance of shared bicycle schemes by different types and levels of government departments ensues. In the process of daily management, the problem of power and responsibility is serious. For example, some local governments have announced the prohibition of parking areas for shared bicycles, but the transport departments, urban construction departments, public security departments and municipal road departments have no knowledge of where parking is justifiable.

Third, the inadequate coordination mechanism between departments often results in the intensification of conflict or mutual prevarication between departments. The supervision of shared bicycle schemes involves at least the following actors: government departments at different levels, neighbourhood committees, shared bicycle operation enterprises, bicycle associations, shared bicycle users and citizens. Among them, two kinds of game relationship are at play: the behaviour game between shared bicycle users and shared bicycle operators and the behaviour game between the government and shared bicycle operators. The essence of the aforementioned cooperation among various shared bicycle regulatory departments based on interest relationships is the transfer of property rights to rare resources. However, the smooth implementation of the agreement and the supervision of the process whereby the agreement is reached are prone to opportunistic behaviour, which leads to a series of non-cooperative dilemmas among the regulatory departments of shared bicycles. Consequently, all cooperating parties are unable to form holistic and feasible regulatory models of shared bicycles through their own efforts.

Enterprise-related problems

As mentioned earlier, the disorderly expansion of development expenditure among bike-sharing enterprises has led to overcrowding of urban public spaces and waste of various resources, such as recyclable shared bicycles. Moreover, because of the high rate of damage to bicycles and the slow maintenance process, many traffic accidents have ensued. As governments interfere in the management of shared bicycles, although enterprises cooperate with the government to minimise investment, due to the profitability of enterprises, they must prioritise their own interests. With respect to the maintenance of shared bicycle parking areas, despite significant monetary

investments, the adverse consequences caused in the early stage of the project have not yet been resolved.

Problems related to non-profit organisations and citizens

NGOs and citizens are absent from the hybrid governance process with respect to shared bicycle schemes. The reason that NGOs do not play a role is that many restrictions are in place with respect to the establishment of NGOs and their intervention in social affairs. Furthermore, NGOs in China have little power in many social issues due to their lack of capital and professional workers. In several contexts, they may only assist governments rather than initiate activities. Comparing China's context with the international situation, we find that non-profit organisations can often help the government to supervise and cooperate with enterprises in optimising the use of resources. From a personal perspective, as users of shared bicycles and enterprises, the situation in China appears to be the opposite. Individuals might destroy locks and two-dimensional codes or find other means of appropriating the shared bicycles for their own use. They may also post fraudulent advertisements on bicycles or use the shared bicycles improperly, and behaviours such as these have negatively impacted shared bicycle schemes.

Dealing with hybrid governance problems

Generally, owing to the absence of some social subjects in the governance of shared bicycle schemes and to the complexity of the problem, a hybrid governance structure comprising governments, enterprises, non-profit organisations and individuals should be established to raise the different actors' awareness of the characteristics of hybrid governance in the context of shared bicycles. The government could fully communicate and cooperate with enterprises and non-profit organisations to establish a shared bicycle production, maintenance and recycling chain industry. Regarding supervision, the government could formulate corresponding policies aimed at deterring illegal activities among shared bicycle operation enterprises and shared bicycle users. The shared bicycle operation enterprises could supervise and prevent users' illegal activities. Additionally, bicycle associations could devise industry rules aimed at regulating and supervising illegal activities among shared bicycle enterprises.

In the production of shared bicycles, the promotion of green travelling and relieving urban traffic congestion should be governmental priorities, and some cities have actively developed public bicycle schemes through financial subsidies, which sufficiently demonstrate that the public sectors have such motives and needs. The shared bicycle industry is still at the stage of "pre-emptive attempt to expand the market share" with the support of capital. The large enterprises' main purpose is to compete for market share.

If the shared bicycle enterprise is not profitable, the government may use government procurement to purchase a certain number of public bicycles from the shared bicycle business to support the smooth operation of shared bicycle companies.

Regarding shared bicycle parking, according to the current development mode of shared bicycle systems, it will eventually revert to the implementation of designated vehicle zones. Therefore, local governments or shared bicycle enterprises may use Bluetooth, GPS and other technologies to establish virtual fixed vehicle zones. If a consumer parks the bicycle at the electronic fence, the enterprises may reward them in the form of price concessions. However, considering the low cost of shared bicycle use, it is impossible for enterprises to pay relatively high costs to encourage orderly parking. Therefore, this part of the reward could be paid by the government, thus reinforcing its supervision of the scheme. Alternatively, the municipal management department should be responsible for managing the dispatch of shared bicycles and measuring the workload technically. The shared bicycle operation enterprise pays a certain fee to the municipal management department, according to the workload, to cover the increased labour or working hour costs. In this way, the labour cost of the shared bicycle business enterprise can be reduced, while more public service positions of municipal management can be added.

Regarding the recycling of shared bicycles, non-profit organisations and the government could play a greater role. The government could establish a platform for cooperation among bicycle enterprises, recycling enterprises and NGOs, encouraging them to recycle used bicycles through financial incentives. NGOs could purchase unsalable bicycles from bicycle manufacturers and donate them to poor areas to maximise resource utilisation.

Finally, regarding the supervision of shared bicycles, the core is the shared so-called jointnomy and win-win situation between the government, enterprises, industry associations and citizens. This requires the establishment of a community-based or road segment-based shared bicycle “common governance shared community,” including streets, neighbourhood committees, property, security and even developers, to develop government coordination and new multi-force public governance models (Kato in this volume). The government must address issues such as regulatory rules, formulation and industry regulation to form a cooperative governance pattern between market, government and society. Governments and industry managers should re-examine the entire urban planning and public infrastructure. Moreover, shared bicycle operators should reinforce their coordination with the government, implement reasonable zoning and maximise their use of Internet technologies to resolve problems. It is also crucial that they monitor problems such as shared bicycle users’ dishonesty, which could be achieved in tandem with the government’s citizen integrity platform.

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6 Temporary organisations as hybrids – challenges and mechanisms for public value creation

Sebastian Godenhjelm and Stefan Sjöblom

Introduction

Contemporary policymaking has become increasingly complex. Society faces a wide range of challenges that require rapid policy changes, different techniques, new governance tools and fundamental systematic change within and beyond the nation-state (Torfing et al. 2012; Jacobsson et al. 2015). Although governance problems and challenges differ and solutions to them might require different approaches, they tend to have two things in common. Firstly, they are multidimensional and complex to the extent of constituting wicked problems. Secondly, they need to be urgently addressed, placing increased pressure on finding governance mechanisms that contribute to sustainable solutions (Munck af Rosenschöld 2017).

The search for new governance mechanisms stimulates the emergence of hybrid organisational forms and solutions (Skelcher and Smith 2015, 433). The benefits of hybrid organisations relate to their expected ability to satisfy both public and private sector aims, their ability to draw on multiple sources of funding and their aim at legitimising the value of their activities, thereby producing more flexible and efficient ways of organising. Hybrids encompass many different organisational forms such as public-private-partnerships (PPP), non-profit organisations (NPO), joint ventures and contracting out. However, hybridisation is not only a matter of structures and organisational forms (Skelcher 2007). Hybrids can also be conceptualised from a processual point of view (Kastberg and Lagström 2019). Formal organisations need to collaborate to address problems such as climate change, economic and regional development and poverty, but the collaborative patterns and the applied policy instruments vary over time because of changing problem perceptions, resources and contexts. Consequently, organisations are subject to continuous processes of hybridisation and de-hybridisation, particularly within complex policy fields. Hybrids require coordination among actors from different sectors and domains, representing disparate interests, professional identities and organisational traditions as well as synchronisation of different temporal understandings and regularities. Temporal tensions, perceived as competing or contradicting

temporal perceptions and norms, may affect mechanisms for value creation considerably (Stjerne et al. 2019, 347).

Many of the global challenges facing societies increase the speed and number of interactions among elements and levels in the global system. Timescales are compressed, and processes become increasingly non-linear and unpredictable. Consequently, managing complexity to enhance public value (PV) creation is not only a matter of structural relationships between differentiated organisational forms representing different logic. It is also a matter of ability to manage increasingly differentiated and competing timeframes and the available strategic alternatives. Hence, the temporal dimension becomes crucial in assessing the potential of hybrid arrangements for creating PV. The focus of this chapter rests on these mechanisms or, more precisely, on *how the temporary forms of organisation affect mechanisms for PV creation in hybrid settings*.

The chapter draws on research on public sector project management and projectification. As public sector projects usually are inter-organisational and cross-sectoral by nature, they bear similarities with hybrid forms of organisation. Being explicitly time-centred, projects are excellent organisational forms for analysing temporal effects on mechanisms for value creation. Furthermore, existing research on public sector projects draws attention to the temporal dimension of the current political and organisational life (Godenhjelm et al. 2019).

This chapter contributes to the understanding of the space between public and private (Johanson and Vakkuri 2017, 5–6), as well as the temporal mechanisms in hybrids. The chapter is structured as follows. We start by discussing the mechanisms for value creation in hybrid governance settings. We then establish a link between project organisations and hybrid characteristics. Drawing on projectification research, the aim of the subsequent sections is to discuss solutions highlighting the temporary dimension and specifying the mechanisms for value creation in temporary forms of hybrid governance. Finally, the chapter summarises the findings and presents a concluding discussion on how the research on temporary organisations can contribute to identifying and assessing procedures and mechanisms for value creation, particularly in temporary hybrid contexts.

Mechanisms for value creation in hybrid governance

Despite the increasing interest in PV creation, the debate has been rather vague about the specific kinds of mechanisms, practices and procedures necessary to produce PV. Previous research on hybrid arrangements has concentrated on institutional forms and organisations in hybrid settings rather than the ways in which governments, decision-makers, service users and citizens assign value to these arrangements (Johanson and Vakkuri 2017, 117). Hence, there is an evident need for conceptual and

empirical developments in general, and for systematic knowledge on how temporal features of hybrid settings affect mechanisms for PV creation in particular.

Perceived as a paradigm, PV creation has been considered for a shift away from strong ideological positions of market versus state provision towards recognition of the social values inherent in public services (Moore 1995). The paradigm signals a move from the primary focus on results and efficiency towards the achievement of the broader governmental goals of PV creation (O'Flynn 2007; Alford and Hughes 2008).

PV creation is a highly debated and controversial concept. According to some scholars, it offers a new paradigm and a different narrative of reform through redefinitions of how to meet the challenges of efficiency, effectiveness and accountability (Stoker 2006). From a holistic point of view, the concept of PV represents an attempt to measure the total benefits of government action in ways that could be beneficial for the relationship between government and citizens (Kelly et al. 2002). Others perceive public value performance (PVP) mainly as a performance measurement story in which the words "public" and "value" have been attached to a standard framework for measuring outcomes and cost-effectiveness (Pollitt and Bouckaert 2004). Regardless of what stance we take towards PV creation as a concept, definitions of "public value" have remained varying and elusive.

It is not the purpose of this chapter to develop new definitions or conceptualisations of PV. We agree with the definition presented by Bryson et al. (2017) that PV is that which is valued by the public or is good for the public as assessed against various PV criteria such as equity, procedural fairness or efficiency. As argued by Sherman and Lewis (2015, 1), the PVP framework helps focus managerial attention on key areas that are necessary for creating greater success. More significantly, it connotes an active sense of adding value rather than a passive sense of safeguarding interests. It also underscores that mechanisms related to organisational design, entrepreneurial spirit, strategic action, dialogue and leadership can be keys to promoting PV (cf. Bryson et al. 2017).

However, PV is highly relative to circumstances in the environment (Moore 2013). A policy or purpose is valuable in the context of the social problems that arise in a specific social and institutional environment. Involved actors may not be able to define what is valuable in absolute terms, but they can seek to decide whether a given goal is more valuable than another in a particular circumstance, as well as the means and mechanisms by which the preferred goals are achieved (Alford and O'Flynn 2009). For our purpose, there is no point in elaborating on the potential of general governance mechanisms in the creation of PV. We argue that the mechanisms also have to be defined and assessed with respect to the specific temporal qualities of hybrid contexts.

If we perceive hybrids as specific organising forms to combine multiple institutional logics, then the processes through which the organisations

instantiate multiple social rationales in their values, structures, goals and practices become crucial for understanding their actions and outcomes (Battilana et al. 2017; Matinheikki et al. 2018, 300). According to the scientific discourse, hybrid forms of organising are especially necessary for organisations that involve a wide variety of stakeholder interests, pursue multiple and conflicting goals and engage in divergent or inconsistent activities (Matinheikki et al. 2018; Kastberg and Lagström 2019). Following this line of reasoning, mechanisms for managing reconfiguring and mediating conflicts and inconsistencies are particularly important in terms of PV creation or, to be more specific, mechanisms that can prevent conflicts and inconsistencies from becoming detrimental with respect to goal attainment and value creation. Such conflicts are about goals and interests, which are key elements of all political activities. Four types of potential conflicts or inconsistencies are central in hybrid arrangements. All of these are sensitive to temporal perceptions and the temporal context of the activities:

Although managing *value conflicts* is a key element in all political activities, there is limited systematic evidence on how value conflicts are addressed in multi-organisational and multilevel settings (Bryson et al. 2017, 649). Drawing on studies of public decision-making in general, many mechanisms and strategies have been suggested, such as establishing value hierarchies, balancing values, separating conflicting values by sequential attention and cycling, that is, alternatively emphasising conflicting values over time (Martinsen and Jørgensen 2010; Bryson et al. 2017). However, the basic challenge behind value conflicts is the identification problem. The literature shows no consensus on a preferred method for identifying PVs (Bozeman 2018, 5). As values are mutable, changes in values over time exacerbate the identification problem. Managing value conflicts appears to require a minimum of the continuous involvement of stakeholders in discussion, deliberation and translation of values to operational guidelines. There is, however, mixed evidence on the extent to which stakeholder inclusion contributes to PV creation in terms of achieving desired outcomes.

According to ideal conceptions of collaborative governance, stakeholder inclusion is a means also for mediating potentially *conflicting goals and interests* and for securing better results and innovative solutions (cf. Sørensen and Torfing 2012). In temporal respects, mediating diverse goals and interests is especially important for achieving desired long-term outcomes through hybrid solutions. In situations where hybrid solutions are applied in predominantly public contexts, the role of public managers as orchestrators of collaborations is seen as a prerequisite for securing long-term PV creation by means of collaborative actions (Crosby et al. 2017; Vento and Sjöblom 2018). However, as will be shown later in this chapter, it is unclear under what conditions public managers are able or willing to adhere to

the orchestrating role or whether such an engagement contributes to the creation of PV.

Temporary tensions and conflicts over the policy cycle is a third type of inconsistency that is likely to occur in hybrid settings because parliaments and service organisation enterprises operate according to diverse timeframes. Temporal tensions can be defined as dilemmas and conflicts that emerge at the boundaries of opposing and competing temporal understanding, implying that actors must be able to perform temporal boundary work and capitalise on timing norms to manage the tensions (Stjerne et al. 2019, 349; Rajala in this volume).

A final tension is the one between *temporary and permanent organisations*. If we perceive hybrids as processes rather than structures, it is evident that organisational structures, collaborations and applied policy instruments vary over time. To the extent that policy development and execution rests on temporary hybrid arrangements, mechanisms for securing knowledge transfer between levels and long-term PV creation are required at the end of the policy cycle. Although evidence on their significance is mixed, evaluation systems and mechanisms for control and accountability have been suggested as means for strengthening the relationship between temporary and permanent structures and establishing contextually sensitive interlinking mechanisms (Godenhjelm 2013, 2016; Godenhjelm et al. 2015).

In the next section, we will establish a link between project organisations and hybrids. Then the aforementioned tensions and mechanisms will be applied to a hybrid context using findings and examples from research on public sector projectification.

Project organisations as hybrids

Previous research has indicated that hybrid organisations can take many different forms but seldom explains how hybrids arise (Skelcher 2007; Skelcher and Smith 2015). We argue that temporary project organisations fall exceptionally well within this hybrid debate. A frequently used definition of a project is “a temporary endeavour undertaken to create a unique product, service or result” (Project Management Institute 2004, 5). Projects are considered as action-driven temporary organisations, created to achieve a specific goal within a predetermined timeframe and contain a strong element of change (Lundin and Söderholm 1995).

Projects have increased drastically, especially in the industry, construction and IT sectors. Today, projects are frequently used in the public sector as a form of governance. Some refer to the increased use of projects in the public sector as the rise of a project state or society, as well as public sector projectification (Godenhjelm et al. 2015). Projects ideally include a wide variety of public and private sector actors, draw on multiple sources of funding and are generally regarded as flexible and adaptive organisations

that produce outputs on a just-in-time basis (Sjöblom et al. 2013). Much like hybrid organisations, conceptualisations of projects also suffer from a lack of understanding of the interface between public and private, the legitimacy of the actions that they produce and what the value of the generated outputs is for different actors.

In relation to hybrid governance, projects are mainly seen as a form of joint ventures, enabling governments to gain access to private capital and to transfer risk to the private sector (Skelcher 2007, 352). We agree that these are some of the important functions that projects entail, but not all. Research on the projectification of the public sector shows that projects play a central role in combining public and private interests – for instance, in the European regional development policy (Büttner and Leopold 2016).

Hybrids can take many different forms that constitute “impure” species, which have created drawbacks in terms of ownership and control. A dichotomous view of markets and hierarchies has analytical and theoretical benefits for clarity and conceptual frameworks. However, the increasing use of new governance methods such as projects and hybrids characterised by mixed ownership, goal incongruence, multiplicity and social control does not always follow this division (Johanson and Vakkuri 2017). They draw particular attention to procedural prerequisites of PV. As will be discussed later, the contribution that research on projectification might have for the hybrid governance debate and its links to value creation has yet to be fully realised. The main findings of the discussion are summarised in Table 6.1 and will be elaborated in the text later.

Table 6.1 Public value challenges and projectification features from a hybrid perspective

	<i>Public value challenge</i>	<i>Central projectification features</i>
Value conflicts and changes	Managing inter-organisational value conflicts and identifying value changes over time	Extensive stakeholder inclusion Continuous discussion, deliberation and translation of values
Conflicting goals and interests	Mediating diverse goals and interests for achieving desired long-term outcomes	Mediating mechanisms, emphasising particularly the role of public managers
Temporary Tensions and conflicts	Managing diverse timeframes and temporal understandings of involved actors	Temporary boundary work and translation of multilevel objectives. Capitalising on timing norms
Temporary and Permanent organisations	Managing the multilevel problem and transferring information and knowledge from temporary to permanent organisations	Evaluation systems. Mechanisms for control and accountability

Managing value conflicts and value changes – implications for hybrid value creation in hybrid contexts

Project governance resonates well with the hybrid characteristic of mixed ownership, which highlights mixed ownership between public and private sector actors in the pursuit of politically driven goals. In terms of project governance characteristics, *ownership between public and private actors and stakeholders* is particularly interesting. From a PV perspective, one shortcoming of the traditional use of the PVP is that it tends to be public-manager-centred in an increasingly complex world where elected officials and actors from different sectors and levels are called to have a key role in producing PV.

The perceived benefits of organising by projects have opened up several new application areas (Godenhjelm 2016) and, consequently, new mixed forms of ownership. Projects, however, have a strong business management heritage, which also means that they suffer from a rationalistic bias and tend to follow project management ideals associated with private sector logic (Sjöblom and Godenhjelm 2009, 170). The use of such business logic is presumed to lead to increased efficiency, while public ownership is believed to solve grievances among customer groups (Godenhjelm and Johanson 2018). A central part of the believed efficiency gains achieved by project organisations stems from the identification, selection and involvement of the “right” network actors, entrepreneurs or stakeholders that are particularly well suited to complete the unique task at hand (Lundin and Söderholm 1995). Stakeholder inclusion, involvement and collaboration are believed to lead to better results or even new and innovative solutions (Sørensen and Torfing 2012). In this case, projects are central as they usually involve a network of stakeholders and can thereby serve as forums where knowledge is effectively produced and shared (Eggers and O’Leary 2009).

Ideally, project stakeholder collaboration builds up relationships, increases trust and provides a fruitful ground for innovation and shared learning (Grabher 2004; Brady and Hobday 2011). Consequently, some refer to projects as temporary knowledge organisations that are expected to generate new solutions to solve multi-causal problems (Sbarcea and Matrins 2003). Project funding has also become a way of legitimising public interventions by involving affected interests and stakeholders (Godenhjelm et al. 2015, 337). Projects thereby have the potential to act as arenas that enable broader civic engagement, deliberation and increased PV.

Research shows that a considerable number of stakeholders are involved in projects that constitute a form of mixed ownership. For instance, in their research on European Union (EU)-funded projects, Godenhjelm and Johanson (2018) show that mixed ownership and the pursuit of politically driven goals can clearly be seen in EU-funded regional development projects. In short, their research illustrates how projects aim to contribute to *politically set EU programme goals* such as the promotion of innovation

activity and networking and the reinforcement of knowledge structures. In their analysis of 275 EU-funded regional development innovation projects in Finland during the 2007–2013 programming period, the results showed that projects *include a wide variety of actors from different sectors*.

Actor affiliations ranged from municipalities or federations of municipalities, national or regional authorities and privately owned companies to NPOs. The variety among actors not only applied to project managers but also to staff, the steering group and stakeholder composition. Overall, the 275 projects included a network of almost 11,000 public or private sector stakeholders from different fields.

The vast network of actors included in the projects *did not produce innovations as expected*. In fact, only 13% of all funded projects produced innovations. In addition, the analysis of knowledge brokers showed that actors with interlinking membership in the networks decreased the odds of project innovation. The extent to which projects succeed in involving stakeholders, how this affects the quality of the decisions, that is translation of values, and to what extent public sector projects enable the inclusion of “public interest” on non-state actors (Sjöblom 2009) are unclear. As indicated in Godenhjelm and Johanson’s example, assessing the involved public sector networks and the diverse stakeholder group interests creates difficulties.

Some argue that failure to include key stakeholders might cause serious damage to the project (El-Gohary et al. 2006). Stakeholders might be included as a response to unexpected events such as misunderstandings between the focal project organisation and local stakeholders (Aaltonen et al. 2010). Critically speaking, stakeholders might be included for purely symbolic reasons, to safeguard interests or to promote conformity rather than variety and innovation, and they may not be able or willing to contribute to the task at hand (Loorbach 2010). Thus, it is unclear whether stakeholder inclusion leads to extended participation or the exclusion of interests (Godenhjelm 2016, 59).

Following this line of reasoning, one can identify several value components that relate particularly to mixed ownership, characterising hybrid arrangements as well as temporary organisations. People are, according to the PVP concept, motivated by their involvement in networks and partnerships, that is, their relationships with others formed in the context of mutual respect and shared learning (Stoker 2006, 56). Following the procedural aspect of the PVP debate, one would then perceive the *degree of involvement* of stakeholders in *shared learning processes* as important value components. A third component is mutual *trust*. Even if formal service and outcome targets are met, a failure of trust will effectively destroy PV (Kelly et al. 2002, 17). However, as Godenhjelm and Johanson’s (2018) example of temporary project organisations showed, stakeholder involvement might be almost detrimental with respect to the policy objectives in questions. It appears that the procedures related to stakeholder involvement and mixed

ownerships are extremely sensitive in contextual respects. Therefore, their effects should be assessed systematically when comparing various organisational alternatives.

Mediating conflicting goals, interests and timeframes from a hybrid value creation perspective

Goal incongruence and its emphasis on competing institutional logic between profit-seeking and effectiveness in terms of achieving social impacts on society and citizens (Johanson and Vakkuri 2017) are characteristics that are of particular relevance for temporality of project governance. Projects are ideally suited tools for managing potential problems of goal incongruence not only by including stakeholders but also by means of *decoupling, delimiting and extracting clearly defined targets* from the permanent organisation(s) and / or broader policy contexts. Although PVP recognises the value of vision, mission and goals, it primarily emphasises entrepreneurial imagination as the key to value creation. In creating PV, Moore (1995, 162) asserts that good strategic managers learn not only how to plan actions but, equally, how to exploit unanticipated opportunities as they arise.

This places public managers in a proactive and productive role, which tends to downplay the roles of other actors (e.g. elected officials, social entrepreneurs and business leaders) (Bryson et al. 2017). We agree in the notion that it is an open and empirical question of what role the mixture of different actors, often from different sectors, can and do play in the processes of value production. PV entrepreneurs face the same tasks of obtaining authorisation and legitimation; building organisational capacity; and discerning, defining and creating PV (Bryson et al. 2017, 642). Stoker (2006) also argues that a PV management paradigm has emerged in the aftermath of new public management (NPM) as a means of solving the “puzzle” of balancing democracy and efficiency. His central idea is that “the governance of the public realm involves networks of deliberation and delivery in pursuit of public value” (Stoker 2006, 47).

This is also important in projects that are dependent on a limited number of defined tasks to legitimise the project. According to the seminal work of Lundin and Söderholm (1995), the task definitions are the *raison d'être* for the temporary organisation and serve as a point of departure for the optimal project team composition to be formed around it. Reaching the project's task requires fragmentation to delimit or simplify it but also to secure commitment among the potential project members. This enables the project to be decoupled from other activities and ideally provides an element of order in complex and, at times, “wicked” environments (Godenhjelm et al. 2019). In reality, few projects can, however, be regarded as entirely stable and predictable. They always embody a chaotic element that is multi-contextual and dependent on the partly competing wishes and demands of a multitude of stakeholders (Lundin and Steinthórsson

2003, 247). As discussed previously, the focus on project task and its temporal limitation also affects knowledge creation because of the value in solving a particular problem or task with the right composition of actors.

In a public policy setting, a central objective is also acceleration, that is, to increase the operational speed of policy systems. Decoupling might, however, mean that “organisations symbolically endorse practices prescribed by one logic while actually implementing practices promoted by another logic” (Pache and Santos 2013, 974). In terms of projects, decoupling may mean that innovative actions are endorsed by organisations rhetorically, but not carried out in practice (Fred 2018, 47). In the literature, these issues are usually perceived as tensions between temporary and permanent organisations (Godenhjelm et al. 2019). Furthermore, there is a temporal tension between long-term and short-term effectiveness. Many policy fields are characterised by parallel policies with considerably diverse time horizons. For instance, in fields like environmental management and regional development, a *simultaneous* demand for both instant and longer-term action exists. Sometimes even generational time perspectives are needed in terms of outcomes (Munck af Rosenschöld et al. 2014).

Studies on EU cohesion fund projects in Finland show that state agencies face the challenge of managing tensions between bureaucratic and collaborative ideals, which can lead to goal incongruence. Cross-sector collaborations vary depending not only on the explicit motives of the involved actors but also because of confrontations between the different rationales, traditions and procedures that the actors represent. In their research on government agencies, Vento and Sjöblom (2018) show that by influencing collaborative procedures, government agencies have a considerable impact on the performance of collaborations. Collaborative and participatory actions are facilitated towards performance gains by means of an extensive involvement of government agencies. Conversely, performance gains from collaboration and participation are lower when their involvement is limited or non-existent. Although it is an empirical question what actors serve as PV entrepreneurs in project settings, Vento and Sjöblom’s example clearly illustrates how public managers are in a key position in mediating conflicting goals and values. In other words, they have to balance economic, technical and political concerns to secure PV (Hefetz and Warner 2004, 171).

Government agencies expect non-state actors to play the right game and have a considerable moderating influence on the relationship between collaboration and performance. More importantly, the influence is strengthened if project managers are responsive towards the bureaucratic rationale of the administration. These collaborative patterns may well be beneficial for achieving policy objectives and goals in a narrow sense – objectives close to the target area of the respective policies. It is, however, questionable to what extent they facilitate innovation, change and other payoffs beyond the policy targets that project organisations are expected to generate, provided they are granted sufficient discretion. Projectified structures should

be judged not only on their ability to effectively achieve the project task or goals but also on their ability to *sustain* and implement information and knowledge. Institutionalised norms and values might affect the seemingly unique project in becoming standardised, resembling a “pearl necklace” where similar projects follow each other (Sahlin-Andersson and Söderholm 2002). Thus, there is an evident risk that projectification will contribute not so much to getting things done and action but to a de-synchronisation of policies and interventions. Therefore, adaptation in complex governance systems is not only a question of the relationships among differentiated organisational forms with different logics. It is also a question of controlling increasingly differentiated and competing timeframes (Godenhjelm et al. 2015).

According to this logic, managers using agile planning processes should only concentrate on a few critical indicators. However, these few indicators still need to measure all three value dimensions that are necessary for successful implementation (i.e. value strategy, political management and operational capacity). Most of the past performance measures concentrate only on the operational capacity. In addition to operational capacity, it is important for the public manager to keep track of the progress they are making in the political arena as well as the value they are creating for the public (Sherman and Lewis 2015).

Hence, in procedural respects, goal incongruence is not necessarily a problem for PV creation. Essential value components are the capacities of key actors – particularly the public manager’s ability to *mediate among potentially conflicting concerns* and the capacities for fast *adaptation to changing conditions* in the environment. However, research lacks an understanding of the impact of dissonance – how diverse goals and ambiguous criteria for performance evaluation go together. This also holds true for understanding the design and uses of systems of performance evaluation and measurement in hybrid forms of governance (Hodges 2012).

Managing the multilevel problem from a hybrid value-creation perspective

As indicated previously, a multiplicity of funding arrangements between public and private actors exist, including investors and financiers, for example, several types of PPPs or private finance initiative (PFI) arrangements in financing public service delivery (Hodge and Greve 2009). Contemporary hybrid governance arrangements need monetary capital from different sources in order to function; they also need to gather the intellectual capital necessary to complete complicated tasks (Johanson and Vakkuri 2017). In terms of project governance characteristics, *the complex multilevel context in which public sector projects operate* is particularly interesting.

PVP and the project logic underline the importance of novel and unique resource combinations in the strategy formation and policy processes. Such

resource combinations do not necessarily follow any predefined rules and evade rational calculation (Johanson and Vakkuri 2017). This is often irrelevant in situations where innovation and creativeness serve as a mode of evaluation, and the results may thus appear in the form of learnt and changing capabilities. The forms of interaction are taking place within project organisations, and resource combinations consist of actors from different sectors with the aim of producing PV for actors at different levels.

The necessity of setting out targeted predefined goals, however, raises the question if innovative and creative results can be evaluated if they do not correspond to the predefined project goals. Paradoxically, it would seem that the project organisation corresponds more to what Johanson and Vakkuri (2017) refer to as the domestic world, where hierarchy and traditions function as criteria for the evaluation, and not their definition of the project world, which is based on flexible, non-permanent relationships between individuals and organisations.

However, as Johanson and Vakkuri (2017) argue, the successes and failures of hybrid arrangements in terms of economic parsimony are contingent upon the ways in which the costs of such collaborative design can be controlled. As described by Fred and Mukhtar-Landgren (2019), the translation of macro-level goals into subnational funding criteria highlights the importance of actors' "translating" and "interpreting" macro-level goals and modifying them into local projects. It also stresses the need for evaluation criteria or indicators that focus on the varying forms of perceived or actual value created in interagency practices and by cross-sector collaboration. Experiences from public sector projects show that neither costs nor benefits of the collaborative design are measured or evaluated in terms of PVP. The results are also in line with previous research according to which there is a lack of policy networks that create "organised feed-back loops" and argue that governability within the field of EU structural funds only results in fragmentation and loose couplings between autonomous actors (Heinelt et al. 2003, 137–138).

An important feature of decentralised NPM and new public governance (NPG) reforms of recent decades is the emergence of horizontal governance ideals that supplement traditional vertical problem-solving capabilities (Godenhjelm et al. 2019). One important consequence is that different forms of international, national and local fund and support systems supplement or replace the existing tax-based financial structure (Büttner and Leopold 2016).

A prime example of such funding systems is the EU structural funds that aim to modernise public administrations and foster good governance (Fred 2018). National innovation systems and different development programmes carried out as public-private partnerships are also examples. Public sector projects have thus become symbols of flexibility, innovation and something post-bureaucratic (Godenhjelm 2016; Fred 2018). This resonates well with the values and ideals of the aforementioned reform agendas as well as with

the multiplicity of funding arrangements discussed in the hybrid governance debate.

Büttner (2019) presents a particularly useful overview of the EU structural fund system and its consequences in terms of projectification. According to this overview, EU funding is provided by structural and investment funds such as the European Regional Development Fund (ERDF) and the European Social Fund (ESF) that allocate approximately 60% of the entire EU budget through project-funding systems (Büttner and Leopold 2016). However, structural fund projects have to be at least partly co-funded by the recipients themselves or by the respective local or regional authorities.

Godenhjelm and Johanson's (2018) analysis of ERDF innovation projects in Finland during the 2007–2013 programming period showed that projects were co-funded by public, private and NPOs, with project budgets ranging from under 10,000 euros to multi-million euros. On average, they lasted almost three years and included 50 stakeholders per project, most of which were categorised as privately held companies. The most active stakeholders (≥ 9) within these projects were large multinational companies within the forestry sector, mining industry or technology sector.

The programme objectives are planned and compiled in collaboration with the European Commission or by employees of the Directorate Generals (DGs) of the Commission responsible for the respective policy area, but also involve cooperation with local and national experts, stakeholders and local policymakers (Büttner 2019). By means of regulations, rules and programmes, the administrative levels determine the orientation of individual projects that have to be in line with the agreed-upon guidelines (Godenhjelm et al. 2015). EU funding has thus become a highly distinctive field of practices requiring both knowledge and competence for those who are or who want to be “eligible” for receiving EU funding (Büttner 2019).

The translation of macro-level goals into subnational funding criteria is no simple matter and highlights complexities associated with the multiplicity of funding arrangements. For instance, in their research on interpreting EU programme objectives at the local level, Fred and Mukhtar-Landgren (2019) highlight the challenge for local actors involved in translating macro-level policy goals into local projects. In their analysis of how information is translated in a multilevel context, they point out that projectification, to a great extent, has focused on questions relating to what, where and why something happens, but rarely poses the question of how. In a situation where increasing reliance is on the projects, funding to cover public sector tasks becomes highly relevant.

In their analysis of 33 municipalities in southern Sweden, they show that a variety of different steering instruments, organisational techniques and practical tools aimed at facilitating EU projects exist and that local strategies often clash with macro-level goals. The “translation” of macro-level goals into practice at the subnational level often requires new public sector

actors, resembling knowledge brokers or boundary spanners that interpret, disseminate and modify local, politically set policies and goals so that they match the necessary criteria to apply for project funding. While such actors are necessary in a situation where public sector projectification is increasing and could be highly beneficial for information gathering and diffusion, they also pose a threat to democracy if the translation comes at the expense of the local democratic process. However, even though the EU can be regarded as the key driver of the increasing use of projects in the public sector, a multitude of other examples of projectification at lower levels also exist that do not adhere to higher administrative levels at all (Godenhjelm et al. 2012).

An important question is to what extent added value in terms of complementarity actually is achieved. The funding provided by the structural funds is not intended to replace national funding but to serve as a complement to achieve both local and supranational goals and create value for the actors involved. As Fred and Mukhtar-Landgren's example shows, this is no simple matter and places new public actors capable of navigating in the complex multilevel policy field in a key powerful position. The temporary organisational form required to obtain funding (i.e. the project organisation) also raises the question if the monetary benefit provided by new funding opportunities comes at the expense of intellectual capital that may operate according to different timelines and be needed to complete complicated tasks or achieve innovations. Therefore, PVP should be measured in terms of contributions to the goals set by the funders, which would also be in line with the EU partnership principle. The ability to assess indicators on interagency practices and procedures for cross-sector collaboration, as well as maintaining legitimacy of methods of measurement and policy goal clarity, is thus important value component.

As previously described, the translation of macro-level goals into subnational funding criteria also illustrated how levels are built into constitutions, legislations, regulations and funding arrangements. PVP does not explicitly attend to levels. Similarly, the hybrid logic is of a horizontal rather than a vertical nature. *Attending to levels is important because in any given multi-actor and multilevel situation*, there are multiple PV strategies at play and, by consequence, multiple sources for conflicts, tradeoffs and complementarities in PVs (Bryson et al. 2017, 645). In multilevel contexts, the *procedures for translating supranational goals to subnational targets* and funding criteria thus become key procedures for PV creation.

Knowledge and information transfer across levels from a hybrid value-creation perspective

Hybrid arrangements have been argued as representing a complex mix of public and private forms of financial and social control that are hard to distinguish from one another (Johanson and Vakkuri 2017). Control forms

can include regulatory control of the markets, professional self-control and customer-driven market control within a single system of service delivery, for example, multifaceted control and audit systems of organisations operating on professional clan control and customer-driven satisfaction logics (Kelly 2005). Hybrid arrangements are thus influenced by multiple pressures that follow different mentalities (Johanson and Vakkuri 2017). In terms of project governance social control, the *legitimacy of evaluation systems* and possibilities for *accountability* are of key importance.

The PVP implies a shift in models of accountability away from narrow performance contracts, such as project indicators and evaluation mechanisms, for example, towards the use of more complex systems. The PVP recognises that a more pragmatic approach to selecting providers to deliver public services would create more space for the maximisation of PV. As Stoker (2006) argues, such radical paradigmatic change has important and wide-ranging implications for public sector management and public sector managers. In part, this reflects the positioning of politics at the centre of the PVP, as opposed to its construction as an input in previous models. In a PVP, managers negotiate and engage with different constituencies. They must negotiate up into their authorising environment or the political realm and out towards clients. Placing politics at the centre is crucial in terms of accountability. The problem is, however, that neither evaluation nor accountability can be achieved through negotiation procedures only.

The governance approach emphasises well-institutionalised structures as a prerequisite for cooperation and flexible adjustment in public governance (Torfing et al. 2012, 104). As shown earlier, projects include a multitude of stakeholders, which give them the potential to increase both lay and expert stakeholder involvement. They are expected to enhance effective problem-solving, especially in “wicked” transboundary policy areas such as environmental management, which require both oversight and leeway. Measuring and controlling the effects of projects in complex settings is, however, no straightforward issue in terms of social control. As indicated before, instead of solving grievances, tensions might arise when project management ideals and particularised solutions confront permanent governance structures and routines within the public sector that should support policy coherence.

The temporary nature of projects also highlights the importance of controlling and taking stock of the results that the projects produce. This is often challenging, especially in projects that aim to produce innovative results to solve complex challenges such as environmental issues or problems. The way in which projects are evaluated is therefore important not only to maintain social control but also to achieve sustainable results. In his meta-evaluation of EU fisheries, policies and projects funded by the European Maritime and Fisheries Fund (EMFF) in Finland, Godenhjelm (2013)

demonstrated that the employed evaluation criteria mainly focus on outputs rather than on long-term outcomes.

Many of the indicators used to control and measure project effects were simple measurements even though they concerned highly complex issues. The most frequently used, and from an environmental standpoint probably the most important, indicators constituted dichotomous measures of whether the project had a positive environmental impact. Interviews with project actors revealed that the interpretations of what actually constituted an environmentally friendly impact varied greatly. For instance, a professional fisher regarded an effective seal-safe fish trap as valuable and environmentally friendly because of its ability to keep seals from eating the fish that were caught in the trap. However, an environmental activist might present a different view about the consequences of the fish trap, its effect on the fish stock and its impact on the endangered seal species.

The results thus indicated that the evaluation approach was based on highly standardised and quantitative evaluation criteria that, to a limited extent, were able to capture varying viewpoints on project achievements and what the added value of the projects funded actually were. The research suggested that the connection between the evaluation system and the project management logic was weak and highlighted the need for a broader understanding of the logic that different project actors might have.

Institutionalised control and evaluation systems reflect the delicate balance between over-institutionalisation to secure coherence and synchronised activities and a high degree of autonomy for pursuing experimental, innovative and decisive actions. Over-institutionalisation and strong structural dependencies might reduce the flexible, innovative and integrative capacities that are usually associated with temporary organisations and long-term policy design. Meanwhile, a high degree of autonomy makes organisations and instruments operating in a short-term context extremely vulnerable to asymmetric power relations and hard to integrate into frameworks for democratic institutions (Sjöblom et al. 2013). Rigid control mechanisms could thus present a risk of responsibilities and policies being increasingly fragmented and desynchronised. Accountability becomes a highly situational relationship based on the nature of the actor or the conduct rather than on the democratic nature of the obligation (Bovens 2007, 461).

An important implication is that PV frameworks and assessments should include indicators on *interagency practices, procedures for cross-sector collaborations* and the *legitimacy of methods of evaluation and measurement*, as they drive the institutional legitimacy of social activities (Johanson and Vakkuri 2017, 117). Studies on projectification indicate that standardised evaluation systems meet such requirements only to a very limited extent, which also suggests that PV maximisation can be questioned.

Concluding discussion

The overarching aim of this chapter was to contribute to an increased understanding of the governance of hybrid organisation and its challenges and mechanisms for PV creation by drawing on the research on temporary forms of organisation and the literature on public sector projectification in particular. More specifically, the chapter aimed to increase the theoretical understanding of key characteristics of hybrids by discussing how different forms of PV are transformed, mixed and effused and the utilisation, enactment, valuation and measurements of hybrid activities in society. We argue that research on projectification can be beneficial to this understanding, as it draws attention to the procedural aspects of value formation and the prerequisites for PV creation in a complex politico-administrative context (cf. Fontes-Filho and Carris de Almeida in this volume). Previous research on organisational hybrids has concentrated on institutional logic and forms of organisations in hybrid settings, but not so much on the procedures and mechanisms through which governments, decision-makers, service users and citizens assign value to these arrangements. In light of existing projectification research, we have, in the analysis, elaborated on a number of key characteristics attached to hybrid organisations in relation to core PV challenges. While the examples presented could be discussed in relation to several PV challenges, some are more illustrative than others.

For instance, in terms of *value conflicts*, the results show the need to secure and motivate central stakeholder involvement so that spaces for shared learning processes and new knowledge can be created. Mutual trust among stakeholders is a key component. In response to *conflicting goals and interests*, the results highlight the significance of mediation between potentially conflicting interests and the utilisation of diverse interests in achieving targeted goals while maintaining the capacity for rapid adaption to changing conditions within the project boundaries. *Temporary tensions and conflicts* that arise require a delicate balance between complementing public funding sources instead of replacing funding. This way, policy coherence can be maintained and fragmentation risks across levels avoided. *Temporary and permanent organisations* also require the assessment of the indicators used in interagency practices and the procedures for cross-sector collaboration so that the legitimacy of methods of measurement and policy goal clarity can be maintained.

Hence, research on temporary organisations has an important contribution to make in identifying and assessing procedures and mechanisms for value creation in hybrid contexts. Hybrid forms of governance face many challenges. Some of these challenges strongly relate to the temporal qualities of organisations, which are designed to operate as hybrids in the space between government and market.

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Part III

**Compromises on value
creation in hybrid settings**



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7 Multiplicity of values in measuring performance of hybrids

The case of social care

*Cristina Campanale, Lino Cinquini
and Giuseppe Grossi*

Introduction

The aim of this chapter is to investigate how the different actors conceptualise their individual values into performance measures and measurement in non-profit hybrid organisations. In the following article, we refer to values as those beliefs that underlie the subjective preferences, feelings and desires of actors, and thus provide objectives and motivate people to act (Nørreklit 2017).

Hybrid organisations are organisational arrangements that use resources, governance structures and logics derived from different organisations with divergent aims (public, private for-profit and non-profit third sector) and actors (Borys and Jemison 1989; Koppell 2003; Billis 2010). Hybrid organisations have been addressed by the literature as generating value pluralism (Alexius and Cisneros Örnberg 2015). In fact, hybrid organisations involve many different actors who may have divergent and sometimes mutually inconsistent goals, interests and values.

Hybrid organisations are frequent in the public sector. The hybridisation of non-profit organisations is part of a broader movement within non-profit and public management reflected in many diverse public–private partnerships, networks and collaborations (Smith 2010). On the other hand, Brandsen et al. (2005) and Evers (2005) suggest that non-profit organisations are inherently hybrid because they tend to contain different missions and values connected to the community, markets and the state.

As a result of the different actors and their values involved, unlike for-profit entities that focus on production values, non-profit organisations provide care to the community (Brandsen et al. 2005) and prioritise ethical, moral, political and religious values (Jeavons 1992, 406). This strong connection with the community underlines the importance of the mutualistic, solidarity and charity mission of these organisations (Kurunmäki and Miller 2006). On the other hand, they also need to be economically sustainable to accomplish the goals of funding bodies.

A part of the literature sees the multiplicity of values as a source of difficulties in performance measurements, because the multiplicity of values and perspectives may create contrasting goals and difficulties in the evaluation of performance (McDonald 1999; Thornton et al. 2012; Hyndman and McKillop 2018). Another part of the literature sees the multiplicity of values as an opportunity for performance management development in these settings (Mongelli et al. 2019) and consideration of multiple dimensions such as commercial viability, efficiency, performance, innovation and growth (Smith et al. 2012).

Previous studies have not investigated the links between how different actors, and their individual values affect goals in non-profit hybrid organisations and their role in the development of management accounting tools (Grossi et al. 2017). There is still limited research concerning the role of the different actors in the design and implementation of performance measures and performance evaluation in hybrid organisations (Skelcher et al. 2005; Berry et al. 2009).

Thornton et al. (2012), McDonald (1999) and Hyndman and McKillop (2018) recognise that the multiplicity of values and perspectives supported by different actors may create contrasting goals in the evaluation of performance. However, Mongelli et al. (2019) and Smith et al. (2012) also underline that when many actors with different values have the possibility of collaborating to define performance measurement, they are able to develop more comprehensive performance measurement systems and provide a broad picture of performance, rather than the point of view of a limited number of actors. Therefore, multiple actors are not only a source of contrast but may create opportunities for performance measurement. These issues highlight the importance of the research presented in this chapter. The study specifically draws on two cases of non-profit hybrid organisations in the field of social housing and assistance for individuals with disabilities.

In the field of non-profit service providers, innovative models have been developed in response to the economic crisis (McDonald 1999). One of them is that of “hybrid organisations.” Since the 1980s, several factors, such as economic globalisation, shorter product life cycles, the emergence of new technology industries and the customisation of demand, have led to the increasing importance of new organisational forms – such as networks – that do not fit the traditional structure of markets and hierarchies.

Actors’ values

Billis (2010) defined hybrid organisations as those that borrow components and logics from three different sectors/actors: public, private for-profit and non-profit third sectors (Koppell 2003; Billis 2010). Johanson and Vakkuri (2017) refer to institutional settings in which public and private owners may cooperate according to public interest, or the specific activity, or those in which private (for-profit or non-profit) entities increasingly take over the

provision of public services. The literature provides various examples of hybrids, such as state-owned enterprises (public-private partnerships), social enterprises, commissions, public procurement, co-production, purchaser-provider models and contracting out (Grossi et al. 2017; Johanson and Vakkuri 2017).

Different actors may have differing, and sometimes diverging, values. Managing hybrid organisations involves coordination between actors who may have divergent values, goals and interests. In this respect, hybrid organisations contribute to generate value pluralism (Alexius and Cisneros Örnberg 2015). Weisel and Modell (2014) identified that the hybridisation of the model of governance is contingent on the alignment of diverse interests, values and differences in the process through which such logics are brought together.

Brandsen et al. (2005) and Evers (2005) argue that non-profits are intrinsically hybrid cases because they embed many values attributed by the assorted stakeholders, their diverse organisational structures, their combination of voluntary and paid employees, their reliance on diverse funding sources and the complex issues they seek to address. In this respect, they have to operate in an inter-sector (public and private) dimension and try to balance both the public logic (state logic) and the commercial logic (market logic) (Alexius and Cisneros Örnberg 2015; Argento et al. 2016; Alexius and Grossi 2018). The first logic prioritises citizenship needs, while the second logic is mostly focused on profit, efficiency and competitiveness (Saz-Carranza and Longo 2012; Alexius and Cisneros Örnberg 2015).

However, the mission to serve the community of interest is particularly relevant. Non-profit organisations come into being and exist primarily to give expression to the social, philosophical, moral or religious values of their founders or supporters (Jeavons 1992, 404). Unlike for-profit entities, which focus on economic values, non-profit organisations prioritise ethical, moral, political and religious values (Jeavons 1992, 406) and intend to create value for society, taxpayers and the public (Johanson and Vakkuri 2017).

The impact on performance measurement

As a consequence of multiple actors' values, the mission of these organisations, especially the non-profit hybrid organisations, may hold divergent goals: on the one hand, these organisations struggle to compete for contracts, fees and donations, and, on the other hand, their stated primary mission is to serve a particular community of interest.

The development of performance measurement in non-profit hybrid organisation is complicated by the complex business environment that deals with varied multiple actors, such as politicians, citizens and providers of public services (Grossi and Thomsson 2015). Performance measurement depends on the goals, values and institutional logics related to its actors

(Hogvold Olsen et al. 2017). Actors may have divergent values (Thornton et al. 2012) and interpret the organisational mission quite differently (McDonald 1999), thus making hybrid organisations complex venues for understanding, valuing and demonstrating results (Hyndman and McConville 2018). Participants and supporters of non-profit organisations may interpret the organisational mission quite differently, depending upon their motivation for participation or support and their relationship with the organisation. Employees may interpret the mission in terms of a particular profession or occupation. Likewise, funders, donors and supporters may interpret the mission in terms of their own interests, values, needs and desires.

Hybrid organisations must meet each stakeholder's needs because they may have different interests (Kurunmäki and Miller 2006; Schmitz and Glänzel 2016): expected goals and accounting information needs may be divergent among actors.

Objectives may vary in terms of financial performance and non-financial performance, and profitability and sustainability objectives (combining economic and non-economic objectives) (Alberti and Garrido 2017).

Moreover, different stakeholders are interested in different types of accounting information. In general, financial information is of secondary importance for many stakeholders and their decision-making, because they prefer information related to the key mission of the organisations, while financial information is considered to be useful only to demonstrate that money provided has been used for appropriate purposes (Connolly and Hyndman 2013; Hyndman and McKillop 2018). In this respect, Yang and Northcott (2018) suggest that a clear dialogue between funding bodies and other stakeholders, who are more interested in objectives related to the mission, may help to identify outcome measures that are aligned both with the mission and with the funders' values. Hyndman and McConville (2018), in their research on charities, observed that funding bodies have a great effect on management accounting because of the high financial dependence that charities experience with respect to funding bodies.

Finally, scholars express reservations about internal control in non-profit organisations. For example, Seibel (1989, 1990) proposes that the non-profit form itself is characterised by systemic inefficiencies, because its focus on problem-solving activities is illusory and undermines its capacity to perform efficiently and effectively (1989).

Some other scholars provide an alternative point of view and look to the existence of different values as a positive aspect for performance measurement development. They see the managerial and ethical tensions created by a multiplicity of values as not only a problem to be addressed, but as an opportunity which can be used for performance management development (Mongelli et al. 2019). As Smith et al. (2012, 6) stated:

Pursuing commercial viability promotes efficiency, performance, innovation and growth. In contrast, social missions elicit passion, motivation

and commitment. Taken together, the dual forces for performance and passion offer a powerful combination that can lead to new solutions to existing challenges.

In other words, it seems that different values in these contexts can support the development of management accounting tools that are able to provide comprehensive and more complex dimensions of performance.

Despite the relevance of values and actors, the links between the variety of actors' values and performance measurement in hybrid organisations have not been explored in depth (Grossi et al. 2017), and there is still limited evidence of the role of individual actors in the design and implementation performance measurement in hybrid organisations (Skelcher et al. 2005; Miller et al. 2008). This last point strengthens the importance of this research: the focus on values and the role of actors are very relevant to contexts in which actors interact and embed different values.

Research context and method

The research context is that of Italy and in particular the Tuscany region, where several laws and reforms have promoted new patterns of public service delivery, in which the participation of the third sector, public actors and the community has promoted new, non-profit hybrid organisations.

The first hybrid organisation is a case of the sharing economy and aims to deal with housing problems through social housing (Case 1). This non-profit hybrid organisation was established in 2014. It is composed of the following actors that express different interests and values: the "Sharing House" Association, which is the organisation coordinating the services, the users, the municipalities and the regional authority. The most relevant actors are the association and the users themselves (and their families), as they are involved in all the phases of service delivery. The association oversees the whole service chain. The municipalities and the regional authority contribute by providing funding, but they do not participate in decision-making. The association can also rely on external professionals (psychologists, social workers, etc.) in the provision of services. Users contribute in planning and evaluating the services and may contribute to the financing of the services by paying fees. The contribution of users is fundamental to the identification of their needs and the definition of the personalised services required to address those needs. In this respect, users are crucial to the success of the services. For example, elderly people may share their apartments with disadvantaged people in return for daily help, or individuals experiencing poverty may share a condominium and pay a minimum charge in return for carrying out specific maintenance tasks in the condominium. In 2016, a total 250 users were involved in various projects and about 120 cohabitations were in place.

The second non-profit hybrid organisation is a case of a service for disabled young people established in 2010. This non-profit hybrid organisation is composed of “New Days” Foundation (a “participation foundation”), which is the organisation coordinating the service in this setting, the users (and their families), the municipalities and the regional authority; all these actors express different interests and values (Case 2). The most significant actors here are the foundation and the users (and their families). They are the core of the service and are involved in all phases of service delivery. In this case, it is the foundation that oversees the whole service chain. The municipalities and the regional authority provide funding. The foundation may rely on external health and social workers (nurses, psychologists, social workers, etc.) in delivering services. Users and their families contribute to the planning and evaluation of the services and may contribute to financing the services by paying fees. The participation of users and their families enables personalised pathways to be designed, which can progressively assist young disabled people to become as autonomous as possible, according to their needs and capabilities. For example, they are supported in increasing their autonomy through projects that enable them to share apartments with other disabled people. In 2014, a total of 114 young disabled people and their families were involved in projects coordinated by the association.

The selection of the cases was determined through a preliminary study to identify non-profit hybrid organisations in Tuscany, by scrutinising websites and by conducting interviews with experts in the region. The two cases addressed in the research were selected in accordance with the typology of public services delivered by the third sector in collaboration with public actors, and with the contribution of users in several phases of service delivery. The mix of diverse logics and components from different actors and capabilities (Granovetter 1985; Billis 2010) – public actors, citizens and the third sector – that cooperate in a network, make these two cases good examples of hybrids for this research (Brandsen and Van Hout 2006) because we expect them to include a multiplicity of values. Further, in comparison with other experiences, they show the strongest connection with the community, as they were created with the aim of supporting marginalised individuals and those experiencing poverty. Therefore, we expect to find strong values of solidarity and mutuality in contrast with the traditional values of efficiency that occur from the need to cope with scarce resources. Other experiences also show a connection with the community, but just to provide some benefits to the users (we refer, for example, to co-operatives). Furthermore, the two cases are complex organisations in terms of the number of actors involved and the importance of the role of users. Different actors, knowledge and experiences stress the hybrid nature of these organisations and the multiplicity of values. Finally, the two organisations had been established the longest; thus, they were more likely to have developed structures, processes and relevant problems and issues in terms

of performance measurement. For all these reasons, the two cases selected are relevant to investigating how values in non-profit hybrid organisations affect performance measurement.

Two focus groups were conducted by three researchers for each case, each lasting about two and a half hours, involving at least one actor for each of the following categories of roles: users (or their family), members of the board of directors as managers of the organisation coordinating services (they are social and health professionals or volunteers such as parents of users) and social and health professionals involved in the operation or in defining the projects. Funding bodies and politicians, despite being invited, were not interviewed. During the preliminary contact, it also emerged that they have a marginal role that is limited to the provision of funding, without any involvement in decision-making. However, it was possible to trace some of their values by relying on interviews conducted with the organisations coordinating services.

The interviews were semi-structured and consisted of four main sections: the organisations' missions, the services provided, the roles of the participating actors and the performance measurements and reports used. The interviews were recorded and transcribed.

The researchers also attended the Annual General Meeting of the Sharing House Association (Case 1), where representatives of public institutions and founding bodies had the opportunity to give their opinions about the past and future perspectives of the organisation.

Finally, documents and interviews were collected from the organisations' websites. New Days also provided its internal reports.

Actors and their values

In the two cases, several values emerged from the actors. Some values seem to predominate over others because they affect service design and provision to a greater extent. This seems to depend on the interest of actors with regard to participating in the management of the hybrid organisation.

In the collaboration between users and the organisations, which coordinate services from the initial definition of services up to their evaluation, many actors perform different tasks. The users detail their problems and needs, both at the initial phase of service definition and during the provision of services. They also actively work on the improvement of their situation and the solution of their problems: the family of the disabled person must sustain the project of autonomy, and individuals experiencing poverty must commit to collaborating on social housing and finding a job, sustained by the foundation. For example, in Case 2, a family is required to share its child's needs with the foundation, to contribute to the definition of the child's personal project goals and to actively support the development of his/her autonomy. On the other hand, organisations coordinating services give competent and specialist knowledge

and assistance on the specific problem. Politicians and funding bodies are not interested in management, and they provide funding and ask for reporting about its use.

The integration of the organisations coordinating services and users is useful in finding solutions that, on the one hand, are suitable with respect to specific needs of users and that, on the other hand, are characterised by a high level of professionalism. Solutions meet the values of the actors involved.

Users and the organisations coordinating the services seem to share similar values, while funding bodies and politicians show different values. Regarding the values emerging in the two organisations coordinating services, a first group of motivating values are those of *cohesive community, solidarity, mutuality and welfare*. In fact, looking at the website of the Sharing House Association (Case 1), it says that “(...) *their project is born from the idea of transforming the housing problem into new opportunities for building a more cohesive and supportive community.*” The “New Days Foundation,” in its website, declares that they “help disabled people to live a normal life but not a trivial life” and, in its charter, they declare that they wish to deal with welfare needs in a well-organised way and they say that their fundamental and exclusive purpose is “solidarity and the social good and mutuality.”

Users, who are the recipient of services, are not against these values. Even if they do not explicitly show these values, the following quote, by a user’s parents in Case 2, shows that users share the mission of the organisation.

Another very important aspect is the possibility for us (parents) to work with the operators who work every day in contact with our children, to understand the activities carried out and the improvements that have occurred. It is necessary that our children understand that they are able to live alone, even without our presence. But it is also important that we parents, first of all, can trust these projects and we enter into the perspective that for our children they are real and important perspectives (User’s parent, Case 2).

This passage also shows that the Sharing House Association (Case 1) considers users as key actors in the definition of services and in the achievement of the goals of the organisation.

The association was set up to face housing problems through the empowerment of users. To face problems, we must optimise the resources and capability of our community. The user is not simply the recipient of the services, but is the protagonist of the co-definition of its project towards autonomy (Middle Manager Sharing House Association, Case 1).

Other values emerge and are shared by users (or their families) and the organisations. The value of *centrality of users* considers that each user is unique and consists in providing services designed according to the specific needs of each user.

In both cases, interviewees observed that traditional services, as defined by funding bodies and politicians, are too standardised and provide the same solution to all users without considering the specific situation. As observed by interviewees, funding bodies and politicians want to provide services without sufficiently involving users in order to understand their specific needs and provide predefined and standardised services, irrespective of the personal situation of each user and the uniqueness of each situation.

Another emerging value is that of *permanent improvement of the life of users*: it means acting with the users on the causes of problems and supporting a process of increasing his/her autonomy. For example, in the case of disability, this means increasing the capacity to perform new tasks, even simple tasks such as being able to go home or to the supermarket by themselves, depending on the initial situation. In the case of people experiencing poverty, this means designing a pathway that may improve their economic situation, for example, supporting them in finding a new job.

For example, the following quote from a user's parent from Case 2 illustrates the desire of the user's parent to *permanently improve the life of the user*.

Of course, full autonomy is not achievable. However, we realised that it is possible to increase autonomy. Tomorrow when he will not have his family to support him, I would like the foundation to help him realise his wishes and develop his skills as much as possible (User's parent, Case 2, declaration taken from documents).

Similarly, evidence from Case 1 is reported to support our claims about the value of *permanent improvement of the life of the user*. These sentences also show the value of the *centrality of the user*: the housing problem is considered in the light of the personal (emotional and psychological aspects) situation of the user (everyone is different).

Our choice has been to provide a global service, including both the housing and care of emotional and psychological aspects. We give support in terms of the urgency of finding a house, but we sustain a person in building future autonomy enhanced by a job, for example, we help the person to understand his legal rights as an employee. Therefore, we try to develop autonomy starting from the person and his needs. Everyone is different from each other. Therefore, the pathway of autonomy is tailored. We have to look at the person and not at the problem (Project Manager Sharing House Association, Case 1).

The following quote from a user's parent from Case 2 also illustrates the value of the *centrality of the user*.

For example, my daughter does not have any physical deficits, but only intellectual deficiencies. Every young person can work in his or her own situation. For example, to be able to purchase food at the supermarket, make the bed, wash herself, etc. (User's parent, Case 2).

The interviews reveal a deep contrast between the values of users and the organisations coordinating services and those expressed by other funding bodies and public actors. The former affirm that funding bodies and public actors do not support their values: funding bodies are not attuned to the values of ensuring permanent improvement of the life (value of *increasing autonomy*) of users and in considering the personal condition of each user as a "person" (value of *service personalisation*). The user is considered as a subject to whom a standardised service is to be provided by limiting, as much as possible, effort in terms of time spent in involving users in understanding their needs.

In this respect, the value of funding bodies and public actors is rather a value of *standardisation of service* in a traditional public service view. Concerning this aspect, some interviewees declared that traditional public services are too standardised, and, in the end, they provide the same solution to all users without considering the specific situation, thus going against the value of *service personalisation*. In this standardised approach, users are not sufficiently involved to understand their specific needs, and they are provided with predefined and standardised services irrespective of the personal situation and the uniqueness of each situation.

For example, in Case 1, a Project Manager of the Sharing House Association observed that traditional public services are too standardised instead of being shaped around the specific needs and situations of those involved. This is because there is not an exchange of opinion with the users.

Traditional social services simply provide resources to face the poverty problem but did not help to develop a pathway to autonomy. Instead, the person experiencing poverty is completely regardless of the specific situation in which she/he is living. The mistake that social services make is saying: 'I just know what you need.' You can know from a professional point of view how to deal with a problem, but there is a need to exchange opinions with the poor (Project Manager, Sharing House Association, Case 1).

Similarity, in Case 2, traditional public services aid young disabled people by the provision of a social worker for a few hours a day, home care or entertainment activities, but these do not help the disabled individuals to increase her/his own autonomy.

In the case of traditional services, the social worker phoned you and proposed a two-week holiday for your son. Well, then you went to the meeting point and left your son and his luggage. They came back two weeks later, and maybe they had eaten pizza and stayed in a hotel. So, you can understand this experience was just entertainment, a break for the family, but not education and training to become autonomous (Project Manager, New Days Foundation, Case 2).

Moreover, interviewees also say that funding bodies and politicians are neither interested in collaborating with the organisations coordinating the services nor in decision-making, despite the two organisations desiring a more intense interaction with funding bodies and politicians. This underlines the existence of a complex and difficult relationship with funding bodies and politicians.

The values supported by the lead organisations and users affect the operations of the hybrid organisations to a greater extent than do the values of funding bodies and politicians, as they are evident in the approach adopted to service design and delivery. It seems that these values are stronger, and that the strength of values is proportional to the effort directly put in to service provision and design.

The values of funding bodies and politicians seem not to affect service design and delivery. In fact, the approach adopted by organisations coordinating services to design and deliver is based on the involvement of users according to the peculiarities of each user and with the aim of increasing autonomy. Thus, it seems that the more the actors are involved in service design and provision, the stronger their values are, and the more they affect management (Table 7.1).

Table 7.1 Actors, tasks and values

<i>Actor</i>	<i>Role in the hybrid organisation</i>	<i>Value</i>
Organisation coordinating service	<ul style="list-style-type: none"> • Management for the hybrid organisation • Decision-making for the hybrid organisation • Service provision and design for the hybrid organisation • Evaluation of services for the hybrid organisation 	<ul style="list-style-type: none"> • Cohesive community, solidarity, mutuality, welfare • Centrality of user • Permanent improvement of the life of the user
Users	<ul style="list-style-type: none"> • Management (of own case) • Decision-making (of own case) • Service provision and design (of own case) • Evaluation of services (of own case) 	<ul style="list-style-type: none"> • Cohesive community, solidarity, mutuality, welfare • Centrality of user • Permanently improve the life of the user
Funding bodies and politicians	<ul style="list-style-type: none"> • Provision of funding without interest in management 	<ul style="list-style-type: none"> • Service standardization • Efficiency

Performance measurements and values

Performance measurements reflect some of the main values observed in the two non-profit hybrid organisations and underlined by the two organisations coordinating the services and users. On the one hand, the values of funding bodies and politicians, being less strong than other values, seem to affect performance measurement design to a lower extent. The values that are predominant in operations are also predominant in the design of performance measurement systems.

The two organisations rely mainly on non-financial information. They produce aggregated and ex post financial and non-financial (i.e., number of users) information to represent the performance of the organisation, and detailed, frequent and updated non-financial information to represent the performance of users. Traditional financial and cost information is poorly developed and concerns basic financial statement information or basic cost calculations. Table 7.2 summarises reports, measures and their use in the two organisations.

In accordance with the values of *cohesive community*, *solidarity*, *mutuality* and *welfare*, measures such as outputs (services) produced, quality of the services and the improvement of the lives of users are preferred in order to evaluate performance and decision-making. Goals for these hybrid organisations are the improvement of the lives of users and the improvement of the conditions of a certain community (in the specific case, disability or housing problems). Non-financial measures and narrative reports (long-term plan for Case 1, annual report and plan and users' diary for both the organisations) are preferred for decision-making. The annual report and plan are also used as a voluntary accountability report for funding bodies (funding bodies ask only for financial and cost information) and for the community, with the aim of communicating the importance of their contribution to solving the problems of the community.

The high level of the detail of the reports provided in the users' diary and their use for decision-making, compared with the refusal to use standard and synthetic measures to take decisions, underlines the willingness to integrate the value of the *centrality of user* (meaning the provision of services differentiated according to the users' needs and not standard services) into measures and reinforce its importance through performance measures.

Some measures that are considered to be particularly relevant are related to the value of the *permanent improvement of the life of users*. We refer to outcome measures whose importance is recognised, although there are still difficulties in implementation.

The Project Managers of Sharing House (Case 1) and New Days (Case 2) recognise the importance of measuring outcome, despite the difficulties in developing this measure.

Table 7.2 Tools/reports, performance measures and their use

<i>Value</i>	<i>Actors who believe in values</i>	<i>Value conceptualisation into performance measures</i>
Cohesive community, solidarity, mutuality, welfare	Organisation coordinating the service Users	<ul style="list-style-type: none"> – Measures adopted or characteristics of performance measurement: output (number of services activated) and outcome (permanent improvement of the life of users) measure the capacity of the organisation to provide answers for the community – Approach to performance measurement: the involvement of users in evaluation reflects the value of cohesive community
Centality of user	Organisation coordinating the service Users	<ul style="list-style-type: none"> – Measures adopted or characteristics of performance measurement: <ul style="list-style-type: none"> a User diary with high level of detailed information per user stresses the centrality and uniqueness of users b the refusal to use standard models reflects the uniqueness of users
Permanent improvement of the life of users	Organisation coordinating the service Users	<ul style="list-style-type: none"> – Measures adopted or characteristics of performance measurement: outcome measurement shows long-term results in terms of permanent improvement of the life of users
Efficiency	Organisation coordinating the service Funding bodies	<ul style="list-style-type: none"> – Measures adopted or characteristics of performance measurement: <ul style="list-style-type: none"> a Costing and efficiency measures are used to report to funding bodies and ask for funding b Costing and efficiency measures are not used for decision-making, and this reflects the low emphasis given to this value into performance measurement
Service standardisation	Funding bodies	This value is not conceptualised into performance measurement, and this reflects that this value is not considered so important to be represented in performance measurement

We are moving towards the investigation of outcome assessment in terms of improvement of the condition of users and savings for the public sector. We mean that just a single co-habitation activated in the territory is a success, if it entails substantial changes for the two or three people who co-inhabit (Project Manager, Sharing House, Case 1).

We were thinking of outcome measures to share with users and families. Today, we are not able to calculate savings for the public that we can generate if we involve an elderly person in a co-habitation and we help him to be autonomous instead of hosting him in a care home. These measures are also needed to demonstrate the importance of our work in society (Project Manager, New Days, Case 2).

In both cases, the results are evaluated in collaboration with the users (or their families) and according to the way the provision of services is designed. When researchers asked about the involvement of users in evaluation, the Project Manager of New Days (Case 2) said that “families are the foundation.” The Project Manager also argued that “the reports belong to users.” This also reflects the relevance of cohesive community and the role of users in this community.

On the other hand, goals in terms of increasing new funding are present, but increasing funding is only a means to increase or improve the services. Traditional financial goals are scarce and are not used for decision-making. This reflects the scarce interest of funding bodies in management; in other words, they are not interested in bringing their values into hybrid organisations and embedding them into performance measurement. Indeed, they only focus on delegating these services, and the main aspects they monitor is that all funding provided has been spent on deciding the funding for future years, and some synthetic information on the output produced (for example, the number of users receiving services).

The two organisations recognise the role of financial measures in identifying financing requirements and satisfying the accountability requirements by funding bodies. However, financial measures are perceived as “bureaucratic.” The value of efficiency exists and is pursued, but it represents a need to ensure economic sustainability. It is conceptualised in these measures only to report to funding bodies, but not for decision-making.

For example, a manager from the New Days Foundation (Case 2) says that costs are not the major issue and the Project Manager requires that tools and measures are preliminarily designed according to the actual work, and only later they are translated into standard models.

We have an economic budget, the average cost of each group of disabled people, annual and more frequent performance measures. However, they are just approximated and we have to approximate. If we use a pre-defined tool, model, measures and well-known standards, the risk is of creating bureaucracy. Actually, we are developing, through practice and daily experience, a model that will then become part of the well-known standards (Project Manager, New Days, Case 2).

In another example, The Project Manager of Sharing House feels that traditional measures are not able to represent their results, and he prefers narrative and non-monetary measures to report the work.

We chose to monitor our performance through narrative reports. Financial and statistical measures often provide numbers and percentages that do not say anything... You can't report our activities by number because our results are qualitative, and we try to report them through narrative with a sort of diary (Project Manager, Sharing House, Case 1).

In contrast with what has been reported in recent research on charity organisations (Hyndman and McConville 2018), here funding bodies have no role in management accounting because they are not interested in management even if the dependence of the two organisations on funding bodies is high.

After all, it has also been argued that, in charity contexts, financial information has relevance to indicate, for example, that money provided has been used for the appropriate purposes, but such accounts are likely to be of secondary importance to many key stakeholders, because the objective of such organisations is not focused on generating financial returns. Other information, particularly relating to the key mission of the organisation, is likely to also be paramount in these settings (Connolly and Hyndman 2013; Hyndman and McKillop 2018). Considering this aspect, our findings are aligned with those of Hyndman and McConville (2018), when, in observing information needs in charities where different stakeholders are involved, they found that information on the services offered and the quality of services delivered are the most relevant information needs for beneficiaries, while financial information and outcomes are the most important information needs for funders.

Table 7.3 summarises the values present in hybrid organisations, shows the actors supporting the values and describes how these values are conceptualised into performance measures, in terms of (a) measures adopted or characteristics of performance measurement and (b) approach to performance measurement.

Research into hybrid organisations found that under conditions of competing institutional demands, organisations are likely to resort to decoupling as a response strategy (Meyer and Rowan 1977; Elsbach and Sutton 1992; Westphal and Zajac 2001; Fiss and Zajac 2006), attempt to compromise (Rowan 1982; Oliver 1991) or selective coupling of intact demands drawn from each logic (Pache and Santos 2013). Although this research is not employing the framework of institutional theory and the concept of logics, our findings differ from the aforementioned three answers. Indeed, in this case, values are not contrasting. Specifically, the values of the organisation coordinating the services and the users' values are consistent. The values of funding bodies and politicians, although contrasting, do not compete with them because these actors are not interested in management. Therefore, only the values of actors directly involved in managing the organisation enter into performance measurement. Those actors consider some of the contrasting values supported by funding bodies and politicians

Table 7.3 Values, actors and conceptualisation into performance measurement

<i>Case 1</i>		
<i>Management accounting tool/reports</i>	<i>Performance measures</i>	<i>Use</i>
Long-term plan (three-year)	Long-term strategic goals: The majority of goals are not measurable, and their achievement is documented through narrative reports and not through numbers	Decision-making: planning of services
Annual report and plan	The majority of goals are not measurable, and their achievement is documented through narrative accounts	Decision-making: planning of services, revision of services, assessment of performance Reporting to funding bodies Reporting to the community
Financial statement and costs	Ex post financial information	Reporting to funding bodies
Users' diary	Non-financial measures and narrative	Decision-making: definition, revision, assessment and performance evaluation (goals achievement) for the single user Reporting to users
<i>Case 2</i>		
<i>Management accounting tool/reports</i>	<i>Performance Measures</i>	<i>Use</i>
Annual report and plan	1 Non-financial measures and goals: a outputs: number of users, numbers of days in apartment, etc.; b qualitative information and goals expressed by narrative	Decision-making: planning of services, revision of services, assessment of performance Reporting to funding bodies Reporting to the community
Financial statements and costs	2 basic monetary ex post measures (cost sustained). Ex post financial information	Reporting to funding bodies
Users' diary	Non-financial measures, costs and narrative	Decision-making: definition, revision, assessment and performance evaluation (goals achievement) for the single user Reporting to users

only when they consider these values to be useful for management. We refer in particular to the value of efficiency, which is functional to the survival of the hybrid organisation.

Conceptualisation of values into performance measurement: reflections on the role of values to understand performance measurement in hybrid organisation

This research has investigated how actors in non-profit hybrid organisations conceptualise their values into performance measurement, that is, how the beliefs which underlie their subjective preferences, feelings and desires find objectivisation in performance measurements and motivate people to act.

Findings suggest that the values of some actors prevail and are stronger than the values of other actors. The dominant values influence the approach to service delivering and performance measurement to a greater extent than the less strong values. The role of values in service delivering and performance measurement seems proportional to the effort made by actors in the management of the hybrid organisations. The value of the organisation coordinating services and the users who are committed to management are strongly conceptualised into performance measurement. Their values are *cohesive community solidarity, mutuality and welfare, centrality of users and permanent improvement of the life of users*. Values of *cohesive community solidarity, mutuality and welfare* are reflected in performance measurements that promote goals of effectiveness and quality and in an approach to service evaluation based on active involvement of users. Moreover, the value of *centrality of users* is reflected in management's detailed and personalised reports (for each user) employed in decision-making, instead of standardised reports and measures. The value of *permanent improvement of the life of users* is reflected in the relevance associated with outcome measures that reflect this improvement.

The value of funding bodies (*efficiency and standardisation of services*), which are not interested in management, is not emphasised. The value of *efficiency* has low relevance, and therefore its representation in performance measurement is not emphasised for decision-making. This value is mostly reflected in the financial reporting for funding bodies. Finally, the value of *standardisation of services*, expressed by the funding bodies, is neither supported by management nor represented in performance measurement.

This chapter has provided several contributions to our understanding of the development of performance measurement in non-profit hybrid organisations. The first contribution is developed with respect to the broad stream of research on performance measurement in hybrid organisation, which states that the development of performance measurement in these settings is complicated by the complex business environment that deals with various actors (Grossi and Thomasson 2015). Various actors may have diverging

values (Thornton et al. 2012), thus interpreting the organisational mission quite differently (McDonald 1999) and according to different performance goals (Hogvold Olsen et al. 2017). Furthermore, previous research shows that when actors have competing values, they can struggle to protect them or adopt various strategies to manage competition (for example, Pache and Santos 2013, refer to decoupling, compromise or selective coupling) (Meyer and Rowan 1977; Rowan 1982; Oliver 1991; Elsbach and Sutton 1992; Westphal and Zajac 2001; Fiss and Zajac 2006).

This research shows that even in the case of different actors' values, performance measurement can function without contrasts when some coherent and strong values predominate over less strong values in the development of measures and goals (Rajala in this volume). Competition and struggles among values exist only when all actors are interested in management. When some of the key actors are not interested/involved in management (as in the case presented), it is possible that only those values consistent with each other predominate, and thus performance measurement can be developed without constraints. If some actors are not interested in management, they are not interested in struggling to protect their values and influence performance measurement.

This contrasts with the situation in which a multiplicity of values and perspectives are pursued in managing operations by a wider spectrum of actors; here, it is likely that conflicts may arise, and it may be difficult to measure performance (McDonald 1999; Thornton et al. 2012; Hyndman and McConville 2018). In the specific case, there is a scarce interest of funding bodies and politicians in infusing their values into these hybrid organisations.

The second contribution to previous research can be found with respect to the research on charity by Hyndman and McKillop (2018). Hyndman and McKillop (2018) argue that funding bodies, being in charge of exercising power over funding, can also affect performance measurement, by defining the kind of information and measures to be produced. Differently, despite the high dependence of the two organisations investigated on funding bodies (because of the resources provided), our findings suggest that when funding bodies are not interested in the managerial dimension, they play no role in performance measurement. Thus, they do not bring their values into performance measurement due to their scarce involvement in management. Instead, when actors struggle with each other to protect their values, performance measurement can face difficulties and show inconsistencies in goals.

However, the literature shows that multiple values are also an opportunity for performance measurement. The first opportunity is shown by Mongelli et al. (2019) and Smith et al. (2012) who say that performance measurements can benefit from multiple values in order to develop comprehensive and multidimensional measures. In the specific case of this research, the scarce interest of some actors is a limitation for performance measurement. For example, performance measurement can benefit from

embedding the funding bodies' values of efficiency by including a more detailed and sophisticated system of financial measures that could certainly help these organisations better manage funding and, in the end, increase or improve services (which is the mission of these organisations).

The second opportunity is shown by Fry (1995) and Yang and Northcott (2018) who say that in the context of charities, the development of a close dialogue with funders may help them to identify outcome measures aligned both with the mission and with the funders' aims. Furthermore, this dialogue might help charities, as well as any hybrid organisations, to develop a broader view and measurement of the impact of their activities (Yang and Northcott 2018).

In this research, we observed some difficulty in measuring outcomes in both the cases. This difficulty may be ascertained to the same scarce interest of funding bodies in the management of these two organisations and in related performance information. Therefore, a final claim considering our findings and previous research is that there is a trade-off in the lack of involvement of funding bodies in the management of hybrid non-profit organisations: on the one hand, it makes possible a more coherent design and implementation of performance measurements, and on the other hand, it may represent a limitation in the effort of detecting outcome measures.

A final practical suggestion emerges, in particular, when considering the third sector in which users are involved in service provision: the findings suggest the need for performance measurement to be designed according to the prevailing values in the hybrid organisation. This allows effective support of decision-making in public services and the avoidance of difficulties in measuring performance.

The two organisations are similar in terms of hybridity because they both rely on the same model of service delivery, that is, the participation of citizens in management and the mutualistic and solidarity mission. Further empirical material is needed in order to explore in greater depth the differences between the two cases of hybrid organisations. For example, some differences may derive from the differences in services provided. Moreover, it could be interesting to compare this model of hybridity characterised by citizen participation with other models of hybrid organisations where citizens are not involved, as well as to see the dynamics of values and the impact on performance measurement.

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8 Performance goals as boundary objects – a compromise between different value definitions in hybrids

Tommi Rajala

Settling value disputes in hybrids: the boundary object approach for goal setting

The traditional view holds that the private sector produces shareholder value, the public sector generates public value and the third sector creates social value (e.g., Moore 1995; Auerswald 2007; Van Helden and Reichard 2016). As hybrid organisations can include actors from all three sectors, they can produce shareholder, public and social value. In practice, the type of value hybrids attempt to produce through their activities may stem from consensus or lead to conflicts. Since both goal incongruence and differing institutional logics are typical of hybrids (e.g., Kreps and Monin 2011), the absence of complete consensus regarding the concrete value of public, private and third-sector activities is often a reality. Despite the lack of complete consensus, businesses regularly collaborate with voluntary and public sector organisations in hybrids. This is in line with Star's (2010) thinking that people can work together even in the absence of consensual worldviews if the actors apply boundary objects. To better understand collaboration in hybrids in the absence of consensus, this chapter aims to answer the following research question: *how do hybrids' strategic performance goals as boundary objects enable compromises between different value definitions?*

Conceptually, a boundary object is an entity that links communities together and enables them to collaborate on a common task (Wenger 1998). Abstract or concrete boundary objects exist in the interfaces between organisations or groups of people (Huvila 2011). According to Star and Griesemer (1989, 393), boundary objects are useful because they “are both plastic enough to adapt to local needs and constraints of the several parties employing them, yet robust enough to maintain a common identity across sites.” Indeed, boundary objects are weakly structured in common understanding, but this structure is adopted in more than one community, making boundary objects recognisable across community borders and enabling collaboration. However, boundary objects are strongly structured and rigorously defined within communities (Star and Griesemer 1989), and the meaning of boundary objects differs across communities (Star 2010).

Thus, the usefulness of boundary objects arises from the following: weakly structured boundary objects can be used when dealing with other communities, and more strongly structured ones are adopted within communities.

The literature identifies different types of boundary objects (Star and Griesemer 1989; Garrety and Badham 2000; Briers and Chua 2001; Carlile 2002). Hybrids have various types of boundary objects that they use to unite different communities. However, this chapter limits itself to one type of boundary object: performance goals. There are at least two arguments supporting the focus on this type. First, since strategy can be “a compromise which accommodates the conflicting interests of powerful groups and individuals” (Elbanna 2007, 233), strategic performance goals in hybrids provide an opportunity to study the compromises between different value definitions by the public, private and third-sector communities to attain inter-organisational collaboration in public service production. Second, because boundary objects are used to create a sense of unity among communities (Star 2010), just like strategies are used to create cohesion to the organisation (Plenert and Cluley 2012), it is useful to understand how strategic performance goals operate as boundary objects that create cohesion among the three sectors operating in hybrids. Here, it is essential to remember that a particular performance goal is not automatically a boundary object because goals can push communities further away from each other rather than generating a common identity. To create cohesion among people with conflicting value notions, it seems imperative to understand how performance goals are turned into boundary objects in hybrids.

According to Carlile (2002), boundary objects are used as means to achieve agreement and understanding between groups of people who are otherwise unable to find a common ground on matters. This chapter aims to demonstrate how shared goals as boundary objects generate agreement and capture some of the value in hybrid activities that appeals to the public, private and third-sector communities within a hybrid organisation. Since the public, private and third-sector communities generally have independent performance goals, performance management in a hybrid must account for already established goals. By transforming goals into boundary objects, it is possible to create loose coupling between the goals of the hybrid and the three sectors forming it. This loose coupling enables agreement among the public, private and third sectors regarding the hybrid’s performance goals because it gives different actors the freedom to pursue their own goals.

When addressing boundary objects in the context of messy hybrids, there are several possibilities regarding the communities that can be investigated. In general, communities joined by boundary objects can point to, for example, public, private and third-sector organisations operating within hybrids (e.g., Johanson and Vakkuri 2017). There are also different types of communities among private sector companies, third-sector actors and public sector organisations given the different types of companies and public and third- sector organisations. Each organisation can be considered

a particular community since every organisation has its own organisational culture and a group of people who adhere to this culture. In addition to the mentioned communities, hybrid organisations include sectoral and professional communities (e.g., Denis et al. 2001). Sectoral communities refer to groups of people who offer healthcare, social, cultural, educational or infrastructural services. Professional communities, on the other hand, include administrators, financial managers, doctors, nurses, librarians, social workers, youth leaders and maintenance personnel to mention a few.

The search for boundary objects in hybrid organisations is heavily linked to communities associated with public, private or third-sector organisations. In the public sector context, there are boundary objects among central, regional and local governments, and all three levels of government seek boundary objects among their stakeholders, which include politicians, citizens, administrators and other personnel. Companies seek boundary objects that tie together shareholders, stakeholders and personnel values. The third sector has to find boundary objects suitable for its members, owners and stakeholders. Thus, in the hybrid context, many communities may be tied together with boundary objects, and therefore, goal conflicts among performance areas are common. On the one hand, this chapter focuses on three communities that exist in hybrids: public sector, private sector and third sector. On the other hand, the analysis also examines communities of service production units operating in the hybrid or in other words sectoral communities. This suggests that some communities are referred to by the name of the service production unit. The service production units included in this study are as follows: library, basic healthcare unit, oral healthcare unit, maternity and child healthcare clinic, domiciliary care and housing service unit, youth centre, laboratory service unit, walk-in clinic and community café.

The study is exploratory and inductive in nature. This mainly theory-developing chapter uses one empirical case to demonstrate theoretical ideas on how goals can be transformed into boundary objects that enable compromises between different value definitions. The remainder of this chapter is organised as follows. The next section clarifies the use of performance goals to define and capture the value of hybrids and the type of boundary objects that can be generated through performance goals. The final section presents conclusions.

Performance goals as boundary objects

Defining, stating and proving an organisation's value to the public has traditionally created a need for performance management. Performance goals indicate an organisation's aspirations (Akintoye et al. 2003; Henjewe et al. 2011). Goals, such as improving the well-being of citizens, lowering carbon emissions from service production or achieving certain production levels, denote the type of means and ends valued in an organisation. Thus, goal setting is value-laden because it makes explicit valuable activities

(i.e., means) or defines outcomes (i.e., ends describing pursued state of affairs) that should be observed when the goal is achieved.

The literature on public and private sector management is yet to adequately explore performance goals as boundary objectives (e.g., Micheli and Kennerley 2005; Neely 2007; Lee and Nowell 2015; van Helden and Reichard 2016). To describe how performance goals act as boundary objects and how such goals are turned into boundary objects, let us consider a case organisation, a hybrid organisation referred to as a welfare alliance, and its goals. The welfare alliance had many features typical of hybrids such as varying institutional logics, goal incongruence and social forms of control (i.e., performance measurement) (e.g., Johanson and Vakkuri 2017). These features are further elucidated in the following interview excerpts and quotations taken from the documents:

Challenges in hybrids: When the existence of different goals, fragmented operational and earning logics, and mutual dissolutions are dominant features in hybrids, they make genuine customer care a side issue (Document 4, welfare alliance).

In that situation, they (public sector workers) understood and stated that this is why they (public sector actors) do this job, and they have not followed these things (patient outcomes in the public sector organisation). They have followed all the wrong things (in the public sector)... For us (in the private sector), it is obvious that patient outcomes need to be measured... This shows that there are things that need to be fixed (in the public sector performance measurement) (interviewee 1, private sector, welfare alliance).

This case organisation is chosen because there are many conflicting views on what generates value in hybrid organisations, and therefore, there is a need for boundary objects that allow these dissonant views on value to exist. The following case box describes the central features of the welfare alliance.

Case welfare alliance

The aim of the hybrid organisation was to integrate social and health-care services with other welfare services (e.g., cultural and leisure services) and place all these services under the same roof. Integrating the services under welfare alliance was seen as the best way to promote the health and well-being of citizens. Multi-professional collaboration and cooperation between different welfare services was emphasised, and the attempt was to generate a new service production model called the alliance model, wherein the public sector, companies, voluntary organisations and citizens could produce services together. Customer

perspective and efficient and effective service paths were at the core of the welfare alliance (See Appendix 1.01, Document 1, welfare alliance).

The alliance model was designed to solve the problems observed in the purchaser–provider models previously used by the local government. The term *alliance model* referred to the mode of operation, which was based on a joint contract between the public and private sector parties and another joint contract between public and third sector actors participating in the welfare alliance. In the alliance model, all parties involved in the hybrid were responsible for planning and implementation. The parties under the joint contracts formed the alliance organisation that conducted the actual planning and implementation of the welfare services. In the alliance organisation, the public, private and third-sector parties also shared benefits associated with the operations related to the production of the welfare services (See Appendix 1.01, Document 2, welfare alliance). Risks related to the alliance were shared between public and private sectors (See Appendix 1.01, Document 6, welfare alliance).

From public and private sector perspective, the alliance model was significantly different from the previous purchaser–provider model used by the local government. First, the purchaser–provider model was based on separate contracts between the purchaser and various private sector producers providing different services, whereas the alliance model executed a joint contract on all services between the purchaser and private company producing variety of services. Moreover, the alliance model attempted to create joint goals between the purchaser and providers instead of relying on goals set by the purchaser. Blame games and transferring of risks to the purchaser or providers were another problem associated with the purchaser–provider model. Instead, the alliance model promoted sharing of risks and benefits while placing greater emphasis on rewards rather than sanctions. Third, trade secrets challenged the use of purchaser–provider model; therefore, the alliance model was based on open-book principles. Finally, a switch from reporting to continuous improvement was another change implemented by the alliance model. Overall, the aim of the alliance model was to progress from sub-optimisation, observed in the purchaser–provider models, towards the optimisation of the entire service system comprising public, private and third-sector actors (See Appendix 1.01, Document 3, welfare alliance).

The service units operating in the welfare alliance were a library (local government unit), a basic healthcare unit (private sector unit), an oral healthcare unit (joint public and private sector unit), a maternity and child health clinic (local government unit), a domiciliary care and housing service unit (local government and private sector units), a

youth centre (local government unit), a laboratory service unit (private sector unit), a walk-in clinic (local government unit) and a community café (third-sector unit). The service units operating in the welfare alliance included public, private and third-sector units, which points to the existence of mixed ownership, a feature typical of hybrids. The welfare alliance operated in the healthcare, social care and education policy fields. From the public sector, only the local government was involved in the service production of the hybrid, which means that the regional and central governments were not part of the hybrid organisation (See Appendix 1.01, Document 8, welfare alliance).

In the welfare alliance, there is a recognised need to have shared goals that operate as boundary objects, which is described in the following interview excerpts and quotations taken from the examined documents:

Synergies between services are taken into account between all actors and common goals and values guide our operations (in the hybrid) (Document 1, welfare alliance).

...instead we (people in private healthcare unit) start to think what added value can we give to library and youth services when people start feeling we are working together in way that we do not have to protect our own sectoral (and organisational) boundaries and our budgets. But, it is too early to say (how common matters are to be found). Let's hope it works (interviewee 4, private sector unit, welfare alliance).

We have to be able to commit to common goals. If it looks like the goals are not common and the joint commitment for those goals is missing, then one should not adopt this type of model (welfare alliance as a public service production model)...this (welfare alliance) requires shared values...We have to be able to share values and create common goals to pursue (interviewee 2, public sector unit, welfare alliance).

From the perspective of boundary objects, there are three types of goals in the welfare alliance (See Appendix 1.01, Document 5, welfare alliance). Figure 8.1 describes the goals. The first set of goals relate to public, private or third-sector actors in the hybrid or a certain service production unit. For example, the library's goal is to support the literacy of children and adolescents. This goal, however, is not shared by other service production units operating in the welfare alliance. Therefore, this is not a boundary object that facilitates a common identity between the public, private or third sector. Moreover, it is not a boundary object between different service production units.

The second set of goals constitutes boundary objects for a subset of communities. For example, the goal "coverage of major national diseases" is

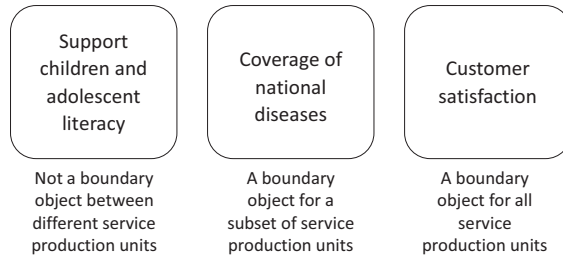


Figure 8.1 Performance goals and boundary objects.

shared by public and private sector actors operating in the oral care unit and private sector actors in basic healthcare. However, this is not the case for the library consisting of public sector workers or the community café set up by the third-sector organisation and managed by its employees. Moreover, the basic healthcare unit defines this goal differently from the oral healthcare unit. For the oral healthcare unit in the public and private sectors, coverage of major national diseases requires treatment plans for adult oral healthcare patients. For the private healthcare unit, the same goal includes:

- 1 Creating treatment plans for coronary heart disease patients
- 2 Creating treatment plans for patients with diabetes aged 18–65 years
- 3 Reducing the number of long-term blood glucose and LDL cholesterol-balanced patients with type 2 diabetes
- 4 Decreasing the number of heart disease patients

In sum, the coverage of major national diseases is a boundary object for a subset of public and private sector communities operating within the basic and oral healthcare units.

The third set of goals involves boundary objects for all communities. Customer satisfaction, for instance, is relevant to all sector actors since each prioritises the service satisfaction of their customers. However, here as well, the meaning of customer satisfaction is perceived differently by the various service production units. Table 8.1 summarises the meanings of customer satisfaction adopted by service production units operating in the hybrid.

Evidently, every service production unit in the welfare alliance prioritises the promotion of customer satisfaction, although the units define customer satisfaction differently in their daily operations. Nevertheless, the emphasis on customer satisfaction forms a common identity and shared values among the service units. Therefore, the solution is to adopt performance goals that can include the different connotations of customer satisfaction. That is, rather than the welfare alliance focusing on improving the opening hours or the convenience of appointment-scheduling, it aims to enhance customer

Table 8.1 Meanings of customer satisfaction assigned by various service providers

<i>Service production unit</i>	<i>Meaning of customer satisfaction</i>
Library (public sector community)	Library services that are responsive to the needs and aspirations of library users (Tampere 2017)
Basic healthcare unit (private sector community)	A high likelihood of customers recommending basic healthcare services (Document 1, welfare alliance)
Oral healthcare (public and private sector communities)	Positive customer evaluation of staff expertise, opening hours, appointment-scheduling convenience, service accessibility, service access speed, staff responsiveness to customer opinions and customer treatment (Tampere 2020a)
Domiciliary care and housing service unit (public and private sector communities)	Positive customer evaluation of the quality of domiciliary care and its support services as well as enough opportunities for customer participation in service design (Tampere 2019)
Maternity and child health clinic (public sector community)	A high likelihood of customers recommending services to other citizens as well as positive customer evaluation of staff expertise, appointment-scheduling convenience, service accessibility, service utility and staff responsiveness to customer opinions (Tampere 2020b)
Youth services (public sector community)	Parents impressed with the activities offered to children and the support they receive in parenting-related matters (Terveyden ja hyvinvoinnin laitos 2019)
Community café (third sector community)	Satisfied users of the community café (Settlementti Tampere 2018)

satisfaction, thus generating a common identity among the public, private and third-sector communities across the various service production units.

Although public, private third-sector communities and different service production units agree that customer satisfaction should be improved, the absence of a precise definition allows these communities to define customer satisfaction to suit their own operations. In these type of situations, the use of words with broad extensions and high levels of abstraction is useful in creating boundary objects for communities that disagree on the precise meaning of customer satisfaction. Here, broad extensions refer to the act of expanding the performance goal to include various aspects, states of affairs or actions. Extensions widen the definition to cover all the different notions of customer satisfaction adopted by the welfare alliance's communities, beyond, for example, the number of satisfied users of community café, as defined by the third-sector organisation.

At the same time, using concepts with very few intensions allows for different interpretations of customer satisfaction. Here, intensions refer to the internal content of a concept, and the lack of intensions suggests that a certain concept does not have sufficient content to narrow down the actions

and state of affairs included in the concept of customer satisfaction. Compared to the current goal called as customer satisfaction, using the number of satisfied users at the community café as a performance goal would be an example on how to increase intentions of the performance goal relating to the customer satisfaction as this would limit the possibility of deeming citizens' pleasure gained from library services as customer satisfaction. Increasing intentions would render it difficult for communities to accept the performance goal relating to customer satisfaction since it would not fit the institutional logics adopted by the various other communities within the welfare alliance.

Broad extensions and the lack of intensions generate ambiguity in the concept of customer satisfaction. This ambiguity permits communities to pursue different approaches and actions under the umbrella concept of customer satisfaction as people can disambiguate the concept within the communities. The freedom to choose the meaning of customer satisfaction inhibits power struggles and conflicts related to the meaning of the concept because different communities will not have to defend or give up on their perceptions of customer satisfaction when setting goals in the hybrid. Defining customer satisfaction as a performance goal also obviates the need to take sides in value conflicts, and this is particularly beneficial in dissociating oneself from any blame that may arise from taking sides. Thus, goal setting can be a conflict resolution or blame-avoidance tool in the hybrid.

Improving happiness, accessibility, welfare, quality of life, customer satisfaction or service quality are all examples of catchphrases that are effective boundary objects if there is enough room for the communities to precisely define these concepts. While these catchphrases are ambiguous and vague, they are difficult to avoid, and few are likely to oppose, for example, better customer satisfaction. Overall, adopting goals with broad extensions and reduced intensions allows for the identification of boundary objects that tie different communities together. In other words, the objective is to determine the type of performance goal that can be used to describe the different goals of communities in the hybrid organisation. Using boundary objects to identify and connect actors who contribute to the goal of customer satisfaction also distinguishes value-creation networks that generate customer satisfaction in the hybrid. Set goals as boundary objects can be used to describe existing value-creation networks or create new ones. In hybrids, goal setting is essentially the management of value creation networks.

Boundary objects and common understanding on collaboration

In this chapter, boundary objects refer to strongly structured objects within different communities but weakly structured objects in the common understanding shared among all the communities. Essentially, boundary objects are understood and recognisable across community borders (e.g., Star and

Griesemer 1989). Communities, here, denote groups of people who belong to different sectors (i.e., public, private or third sector) and service production units (e.g., basic healthcare, library or community café).

This chapter proposes a theoretical model to describe the transformation of goals into boundary objects that describe value creation by a hybrid. According to this model, one can adjust the extensions and intensions of a particular goal so that it can be turned into a boundary object. The use of extensions and intensions in goal setting is contingent on the following two factors:

- 1 the level of variation in value definitions used by communities
- 2 the inclusiveness of a performance goal (i.e., the attempt to create a common goal for all communities or a subset of communities)

The use of various value definitions by different communities enhances the pressure to broaden the extensions and reduce the intensions of a goal. A growth in the number of communities under the influence of a particular goal has a similar effect if there is significant variation in value definitions. However, if such a variation does not exist, it is possible to decrease extensions and increase intensions and use concrete goals that conceptually represent the expected reality of a hybrid achieving the goals. Such types of concrete goals are not boundary objects because they are strongly structured and rigorously defined in the common understanding of communities and are similarly understood across the different communities of the hybrid.

Overall, understanding the relationships among intensions, extensions, the level of variation in value definitions and the inclusiveness of a performance goal is crucial in enabling collaboration when consensus is lacking over value definitions in a hybrid. Thus far, performance management models and theories have neglected such relationships (e.g., Pollitt and Bouckaert 2004), and from this perspective, the current understanding of dynamics associated with setting performance goals in hybrids is lacking.

In the performance management literature (e.g., Fleischman 2017; Pittino et al. 2019), the implicit assumption often seems to be that goal setting requires some type of consensus. However, little is discussed on how a consensus on goals is achieved, while a consensus on the exact meaning of goals is lacking in hybrids. This chapter has attempted to increase this understanding of consensus and the lack of consensus regarding specific performance goals in hybrids, namely, customer satisfaction and the coverage of major national diseases. To further enhance existing performance management models and theories, future research could examine how practitioners in hybrids perceive and react to the relationships identified in this study while determining the extensions and intensions of the goals in the hybrid. In addition, it is argued here that to understand the simultaneous existence of a consensus and the lack of one, it is crucial to analyse the workings of conceptual intentions and extensions in goal setting.

In the context of performance target planning in hybrids, there are two types of boundary objects. The two categories identified in this study shed light on the inclusiveness of boundary objects in the performance goal setting of hybrid organisations. The first type of boundary object ties together a subset of communities, whereas the second type creates a common understanding and identity among all the communities operating in the hybrid. Since there are many performance goals, one goal can be used to unite communities A and B, and another can state the value perceptions shared among communities A, B and C. This example demonstrates why it is not necessary for communities in a hybrid to be linked together by every goal.

The literature on performance management is yet to deal with the depth of how boundary objects are constructed in target setting, and thus this study broadens related theories (e.g., Van Dooren et al. 2010) by explaining how performance goals are turned into boundary objects in planning phase. This study adds the concept of boundary objects to that of performance goals by demonstrating how goals can be boundary objects. Attaching boundary objects to goals alters one's conceptual understanding of performance goals and their various dimensions. For example, viewing goals as boundary objects challenges past conceptual definitions that cause us to neglect the following instrumental dimensions of performance goals:

- 1 the use of goals to resolve or deal with conflicts related to value creation
- 2 the role of goals in boosting collaboration when a consensus is lacking regarding the value of activities among a hybrid's communities
- 3 the function of goals in describing value creation networks or creating new ones in hybrids

To further understand how goals are used in conflict resolution, this chapter made the following argument: turning performance goals into boundary objects in hybrids is a type of conflict resolution mechanism used to find harmony among the public, private and third-sector communities aiming to produce different value. The empirical examples in this chapter suggest that using goals as boundary objects can reduce conflicts among the various communities operating within the hybrid because power struggles over value definitions can be avoided. The ability to reduce conflicts indicates the presence of unexamined relationships between goals operating as boundary objects and the level of conflicts in hybrid organisations (see Campanale et al. in this volume).

Here, there are two theoretical scenarios. On the one hand, it is possible to tame conflicts in hybrids by turning goals into boundary objects, as this can mitigate power struggles arising from the difference in value definitions adopted by various communities. In other words, adopting a boundary object approach to goal setting allows different communities to pursue what they consider valuable without forcing them to change their value perceptions, thus reducing conflicts. On the other hand, it is possible

that turning goals into boundary objects does not resolve conflicts, and the adoption of a boundary object approach is only an outcome of a conflict among various value definitions. In this scenario, goals as boundary objects do not reduce conflicts in the hybrid or prevent bigger power struggles around value definition. Turning performance goals into boundary objects in target setting simply prevents the need to take sides in disputes concerning value definitions. This, of course, allows one to disassociate from any blame arising from taking sides in value conflicts or not having performance goals at all.

In addition to conflict resolution, turning performance goals into boundary objects can facilitate collaboration. In the absence of total consensus about a value definition, hybrids' performance goals are boundary objects that tie together dispersed communities within the hybrid while enabling inter-organisational collaboration when there is goal incongruence among the communities. This ability to turn conflicts into cooperation in hybrids highlights that mastering the use of boundary objects in goal setting is a critical managerial skill. This chapter attempts to increase practical knowledge on how performance goals can be transformed into boundary objects so that value conflicts do not inhibit collaboration in hybrids. The understanding of intensions and extensions of goals, the inclusiveness of performance goals and the level of variation across value definitions should be the focus of managers pursuing collaboration in hybrids under the condition of value conflicts.

By viewing performance goals as boundary objects, it is possible to identify communities strongly tied together in value creation and those that are not. To a certain extent, the findings of this chapter challenge the past models and theories of performance management (e.g., Pollitt and Bouckaert 2004; van Dooren et al. 2010) that do not consider how performance goals as boundary objects generate value-creation networks in hybrids or how existing value creation networks define the type of goals set by hybrids. According to this chapter, goals can, in fact, produce new value-creation networks, and existing value-creation networks can define how goals are set in hybrid organisations. By attaching the concept of boundary objects to that of performance goals, goal setting takes the form of managing and planning value-creation networks with the aim of combining activities of various communities (e.g., Johanson 2019).

Performance goals as boundary objects also highlight the worth of a hybrid's activities and the value of outcomes from these activities. Therefore, awareness about such boundary objects serves as a tool to understand how value is defined when the goals of the private sector differ from those of public and third-sector organisations, or service production units in the hybrid have different goals. Those who turn performance goals into boundary objects in hybrids can influence the creation of a common understanding and identity between communities, while the determination of valuable actions is left to the discretion of the communities. Since the ability

to promote a common understanding and identity can steer the activities of the hybrid organisation, there is considerable power invested in defining goals. Performance goals also communicate to the outer world what the hybrid considers valuable. To this effect, the question of who transforms performance goals into boundary objects in performance management is also of significance.

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Appendix

List of empirical data

- Document 1. Description of welfare alliance model: a PowerPoint presentation by the local government
- Document 2. Alliance model used in the welfare alliance and for provincial social care and healthcare reform: a PowerPoint presentation by public manager
- Document 3. Goals and measures of the welfare alliance: an attachment from a contract between the hybrid members
- Document 4. Purchaser collaboration models for social and welfare services: a PowerPoint presentation by the public manager leading welfare service production in the local government
- Document 5. Implementation contract: a contract between the hybrid members
- Document 6. Commercial model: description of the contract used to form the welfare alliance
- Document 7. Cost reimbursement: an attachment from a contract between the hybrid members
- Document 8. Service plan: an attachment from the contract between the hybrid members
- Document 9. Budget for contract term: an attachment from the contract between the hybrid members
- Document 10. Budget frame for the next 10 years: an attachment from the contract between the hybrid members
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- Interviewee 8. Interview transcript

9 Complexity of value proposition in hybrids – the Japanese experience

Tomoe Katoh

Introduction

Although corporations and the government have been regarded as the long-standing kingpins of Japanese business and social development, control over them is slowly moving away from the confines of boardrooms and halls of power. Instead, hybrid organisations are taking root because municipalities, administrators and the local populace are seeking managerial strategies that promote the formulation of regional revitalisation policies while incorporating the philosophies of sustainable development goals. The sustainability of cities, regions, nations and the world as a whole is a priority.

The operation of Japanese cooperatives has traditionally been characterised by top-down limitations in the following contexts. First, agricultural and labour cooperatives that support regional industries are isolated from other cooperatives, NPOs, corporations and municipalities. These cooperatives do not integrate with organisations such as community-based and self-governing associations. Second, industrial cooperatives are established under industry-specific laws that are subject to approval by the competent authorities, which means it is challenging to create cooperative relationships beyond individual sectors. Third, the international trends that pertain to the establishment of cooperatives in relation to domestic industrial policy are divergent (Fujisawa et al. 2015). Internationally, cooperatives have been one of the major industry players that combine the facets of public sector governance and market mechanisms. With the proclamation of 2012 as the *International Year of Cooperatives* by the United Nations, the General Assembly, the International Labour Organisation (ILO) and the International Co-operative Alliance (ICA) began supporting community service projects that benefitted socially vulnerable groups, in addition to childcare, education and environment improvement projects undertaken by cooperatives. The General Assembly and the ILO have suggested that governments should promote legislation and formulate policy measures to support the undertaking of such initiatives. However, for Japanese cooperatives to become influential enterprises responsible for the undertaking of

regional revitalisation projects, the government needs to, as far as possible, implement policy measures that are essential for industrial promotion within the laws that govern cooperatives and without supportive national policies in place.

The development of hybridity in Japanese governance

Definitions

CBC: A community-based corporation is a pioneering management form of hybrid organisation that combines a non-profit organisation (NPO) and a corporation in Japan.

CBCC: A community-based cooperative corporation is an alternative form of hybrid organisation – CBC plus cooperatives.

HGF: The Hokkaido Green Fund was established in 1999 as an NPO in Sapporo, in the Hokkaido prefecture. It formed two companies to operate in green energy conservation. The Green Fund Group (GFG) is a collection of these entities.

GFA: Green Fund Akita is an organisation that consists of four cooperatives, a company and an NPO that carries out regional revitalisation projects in the city of Nikaho, in the Akita prefecture.

Community-based Corporations (CBCs) are characterised by hybrid forms of management. As an example, consider the case of the Hokkaido Green Fund (HGF), which established two companies that cooperated in undertaking wind power generation projects to provide services for public benefit while at the same time retaining the characteristics of a profit-making enterprise. This organisation exhibited the characteristics of Japanese managerial behavioural principles and techniques while overcoming the inherent weaknesses of non-profits and corporations (Katoh 2018a). The HGF was inspired by community wind power projects in Germany and Denmark. It is important to explore the possibility of an NPO adopting a European business model modified in keeping with local business conditions in the Japanese context. Japanese corporations that have adopted a hybrid management model differ from those in other countries (cf. Fontes-Filho and Carris de Almeida in this volume). The social institutional background of Japanese non-profits is unique, with a relatively short history compared to their European counterparts. Such enterprises operated under less-developed regulations in Japan. Nevertheless, this case example provides a useful approach regarding the implementation of European best practices modified to suit local conditions in Japanese communities. The Green Fund Group (GFG) was inspired by the case of Elektrizitätswerke

Schönau, a cooperative utility company in Germany whose business model was adapted to the Japanese scenario, thereby resulting in the creation of different variants of the German model (Katoh 2016). The model was suitably customised to a hybrid-type organisation that could be adapted to local conditions across various regions in Japan. It can thus be seen that similar forms of power generation and transmission can be replicated in other countries by energy cooperatives. It is beneficial to realise that solving the problems facing Japanese rural areas in this way can provide citizens of other countries with useful knowledge. In nations with differing societal and regulatory structures, historical aspects, nationalities or levels of civic consciousness, common citizens can take the initiative to form a system of community-based enterprises.

Renewable energy and food self-sufficiency projects in particular gained a new impetus from increased social activism following the Fukushima Daiichi nuclear disaster of 2011, with the emergence of a new type of corporate entity characterised by business practices based on the ideas, values and principles of community-based cooperatives that share common sustainable development goals. The Yumekaze Project established by the Green Fund Akita (GFA) in Nikaho, in the prefecture of Akita, is one such example. The GFA is a corporation engaged in wind power generation, which was jointly established by four cooperatives, the HGF and Community Wind Power Co., Ltd (CWP); it thus utilises a management system that integrates cooperatives, a non-profit organisation and a corporative enterprise. We describe organisations that collaborate with other entities to undertake community revitalisation projects as community-based cooperative corporations (CBCCs). These CBCCs aim to correct some of the deficiencies found in the earlier models that were unable to extend their support and scope of activity to include the majority of farmers, fishermen and forestry workers in the revitalisation areas. The main novelty of CBCCs is that they include cooperatives in their operations alongside non-profits and business corporations (Katoh 2019).

The CBCCs have three advantages over the previous CBC model. First, a CBCC's cooperative system encompasses a more profound philosophy and methodology than those of CBCs. Moreover, CBCCs share common concepts, connections and business practices, in keeping with the standards of the international cooperative movement, and can participate in training activities to collaborate with foreign cooperatives. Therefore, CBCCs adopt a new management form that regards cooperatives as equal partners in decision-making processes (Figure 9.1).

Second, it is possible for a CBCC to open up a broader social investment market and quickly establish autonomous coverage in the network that connects rural and metropolitan areas. Moreover, a CBCC works towards the following goals: (1) economic governance, (2) economic growth that is a public policy objective, (3) the diversification and revitalisation of private sectors such as small enterprises and cooperatives and (4) worker

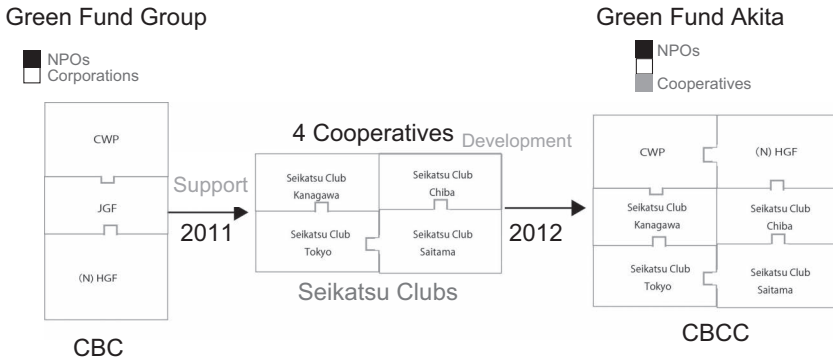


Figure 9.1 The evolution of Green Fund Akita.

satisfaction. At a time when the global financial system is increasingly being criticised, CBCCs may create new forms of value through the establishment of a social investment market.

Third, regional vitalisation projects implemented by CBCCs are a way of contributing to municipal-level social development goals. Given that power generation projects are integrated in some regions to facilitate open access to sustainable energy, CBCCs can effectively expand regional revitalisation within municipalities. The principles of ownership and governance, as well as the mechanism of education and training inherent in the management form of a CBCC, align with the sustainable development goals. Since investing in future generations is inherent in the management form of a CBCC, there is a commitment to create an investment system that is aimed at developing sustainable cities. Therefore, a cooperative system contributes to achieving a number of sustainable development goals.

The Seikatsu Club

The Seikatsu Club, which is a parent organisation of the GFA, is one of approximately 600 Japanese co-ops. The members of the union are not consumers who purchase goods, but instead are business investors who invest in either products or services as the case may be and choose to independently manage stores. They distinguish between products that facilitate trading activities and consumer goods, with the consumables developed via collaborative manufacturer–supplier relationships. The members follow specific principles and are governed by standards that pertain to the collective purchase of domestic produce, in an attempt to increase Japan’s food self-sufficiency rate. As of September 2013, the Seikatsu Club Rengokai comprised 33 Seikatsu Clubs across 21 prefectures nationwide, with approximately 340,000 members; it had an annual turnover of 81.6 billion

yen and member equity of 37.7 billion yen. Within this national network, the total number of individuals involved in the four metropolitan co-ops in the cities of Tokyo, Kanagawa, Saitama and Chiba, which are linked with the GFA, was approximately 200,000, with an annual turnover of 57 billion yen and an investment of 22.8 billion yen. These four co-ops jointly accounted for approximately 60% of the turnover (Igarashi 2015), and thereby had the makings of strong founding partners.

The Seikatsu Club has three main focal areas. First, it facilitates the creation of consumer goods that are essential in daily life. Second, it provides services that are essential in daily life and that contribute to regional development. Third, it enriches human relationships. Therefore, the first focal area involves the collective purchasing of food and energy commodities. The second concerns services undertaken by the collective to enhance worker and regional welfare, coupled with environmental sustainability. The third focal area relates to consensus building regarding participation in activities that aid social and community development. They also amend the policies of national and local governments and propose the necessary legal changes, with the work mainly undertaken by members of purchasing and worker cooperatives.

Here, we term the approach that governs the three focal areas of the Seikatsu Club as “a method that facilitates the forming of a community by cooperatives.” For example, the Seikatsu Club has promoted its Seven Energy Principles, which are related to renewable energy and green power production, as stipulated in the energy policy, and implemented it by utilising the method adopted by cooperatives to form a community.

When the GFA was established, the Seikatsu Club Kanagawa became its parent organisation. Its tenth mid-term plan contained the basic themes of the five-year plan, which included food self-sufficiency, worker and regional welfare, environmental sustainability and the establishment of worker co-ops. Currently, the aim is to increase the supply of collective purchases by 10% over the next five years in order to promote growth and enhance business opportunities. The ultimate aim is self-sufficiency. This philosophy has led to the formation of a “welfare self-sufficiency zone,” which originated in community welfare projects that were deemed essential for regional development. The plan comprises the following three stages: a reduction in energy usage (Stage 1), the creation of renewable energy sources (Stage 2) and the choice of usage of renewable energy (Stage 3). Stage 2 was realised with the development of wind and solar power generation. Stage 3 began in 2016, with the collective purchase of electricity by members who formed a community of suppliers and consumers that operated across rural and metropolitan areas, thereby creating a mechanism to self-supply renewable energy. The Seikatsu Club Kanagawa described this as the “self-sufficiency zone for environmental sustainability.” Within this system, the GFA creates sources of renewable

energy, in collaboration with community landowners and agricultural producers, which, in turn, is supplied to consumers who reside predominantly in metropolitan areas.

Green Fund Akita – multiple governing principles

In a bid to contribute to regional revitalisation, the GFA incorporates the management system of four cooperative associations, an NPO and a corporate enterprise in implementing wind power generation projects, one of several types of collaborations between rural producers and processors and their urban consumers. Such projects are also undertaken in cooperation with local governments. The GFA thus promotes activities that imbibe not only profit-oriented business principles but also the business practices of cooperative societies that constitute the parent organisations (Table 9.1).

CBCs are characterised by a hybrid form of management that combines the facets of NPOs and corporate enterprises. Such a composite integration facilitates the incorporation of both managerial forms, meaning that the NPO learns to adopt the behavioural principles of a corporate enterprise (in terms of the pursuit of profit and the attainment of economic sustainability) and the techniques (with regard to the formulation of marketing and promotion policies, and policies pertaining to financial management) of a commercial enterprise. The corporation, in turn, learns to adopt the NPO's behavioural principles (impacting social change and civic consciousness) and techniques (that solve social issues, integrate the fruits of communal activities and community-based decision-making). The NPOs are governed by a cooperative business philosophy, while corporate enterprises are governed by the principles of economic sustainability. The social mission of such enterprises is conveyed to society and organisations that, through the business entities, are involved in the growth of large-scale business projects.

The NPO, by adopting profit-oriented business practices to ensure project sustainability, and the corporate enterprise, by adopting institutional plans to ensure corporate social responsibility, imbibe a hybrid form of management. An entity that utilises this managerial form can collaborate with organisations belonging to any sector, and can thus facilitate the provision of goods and services that are difficult to supply through policy measures. This may result in new and innovative forms of value creation that could not be facilitated otherwise (Johanson and Vakkuri in this volume). Furthermore, such entities can also undertake commercial projects and oversee volunteer activities, and thereby ensure a stable supply of goods and services in local communities. They can initiate the formulation of policies that facilitate the provision of goods and services, meet with prospective service providers and consumers

Table 9.1 The Yumekaze Project of the Green Fund Akita (GFA) management model

<i>Sector</i>	<i>Management style</i>	<i>Behavioural principle</i>	<i>Feature</i>	<i>Skill</i>	<i>Organisation within the Green Fund Group</i>
1 Social sector	NPOs	Citizenship Social changeability Non-profit	Returning profits to the region Non-allocation of profit and loss	Integration of regional decision-making and business outcomes	NPO Hokkaido Green Fund
2 Private sector	Corporations	Pursuit profit Business sustainability	Fundraising with equity Limited liability Returning profits to shareholders allocation of profit and loss	Making promotion Expertise Business development Financial management	Community Wind Power Co., Ltd
3 Public sector	National/Local government	Equality/Fairness Non-profit	Regional resource management Fiscal policy	Polycymaking	Japan Green Fund Co., Ltd NPO Renewable Energy Organization of Hokkaido

to bring them together to assist with the economic activities of buying and selling (adjusting for supply and demand) and tap into unexplored markets. In such a market structure, investors and consumers can come together to fulfil their social responsibility while lending support to business leaders.

Yumekaze – a “Wind Dream” project

Yumekaze, a wind power generation project, is managed by the GFA in collaboration with Nikaho city. The GFA is characterised by the equal participation of all founding entities in the decision-making process, which is strongly influenced by the philosophy of the Seikatsu Club. The representative director of the GFA, Akihito Hanzawa, is also the managing director of the Seikatsu Club Kanagawa. In this way, the Seikatsu Club, in collaboration with the HGF, was able to enter the renewable energy market. While the HGF supports the construction of windmills, CWP is responsible for both windmill construction and maintenance (Katoh 2018a).

Therefore, they are positioned to take the first steps in realising the philosophy of the Seikatsu Club’s comprehensive energy policy. Nikaho city and its metropolitan areas are represented by four cooperatives connected using the method designed to form cooperative communities and to realise the Seikatsu Club Kanagawa’s vision for an energy self-sufficiency zone. This project provides consumers residing in metropolitan areas with a choice mechanism for their energy purchases. In Nikaho city, agricultural producers and processors collaborate with Seikatsu Club members to foster sustainable interactions and knowledge-sharing. After the implementation of Yumekaze, the GFA and Nikaho city established the “Collaboration Promotion Council” and announced the implementation of the “Joint Declaration for Creating a Sustainable Natural Energy Society through Regional Cooperation.” This declaration outlined the manufacture of food products by producers in the Serita area, a landscape characterised by windmills. The four Seikatsu Clubs, Nikaho city and the GFA agreed to work together in a regional revitalisation project that encompassed wind power generation projects and projects pertaining to agriculture, food processing, manufacturing and tourism.

At the same time, they undertook signature community development activities and engaged in policy advocacy in collaboration with other organisations in the prefecture of Kanagawa, which led to the enactment of the Energy Conservation Renewable Energy Promotion Ordinance in April 2014. Launching the Yumekaze Project in Nikaho city prompted the participation of farming cooperatives, producers, processing companies, researchers and research teams that comprised of cooperatives’ members, among others. The number of participants continues to grow. A collaborative system was established with network-based organisations, such as region-led power producers, throughout the country. The Seikatsu Club and

producers across municipalities near Nikaho city have supported power-generation projects and have offered to collaborate on various other projects. At the same time, the GFA promotes power generation projects that are consistent with the policies of the Seikatsu Club Kanagawa and the Seikatsu Clubs in each region, meaning that they work alongside NPOs such as the Institute for Sustainable Energy Policies (ISEP), an energy policy research institute.

The Seikatsu Club Kanagawa has not abandoned the selling of goods in traditional markets, and thus has established a stock company as a subsidiary and purchasing cooperatives. For instance, Seikatsu Club Spirits Co., Ltd., is involved in the cultivation and general marketing of tomato products from regions with wind farms. Even so, we believe that the definitions, values and principles outlined in the International Cooperative Alliance Statement on Cooperative Identity (1995) are rooted in the projects undertaken by the Seikatsu Club Kanagawa. The club's mid-term plan clarifies that the activities undertaken are not only consistent with these definitions, values and principles, but they are also within the scope of the international cooperative movement (Katoh 2019).

Initially, a cooperative aims to maximise the profits of its union members and redistribute the surplus projected profits, for example, in the form of an increase in salary, without retaining the organisation's surplus profit above a fixed rate. In the case of the Seikatsu Club Kanagawa, 10% of the accumulated surplus, rather than dividends, are redistributed as a refund in accordance with the amount of money spent by members. On the other hand, 2% of net capital (comprising 1% of the retained earnings and 1% of the investments) is reinvested for sustainable management. Furthermore, according to the Seikatsu Club action plan, there is a research department within the organisation in which the members of cooperatives can participate voluntarily to acquire managerial skills while working at stores. As a result, these members acquire knowledge of the aforementioned ideas, behaviours and principles that are in keeping with those of the International Co-operative Alliance.

The GFA discloses to relevant individuals the decision-making process, in addition to information regarding the stages of project implementation, in the context of the Yumekaze project. As a result, members and residents can actively participate and invest in, donate and develop products by obtaining such information. Additionally, consumers recognise the purpose of the project and the products and services it provides. Such features are in keeping with cooperative principles, which address the aspect of the economic participation of members. In this project, the GFA procures and invests in assets that are owned and managed by the members for the purpose of contributing to community development across metropolitan areas and wind farms. This business philosophy and practices are in keeping with the cooperative principle of commitment to community development.

The characteristics of a CBCC in community revitalisation

A CBCC has two strengths in terms of value creation. First, since it is funded by for-profit enterprises, it is managed in such a way that the method of distributing profits is in keeping with the principles of cooperatives. That is, a CBCC raises funds, invests in local communities and produces goods and services. Although a CBCC is similar to a non-profit in that it aims to contribute to the local community, it is more advantageous in terms of project stability and sustainability. It is difficult for non-profits to build assets, distribute profits and losses or utilise market mechanisms (Katoh 2017a, Katoh 2017b, Katoh 2017c). On the contrary, cooperatives can easily build assets, distribute profits and losses and carry out production, manufacturing and processing, which facilitate the creation of a sales route that can potentially open up the market. These facets are realised through the cooperative's ideas and business practices, which are embodied in actual projects.

Second, a CBCC has the facets but does not adopt the managerial form of a cooperative. Therefore, it is not regulated by individual cooperative laws, and it establishes diverse collaborations with organisations of various sizes to ensure market coverage. A CBCC helps members of cooperatives in regional companies to develop and commercialise goods and services. It then supplies the required goods and services for community development projects that embody cooperative ideals, values and principles. Partners will invest capital in keeping with the needs of local communities and future generations in order to create markets, while fostering the ethical practices of future consumers. With these features, a CBCC could incorporate new management forms and create new business schemes.

Although the scale of the focal project is relatively small, and its success is not necessarily guaranteed, the supplied goods and services are identified as valuable to the community. A CBCC independently manages the supply chain from production to consumption, and their customers are ethical consumers that are attracted to social investment markets. Therefore, a CBCC's business model is less susceptible to fluctuations in the economy and currency exchange, and there is little risk of it being influenced by the management practices of large global companies. If a CBCC becomes a regional economic player and supports the livelihood of the local community, it is possible that an industrial infrastructure will be established to supplement the inherent fragilities of the existing structure. If a CBCC can grow and prove its durability, it has great potential to have an effect on society and enhance social welfare.

Thus, CBCCs have overcome the institutional problems facing Japanese cooperative associations by connecting producers and processors in rural areas with their urban consumers while collaborating with local government. Furthermore, a CBCC uses the ideas and methods outlined in the "ICA Statement on Cooperative Identity" (1995) and the Laidlaw Report

(Laidlaw 1980), as evidenced by the business philosophy of the Yumekaze project, which is characterised by a CBCC adopting the principles of international cooperatives in a revitalisation project.

Hybridity with a future

This chapter is a study of the complexities of value creation in the Japanese multi-actor settings of hybrid governance. There are several ways to realise the business philosophy of the parent organisation that shares the common goals of the international cooperative movement. The Japanese experience demonstrates the ways in which the GFA developed a business enterprise by increasing the number of collaborating organisations and incorporating a new management system. As a result, the GFA has overcome the important challenges that face existing Japanese cooperatives. In terms of value creation, the GFA may have succeeded, since it continued to successfully adopt those business practices that imbibe the ideas and methods of cooperatives while incorporating a new form of management.

A CBCC is an alternative management model adopted by a newly established NPO that encompasses the merits of the cooperative management system. It overcomes the three problems that surround existing cooperatives. First, cooperatives that constitute the parent organisations are connected to consumption and production areas. This is the stage at which a regional company is established. Here, the cooperative is governed by a business model that imbibes the ideals and business practices of cooperatives. Second, the initial investment funding is obtained by cooperative partners, and a new business model is harmonised with the one in existence. The planning of a power generation project is hence governed by such considerations. Here, new business enterprises (including NPOs, corporations, etc.) are established, along with the execution of a business model coupled with the development of sales channels. The regional company thereby adopts a new management system. The NPO will provide community-approved building methods and make policy recommendations with regard to technology and network-building. The company will thus assist in business operations. Finally, a CBCC aims to ensure smooth progress by balancing cooperative-oriented projects and newly established regional companies.

An entity that adopts such a management form can provide a stable and continuous supply of goods and services that cannot be provided by national and local government policies alone, or even by private business. During the initial stages, the concerned organisation is an NPO that faces the issue of undertaking commercial projects that diverge from market principles. The NPOs aiming to undertake new revitalisation projects essential for regional development must seek a way to realise the social mission while responding flexibly to real-world scenarios. Innovative forms of hybrid governance are important in finding a proper balance between such different logics of value creation.

The activities and collaboration outlined here are promising for social change and development. Regional municipalities and the local populace are seeking organisations to take responsibility for the creation of community-based industries. In addressing this, CBCCs are promising governance modes in both metropolitan and rural areas. This model suggests a methodology that can overcome the isolation of cooperatives and position them instead as primary actors in the regional industry.

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Part IV

Creating value through legitimation



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10 Value that matters

Expansive and restrictive hybridity in public-private pension schemes

Ville-Pekka Sorsa

Introduction

One of the characteristic features of hybrid governance is the existence of multiple institutional logics and related foundations for valuing activities (Johanson and Vakkuri 2017). During the past decade or so, much research attention has been paid to the importance of value in contexts that involve various logics, unclear boundaries, conflicting expectations and/or various relevant actors and viewpoints for valuation (see Jagd 2011). In such contexts, actors need to actively justify their positions and actions to gain legitimacy not only for their immediate activities but also to the very institutions that enable their activities in such contexts (Patriotta Gond and Schultz 2011). Justification is an active process in which acceptance is sought by appealing to elastic and more or less universal understandings of common good that provide different grounds for moral and social valuation (Ylä-Anttila and Luhtakallio 2016). These understandings were famously described by Boltanski and Thévenot (2006) with the notion of “orders of worth.” Each order, or value regime, provides a different “test” (e.g., measure, indicator, qualification) for the worthiness of activities and qualifies them as good in different ways (Annisette and Richardson 2011). In contexts with no privileged orders of worth and valuation practices, only active justification can solve disputes and succeed to legitimate activities (see Ylä-Anttila and Luhtakallio 2016).

But hybridity is not synonymous with the existence of various institutional logics. Hybridity means that something is *constituted* on a number of different logics. True, hybrid governance is, by definition, plural in the sense that only one coherent institutional logic or privileged value regime does not characterise its activities. Hybrids tend to have quite manifold and original institutional lives and indeed require constant justification vis-à-vis multiple value regimes in order to sustain (see Johanson and Vakkuri 2017). However, they are not completely pluralistic. After all, hybrids are constituted for a reason: they are intended and expected to create some particular type(s) of value. A hybrid must have some kind of *value proposition*. Value proposition means that value facilitators make propositions

on value to those who can extract it, but this value will materialise only if they accept the type of value and experience activities to create this type of value (Grönroos and Ravald 2011). Even though any value may matter in terms of justification and sustaining of the hybrid constellation, any value regime cannot serve as the foundation for value creation. If one did not pursue something specific through hybridity, one would have probably opted a more conventional, better-tested and more coherent institutional arrangement in the first place. Hybrid governance simply has to privilege some value regimes over others in order to have a rationale for its existence.

In terms of value, hybrid governance seems to involve a major challenge. At their constitution, hybrids must define the intended value and the hybrid institutional logics that guide value creation. Yet, neither the relevance of the intended value nor the legitimacy of the logics of value creation is ever guaranteed in the eyes of those who can extract the value. This means that in order to make hybrid governance worthy, hybrid actors have to not only live up to their value proposition but also sustain the value proposition itself as something that matters. Some degree of plurality is certainly needed in hybrid governance. After all, the modern idea of value creation draws largely on transforming, mixing and effusing disorganised pieces of worth (Stark 2009). Deployment of plural value regimes enhances value creation potential. For example, the existence of multiple value regimes enables attracting a broader body of value co-creators (Cova et al. 2015; Frig and Sorsa 2018) and allows normalisation of different types of value creation activities (Gibbon et al. 2008). The challenge lies in justifying hybridity with the (narrower) value proposition. Attempts to narrow down criteria for valuation within value creation activities tend to generate negative reactions (West and Davis 2011), while outsider attempts to define value often fall to deaf ears (Corvellec and Hultman 2014).

In this chapter, I aim to answer two broad questions raised by the aforementioned challenge: (1) what is the worth of hybridity or the value proposition of hybrid governance arrangements and the logics deployed to creating the proposed value, and (2) with what kinds of strategies can hybrids justify their existence with and sustain their worthiness in terms of the proposed value? I will seek answers to these questions through a comparative case study of two ideal-type hybrid public-private pension schemes in Europe, the “corporatist” and “World Bank” hybrids, based on reinterpretation of previous literature. In the next section, I will introduce these two types of hybrid pension schemes and assess the value propositions written in each design through the analysis of their origins. In the one that follows, I will address how these schemes have been maintained when they have raised controversy or their sustainability has been otherwise questioned over time, and hence shed light on some key success factors of maintenance of the value proposition. In the last section, I will draw conclusions from the analysis and briefly discuss their relevance for scholarship on hybrid governance and value creation.

Value propositions of hybrid pension schemes

Pensions have raised limited attention among scholars of hybrid governance, even though hybrid public-private pension schemes that combine public and private logics of governance in their constitution exist in almost 20 European countries (Sorsa 2016). Pension governance is highly relevant for scholarship on hybridity, as governance can take numerous different forms and combine various types of institutional logics. Pensions can be in institutional form social security benefits, social or private insurances or savings schemes. They can be legally statutory, mandatory through work contracts or voluntary in their institutional status. Pensions can be financed through funding (turning contributions into investment capital), pay-as-you-go (paying benefits from contributions) or combined mechanisms (prefunded schemes with buffer funds and partly funded schemes with). Pensions can be organised as public bureaus, public or private non-profit or for-profit insurance companies, trusts or foundations, or/and special-purpose or general investment funds that may or may not compete. A single pension scheme may offer only one type of pension benefits (e.g., old-age pension) or many different types of benefits (e.g., survivor pensions, part-time pensions, unemployment pensions) as its key product. Pension schemes may also offer only these relatively simple products (i.e., pension benefits) or include a variety of complementary (non-financial and financial) services such as assisted rehabilitation, well-being at work services, financial planning services and even direct lending.

Hybrid pension schemes refer to mandated pension schemes that include at least one genuine public policy element (e.g., public coercion or financing of pensions), as well as some elements of private governance (i.e., voluntary incorporation and participation in pension provision, private ownership of pension providers or the representation of only private partners in the management of pension providers) (Johanson and Sorsa 2010). Most hybrid pension schemes, especially mandatory private pensions and privately managed public pension schemes, were introduced during the wave of pension privatisation in the 1990s (Thompson 2001; Hyde and Dixon 2009). Hybrid pension governance has remained a somewhat under-researched field. For a long time, administrative hybridity was only a side story in the analyses of hybridity of pension policy and emergence of multi-pillar pension regimes that consist of public and private pension schemes (O'Higgins 1986; Whiteside 2006; Orenstein 2013). Some comparative analyses (Dixon and Hyde 2008, 2009; Ebbinghaus 2011) and more in-depth case studies (Johanson and Sorsa 2010; Leisering 2011) have been conducted on the administrative designs of pension schemes during the last decade or so. However, research addressing the more specific institutional logics on which hybrid pension schemes are founded remains sparse. Among the few studies, Sorsa (2016) has focused explicitly on the institutional logics that constitute hybrid pension schemes and the ways in which these logics are combined. Even though

the study introduces a number of different institutional designs and forms of hybridity, I interpret that in terms of value propositions, two ideal-type hybrid pension schemes can be identified.

The two ideal-type hybrids can be called the *corporatist hybrids* and the *World Bank model hybrids*. The origin of corporatist hybrids is in the post-WWII consensus and emergence of what comparative political economy scholars would call coordinated market economies. Schemes relevant to this ideal type are prevalent mostly in Western and Northern European countries. They are typically social insurance schemes or special-purpose investment schemes that involve numerous types of pension benefits and some complementary services. Here, I will pay special attention to two cases, pension for private sector employees in Finland and the Netherlands, as they have been the best documented in previous research. The historical origin of the World Bank model is in the 1990s and early 2000s, and the rise of these schemes has been associated with neoliberal pension privatisation (Orenstein 2013) or/and financialisation (Dixon and Sorsa 2009). They are usually mandatory investment schemes without complementary services and sometimes even without any elements of insurance (annuitisation). Schemes relevant to this ideal type are mostly prevalent in Latin America and Central and Eastern European (CEE) countries. Due to their relatively recent introduction, similarity and extensive documentation in previous research, I will focus on CEE countries. The key characteristics of these ideal types and their value propositions are described in Table 10.1.

Table 10.1 The value propositions of the two ideal type hybrid pension schemes

	<i>Corporatist hybrids</i>	<i>World-Bank hybrids</i>
Type of pensions	Earnings-related social insurances with varying range of benefits and services	Investment plans for mandatory earnings-related pension savings
Enactment of hybridity	Through special-purpose organisations	Through regulated investment plans
Organisational characteristics	Trusts, insurance companies or funds	Ring-fenced investment funds offered by finance sector companies
Role in pension regimes	Primary source of old-age pension income	Primary or secondary source of old-age pension income
The value proposition	Expansive: broadening product and service options and voice through mandatory participation	Restrictive: limiting products and exit options through mandatory participation
Key value creation activities	Redistribution, service provision, investment management, competition or/and tailoring of pension plans	Investment management, competition

The corporatist hybrids comprise of a broad variety of occupational (workplace, company or industry-wide) or state-wide earnings-related pension schemes that are legally mandatory but managed by private entities. I call them “corporatist” for two reasons. First, even though they have been made legally (directly or indirectly) mandatory, the collaboration between employer associations and labour unions has existed since the beginning of the schemes and serves as crucial part in maintaining institutions. Second, they are typically managed in a paritarian fashion, that is, by including board representation by employers and employees in pension funds. Such schemes exist most prominently in Finland, the Netherlands, Norway and Switzerland. What is common to all these schemes is that participation is mandatory and effective voice options exist for employers or employees. Otherwise, the scheme design varies significantly in terms of available pension benefits, funding mechanisms, market designs and governance systems (Sorsa 2016). For example, in Finland, the old-age pension “product” (pension plan) is the same for everyone, and employers choose the producer for their employees from three types and, in case a pension insurance company is chosen, from competing providers (Johanson and Sorsa 2010). In the Netherlands, the employers can choose whether to participate in an industry-wide fund, establish their own company funds or otherwise insure their employees, but they can also offer more generous pension plans for their employees (Kuiper and van der Zwan 2016).

The World Bank model hybrids denote a not-so-broad variety of legally mandatory pension savings and investment schemes in which individuals have to contribute a part of their salaries to pension funds and select among pension funds with predefined investment plans provided by private investors. I call them “World Bank model” hybrids, because they follow the pension system design advocated by the World Bank in the 1990s, or, more specifically, what the World Bank called the second pillar or pensions (Müller 2001). The label comes only from design, not the origin of the schemes, as the actual adoption of the design has had very little to do with the World Bank in many countries (e.g., Leppik 2006). In this design, the government defines the entire pension plan or minimum criteria for plans, and then provides operating licenses for finance sector companies to provide different types of pension funds for implementing these plans. Pension funds are typically offered by finance sector companies contractually and not as separate legal entities, but they are nonetheless limited by some kind of specific guarantees from the management companies. The pension funds typically differ with respect to their allowed risk levels, measured as proportion of equity investment in the overall portfolio (e.g., 0, 25, 50 or 75%).

In order to understand the value proposition of these two ideal type regimes, a few issues regarding the differences between public and private pension schemes must be noted. Public and private logics of governance enable different types of pension plans and protection of pension assets in a pension scheme (e.g., van Gunsteren and Rein 1985; Orenstein 2013).

Two issues are key here. First is whether a scheme is mandatory or voluntary. Being mandatory enables insuring a variety of social risks as well as the adoption of solidaristic ways of determining pension benefits (de Deken et al. 2006). Voluntary schemes, in contrast, have a very limited scope of insurances available and usually embrace individual accounts and individual bearing of risks (Orenstein 2013). Second is the scope and form of public regulation of implementation. In case of hybrid pension schemes, public regulation can take various forms, ranging from simple public leverage (i.e., making a private scheme mandatory or financing it through public funds) to somewhat controlled licensing (i.e., making provision of a pension plan subject to a specific license to operate and related supervision) and all the way to highly controlled franchising (i.e., definition of pension plans as well as special-purpose pension providers). The more the regulation is focused on the pension provider, the more varied is the scope of institutional logics that can underlie the hybrid (Sorsa 2016).

Identifying the value proposition of the two ideal types necessitates some historical insights on their origins. As noted, the origin of the corporatist hybrids is in the build-up of the post-WWII corporatist solidarity and increase of power of central labour market organisations (or, in brief, “social partners”). Corporatist hybridity came about in many institutional forms: in some cases, the origin of hybrid pensions is in making private pensions mandatory, whereas in others they were introduced as completely new schemes (Whiteside 2006). The two countries in our focus are different in this respect. Extensive private occupational pensions had existed in the Netherlands since the beginning of the 20th century, but they were made mandatory indirectly in 1947 and directly in the 2000s; in Finland, the legally mandatory old-age pension scheme (TEL according to the abbreviation of the law defining it) for private sector employees was launched in 1962 as an entirely new scheme. In both cases, pensions were funded, fully in the Netherlands and partly in Finland, and private sector pension funds remained in private ownership and control.

The Dutch case is presented in which hybridity was adopted by the social partners to allow for the organisation of occupational pensions at the industry level to reduce competition between employers over labour costs and increase economies of scale to reduce the administrative costs of pension funds without compromising the existing model, that is, fully funded defined benefit pension schemes with very high replacement rates that serve as primary pension incomes for most employees (van der Zwan 2017; Anderson 2019). The value proposition of hybridity thus took the form of public leverage: it broadened access to certain type of value creation and somewhat broadened the value proposition. The Finnish case is similar but broader in terms of the contents of the value proposition – that is, providing primary old-age pensions and other social insurances to all private-sector employees cost-efficiently – but quite different in its form. The TEL scheme was a multilevel compromise between different interests and interest groups, which

came to define its peculiar institutional form, that is, a partly funded social insurance scheme implemented by private pension providers (Niemelä and Salminen 1999). The value proposition is given in the form of a public franchising arrangement, in which the law outlines both the pension insurance contract and the private special-purpose entities that are allowed to provide this insurance (Sorsa and Johanson 2014).

The value proposition of the corporatist hybrids can be described as expansive: hybridity enables to create broader value that would be possible with conventional institutions. In comparison to regular occupational pensions, the legally mandatory status allows to involve many elements of social insurance, such as disability pensions, survivor pensions and rehabilitation, in a pension scheme for private sector employees. It also allows shifting pension assets and liabilities outside the companies (Anderson 2019). In contrast to state-managed pensions, private implementation allows to shield pensions from state influence (Koreh 2017). Decentralised implementation enables to deploy market mechanisms (or partial markets) as well as diversify operational risks to multiple pension providers (Johanson and Sorsa 2010). Having mandated special-purpose pension providers also allows representation from various stakeholder groups including employers, employees and pensioners (Sorsa 2016). For employees, the proposition offers a primary source of pensions with lower risks and broader social insurance than occupational pensions, and with some voice over implementation and with fewer political risks than state pensions. For employers, they offer pension provision that incurs less risk than regular company pensions but still with some control over the funds, and often new sources of financing for business like retroverse loans (Sorsa and Roumpakis 2011).

The World Bank model hybrids came about between early 1990s and early 2000s as part of large-scale pension reforms, first in Latin America, later in Central and Eastern Europe and in few other European countries, most importantly Sweden. The World Bank model hybrids denote only one scheme or “pillar” among three pension pillars that comprise the World Bank model (Naczyk and Domonkos 2016). The model promised to offer a financially sustainable alternative to previous state-funded or other collective schemes that had failed for various reasons. The motivations to adopt World Bank hybrids also vary in different countries (Orenstein 2008). One of the key motivations to adopt the hybrid element in certain Eastern European countries was to conceal the risks and transition costs involved in pension privatisation (Müller 2001). However, in other countries such as Estonia (Leppik 2006) or Sweden (Belfrage 2008), the opposite was the case: the idea was to make the cost of pensions and investment performance visible to individuals as part of individual responsabilisation in the specific context of pensions or general context of promoting financial citizenship, respectively. However, in both cases, mandatory participation was seen necessary, be it for sustaining the transition to private pensions or avoiding the behavioural traps of not saving enough to cater for pensions.

The value proposition of the World Bank hybrids can be described as restrictive: hybridity is deployed to restrict exit from conventional institutions, leverage the degree of engagement through public subsidies and regulate value creation practices through licensing. Indeed, what is common to all World Bank model hybrids is that they are mandatory for individual employees (although in some cases, opt-outs have been possible universally or at least for certain age groups) and publicly subsidised. The value proposition of the hybrid is enacted in the form of public leverage on the one hand (making savings mandatory and supplementing them, and hence creating an attractive business opportunity), and through licensing on the other (defining the investment plans that need to be provided in order to enter the market). For individuals, they offer a significant part of pension income, albeit not necessarily as a primary source or component in it, but without effective exit options despite the similar levels of risk as with conventional mutual fund investment. For finance sector companies, it offers an attractive business due to high degrees of certainty and public subsidies.

Hybrid value creation and sustenance of hybrid worth

Next, our attention turns to the creation and sustenance of hybrid worth. The idea of value proposition posits that the proposition of a service is realised if it is accepted by the service users. As noted, in the context of hybridity, this means that all stakeholders have to accept not only the degree of value they can extract but also the hybrid and the value proposition itself as the key justification for the hybrid. Two issues must be noted here in the specific case of pensions. First, losing the relevance of the core value of pensions – providing income in the old age – appears as unlikely. However, given that pension income in most developed countries comes from various sources that interact, often in complex ways (Sørensen et al. 2016), the relevance of an individual pillar of pension income as well as perceptions of the amount of value it can offer may shift rapidly. Moreover, pensions as source of income can be rapidly transformed due to changes in other strands of social security. For example, a basic income that replaces means-tested state pensions may make the worthiness of the pension scheme obsolete overnight. Second, besides the key value extractors, in our case employees that belong to the pension scheme, many other actors have a stake in and over value creation activities (e.g., as payers, regulators, beneficiaries) and can have an influence on its institutional logics. Government organisations, regulators and supervisors, political parties, employer associations, business lobbies, labour unions and professional organisations are the key actors that typically engage in institutional work over pension schemes (McCarthy et al. 2016). State actors and central labour market organisations have been the most influential actors in this respect (Ebbinghaus 2011).

In case of both ideal type hybrids, state actors can be considered crucial for sustenance of hybridity, since they can withdraw the legal mandate

from private pension plans and/or providers. Otherwise, the hybrids are somewhat different. Hypothetically, the corporatist hybrids are much more dependent on the creation of the intended value than the relevance of the value proposition. Given that these hybrids are social insurances that promise to offer a primary income source for the old age, and as such are highly path-dependent (Myles and Pierson 2001), it is unlikely that they become considered irrelevant by services users or state actors. The key issue here is whether consensual organised capital and labour are considered legitimate governing parties in a political economy in the first place, which, in turn, is partly dependent on whether they can create sufficient and relevant value for employees. The key organisations implementing the schemes usually cannot choose not to participate in pension provision, which makes the attractiveness of participation somewhat irrelevant. Creating value and maintaining the value proposition relevant simultaneously appear as greater challenges to the World Bank hybrids. Only in terms of money, there are major trade-offs involved. World Bank schemes need to offer more substantial pensions and lower costs than conventional investment vehicles in order to remain valuable in the eyes of employees, since the schemes offer little more than what regular investment products would. However, they also need to provide a stable income stream and sufficient management fees for management companies in order to remain popular among businesses that voluntarily participate in the provision of public goods.

Starting with the corporatist hybrids, and more specifically our two illustrative cases of Finland and the Netherlands, the main concerns over sustenance of value propositions have taken quite different forms over time. More specifically, I argue that there have been three waves of contestation and successful legitimation of corporatist hybrids. In the first wave, from post-war years to early 1980s, the hybrids were questioned for the *uncertainty* of the value proposition. While the value proposition itself was highly popular and many new pension plans were adopted to deliver it, labour unions suggested that too many failed to extract the value they were supposedly proposed, while employers questioned the capacity to manage the rapidly growing schemes prudentially. In Finland, the main issues raised were political risks (i.e., crowding out the TEL scheme with other pensions) and emerging fragmentation and complexity (Hannikainen and Vauhkonen 2012), while in the Netherlands, the main issues concerned limited coverage and solidarity between different groups (van Oorschot 2006). The resulting reaction from social partners was to broaden coverage, increase simplicity through homogenisation of pension rules, enhance solidaristic risk-sharing and/or enforce paritarian principles in scheme governance.

In the second wave, from mid-1970s to late 1990s, post-expansive politics became dominant and the main questioning concerned the rising costs of old-age pensions due to ageing population. The hybrids were questioned for not delivering sufficient bang for the buck, or for delivering simply too little value to meet the proposition. Defined benefit (DB) pension plans were

dominant in Finland and the Netherlands. In such plans, pension contributions are the flexible component of the pension formula, which means that they rise when benefits are raised, dependency ratios fall and/or overall wage sum falls. The employers and governments questioned the rising costs most ardently, but labour unions, too, were uneasy with the idea of rising indirect labour costs for the future generations. In both case countries, a variety of parametric reforms (e.g., raising the retirement age, blocking early retirement, capping contribution rates, adopting average salary instead of final salary plans) were adopted to limit pension benefits and to curtail the growth of pension costs (see Hinrichs and Kangas 2003; van Oorschot 2006), leading in effect to increasing equalisation of value for different generations. Both countries especially favoured the increase of profitability in investment through international equity (Haverland 2001; McCarthy et al. 2016). The second wave never ended in the sense that rising pension costs would have disappeared from public debate and politics. Rather, the questioning expanded to the very nature of value creation in the first decade of the new millennium and the two severe financial crises it introduced.

Indeed, the third wave of questioning has focused on the core value of corporatist hybrids, that is, the idea of producing collective DB pensions under private control with high degrees of funding. In the Netherlands, which relies on full funding, especially the financial crises of 2001 and 2008 generated strong reactions from government bodies that questioned the independence of pension funds (Ebbinghaus and Wiß 2011). While the solutions to problems caused by financial crises have thus far, in effect, taken the form of a Finnish-style shift towards notional defined contribution pensions (Hassel et al. 2019), as best illustrated by the most recent Dutch reforms (van Wijk and Preesman 2019), increasing the importance of individual responsibility and bearing of risks has slowly, over time, become the norm in policy responses to perceived crises (van Oorschot 2006). Finland has suffered less from financial crises, and investment performance has been relatively good even in crisis conditions due to rapid regulatory reactions (see Sorsa 2011). In contrast, the legitimacy of the social partners as the main governing parties of the scheme and generational justice in terms of shifting minimum retirement ages and contribution rates have become extensively questioned (Muhonen and Hanska 2016). So far, the two corporatist hybrids have survived the parametric shifts that have reinstated the social partners' commitment to the scheme, and the trust towards the schemes in question remains exceptionally high (Naumann 2018). However, some recent trends, such as the withdrawal of employers from central bargaining in Finland (Kaitila 2018) or the Dutch insistence that problems caused by funding can be also solved through funding (Wiß 2019), suggest that this commitment might not prove as long-standing.

The relatively short existence of World Bank model hybrids has been riddled with numerous problems. In fact, the problems have been so significant in most CEE countries that hybrids have been ceased (Hungary),

financial inflows to them have been temporarily suspended (Estonia) or their role in the pension regime has been significantly limited (nearly all countries) at some point between 2008 and 2014 (Bielawska et al. 2017). The main questioning occurred during the financial crisis that started in 2008 (Drahokoupil and Domonkos 2012).

Naczyk and Domonkos (2016) have argued that the World Bank hybrids more specifically faced two types of questioning at the time. First, the severe economic slump put public finances under strain and considerably increased the salience of the issue of transition costs among policymaking elites. The transition costs caused by the shift to hybrid pensions accounted for 0.4%–1.6% of GDP in CEE countries before the crisis (Bielawska et al. 2017). The massive budget deficits (8–9% of GDP) caused by the collapse of tax income and consequent increase of public indebtedness motivated states not only to cut all pension expenditure to reduce transition costs but also to shift financial inflows from hybrids to public pensions or state expenditure more generally (see Drahokoupil and Domonkos 2012). The strictures imposed on government deficits by the Maastricht criteria provided a strong incentive to act swiftly (Casey 2012). So, here, it was the makers of the value proposition who started to regret it. The worthiness of the hybrid was in most cases sustained by cutting all pension benefits and shifting funds from the hybrid to other pension schemes. This means that the value proposition was retained, but the very value that could be extracted decreased.

Second, both popular and elite support for the scheme collapsed due to problematic investment plans. The main reason behind the former was that most individuals saw massive slumps in their pension assets during the crisis, which, in turn, predicted much lower pension benefit levels for the future. The reforms described earlier also meant that new entrants to the labour market could expect much lower pensions than before the crisis even if investment portfolios would have rebounded completely (Bielawska et al. 2017). For the elites, the main concern was that a great proportion of investments was, in fact, in domestic government bonds, which made the economic advantages of funding seem questionable. Moreover, the greater the level of public debt and exposure of pension funds to domestic government bonds, the greater the incentive for and technical capacity of governments to nationalise private accounts (Naczyk and Domonkos 2016). Those countries whose pension funds had invested heavily in government bonds seized much of these assets, which, for example, in Hungary implied full nationalisation, but in Poland only partial seizing of assets. In this case, it became evident that pension providers had not been able to live up to the value proposition, and government imposed a great number of new regulations to redirect investment and decrease administrative costs (see Bielawska et al. 2017). The problem here is that this makes participation in providing investment services much less attractive for finance sector companies (Sorsa 2016). So, here, too, the value proposition was retained and the value that could be extracted reduced.

Conclusions and discussion

In this chapter, I have studied the worth of hybridity through a case study of two types of hybrid pension schemes in Europe. I have proposed that the concept of value proposition is helpful for conceptualising the worth of hybridity and identifying the value that matters in hybrid governance. I have argued that hybrid governance arrangements are founded on specific value propositions and the logics guiding value creation, and characterised by permanent uncertainty over the relevance of the value proposition, the legitimacy of the logics of value creation and the degree of value extracted in the eyes value extractors. To assess the nature of value propositions of hybrid governance, the added value of hybridity and the dynamics of sustaining hybridity, I have addressed two ideal-type hybrid forms of pension governance. The two ideal-type hybrids represent quite different value proposals and strategies of sustenance.

The case studies show that the value propositions can be *expansive* or *restrictive* in nature. Expansive value propositions suggest that hybridity is used to create broader value than what conventional institutional arrangements can offer. Restrictive propositions, in turn, deploy hybridity to regulate and constrain the logics of conventional institutional arrangements. Certainly, more empirical research is needed in order build a broader and more nuanced typology on the types of value propositions that hybrids offer. This volume offers excellent starting points for building them in terms of concepts as well as possible research objects. However, one avenue in this research certainly warrants further exploration: the degrees and sources of legitimacy in different types of value propositions. As hypothesis to be tested in further research, I suggest that expansive value propositions are more likely to be successfully maintained than restrictive proposals. This hypothesis is motivated by the comparative case study between two ideal types of hybrid pension governance. The corporatist schemes have relied on expansive hybridity, which has deployed mandatory participation to increase solidarity or efficiency without compromising the logics of social insurance-type pensions. In contrast, the World Bank schemes have relied on restrictive hybridity, which has deployed mandatory participation to limit market flexibility.

The case studies discussed in this chapter also reveal some dynamics of worth sustenance. I have shown that the corporatist hybrids have fared much better in sustaining their worthiness than the World Bank model hybrids over a longer period of time. One of the reasons behind this divergence is the very design of hybrid pension governance: corporatist hybrids have been highly inclusive and World Bank hybrids highly exclusive for value extractors. However, design is not everything. World Bank hybrids represent a case in which the value proposition is ineffectively maintained. The value created has decreased and value propositions of other public policies (not always pensions) prioritised. The corporatist hybrids represent

a more successful case. Their value proposition – solidaristic social insurances managed by representative corporatist bodies – has become perhaps less successfully maintained only during the last few years, thanks to numerous suggestions for actual reforms that have made the schemes less solidaristic, representative or/and certain.

Interpreting further the ways in which corporatist hybrids have been able to sustain their worthiness, we can identify three possible strategies of sustenance: (1) reducing the uncertainty of value extraction, (2) balancing value extraction and (3) complementing the value created. The first strategy seeks to increase commitment to the hybrid by simultaneously increasing control over its key logics and broadening the logics to meet changing expectations. This strategy requires high degrees of legitimacy for the governing parties. The second strategy seeks to increase commitment by re-negotiating the distribution of different types of value extracted by different actors in different times. This strategy requires strong representation from stakeholders and maintaining all parameters open to negotiation. The third strategy seeks to reduce the value created and maintain the attractiveness of the value proposition by complementing it with other mechanisms based on other value propositions. This strategy requires control over institutional arrangements outside the hybrid in question, and is thus unlikely to be available for most actors.

The strategies discussed above unlikely represent an exhaustive list of strategies of worth sustenance. However, they are enough to reveal the need to address power resources that different governance actors have at their disposal. For the corporatist hybrid pension schemes that I have described in this chapter, many avenues, including effective advocacy for legal change, re-negotiation of field-level characteristics and direct organisational control, are available for shaping the logics of value creation. Moreover, thanks to the representative nature of organised capital and labour, they can effectively influence the views of their constituencies. As long as social partners remain legitimate as such, they are likely to sustain the hybrids effectively. Few hybrids resemble this description. In most cases, those in power are not omnipresent at all levels of activity and all organisations, but operate at an arm's length, as is the case in the World Bank model hybrids. The organisations that are at the centre of hybrid governance, like the pension funds in these hybrids, may find themselves between the rock and the hard place without the ability to influence the logics of value creation (Karré in this volume). In these cases, it is possible that regressive sustenance strategies that seek to create less rather than more value may be the only courses of action available for those who are in power to adapt to changing circumstances. If this is the case, only hybrids whose design offers sufficient power resources for stakeholders to redesign the logics and rationalities guiding hybrid value creation are likely to sustain their worthiness in changing conditions. More research is certainly warranted to find out whether this is the case or not.

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11 The hybrid state of public universities in Austria

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Setting the hybrid scene

The Austrian University Act 2002 (UG 2002) facilitated the hybridisation of public universities in Austria, firstly, because of the political impetus of the late-1990s to transform public universities, as an administrative unit of state bureaucracy, into a more enterprise-like entity. This opened up public sector organisations towards integrating business practices into their management procedures. Secondly, this political impetus came along with a new performance measurement/management system implemented to represent value creation in the higher education sector (HES). Thirdly, the establishment of this performance management system triggered a bundle of tactics and strategies of the stakeholders involved. These stakeholders deal with the new calculative regime and its technologies out of their (individual) rational position in decision-making. These changes altogether characterise a new space Johanson and Vakkuri (2017) describe as “hybridity,” still “(...) poorly understood and understudied, and (...) regulated haphazardly” (2017, 2) but crowded with diverse forms of hybrid organisations.

Consequently, the aim of this chapter is to apply the “hybridity-lens” on Austrian public universities. From an empirical perspective, we focus on a better understanding of the different stakeholders’ rationalities involved when creating value within the HES for society at large. The political impetus and the performance management systems installed triggered some changes in the nature of public universities directing towards a state of hybridity. We will be able to show how balance as well as dissonance in the relationship between different key stakeholders emerges when calculative and performance-oriented weights differ between stakeholders. Based on our empirical insights, we discuss five contributions to the theoretical and conceptual discourse on hybridisation and governing hybrid organisations.

Hybridisation, performance and value creation

The new public management rationale (Hood 1995; Bovaird 2005; Erkkilä and Piironen 2014) and political tendencies in favour of universities’ “corporatization” (Parker 2011) prepared the ground for the Austrian University Act in 2002 (UG 2002). It was labelled the most comprehensive

HES-reform in Austria since the middle of the 19th century (Fraenkel-Haeberle 2014) because of its profound shift in perspective and consequences at an instrumental level. As one of the protagonists of the Austrian University Act stated from the beginning, public universities should become “enterprise-like entities” (Höllinger 2004) striving for efficiency and effectiveness while competing for public and private financial resources. Autonomy and internal managerial control combined with external legitimation and accountability were the recipe to transform the Austrian HES into an internationally competitive sector. To be attentive of rankings and benchmarking complements this transformative political goal-setting. The entrepreneurial university comes with an impact-oriented governance approach and a new calculative regime. Performance contracts are negotiated between the Austrian Federal Ministry of Education, Science and Research and each public university. These negotiations are among other sources based on a calculative technology called “Wissensbilanz” (Knowledge Balance Sheet / KBS). In addition, Unidata was established as central database with statistics of the Austrian HES, and a new stakeholder was installed in public universities, the “Universitätsrat,” as a Board of Trustees for each university with far-reaching competencies.

Analysing the Austrian HES reform means to deconstruct an “extreme” case (Flyvbjerg 2011) due to the mandatory character of the KBS which is still unique in the European higher education area. The KBS itself is designed as a kind of intellectual capital (IC)-report. In its initial steps, the international academic IC debate was seized selectively by Austrian lawmakers (Piber and Pietsch 2006). They used the MERITUM-project’s (2002) IC taxonomy of performance measurement to arrange the KBS: human, relational and structural capital – nowadays a well-established segmentation of IC. In 2016, the Austrian Federal Ministry of Science, Research and Economy celebrated ten years of KBS, presenting the KBS as “panoramic view” on scientific and societal progress.

In order to better understand and analyse the HES reform in Austria, we focus on the new calculative regime established of which the mandatory KBS is a decisive part. In a longitudinal qualitative research approach, we collected data in two series of qualitative interviews in 2011/2012 and 2016/2017. In total, 23 interviews took place (16 in four different universities, four in the Ministry and two in other institutions). As far as possible, we interviewed the same persons in 2011/2012 and in 2016/2017. This allows for individual retrospectives and reflections on emerging practices by well-experienced protagonists. In addition, we analysed the legal framework, published KBS of the universities and other documents.

Changing institutional relations and a new calculative regime

The Austrian University Act in 2002 changed the relation between the state (represented by the Austrian Federal Ministry of Education, Science and Research; in short: the Ministry) and its universities profoundly.

The Austrian HES consists of 22 public universities, 21 universities of applied sciences and 13 private universities. The Ministry decided to withdraw from operations and instead to focus on strategic governance by transferring tasks, decision-making competencies and responsibility from itself to the autonomous public universities. They get a global budget for a three-year period. At the same time, a management accounting and reporting system was installed to control the degree of achievement concerning the aims defined in the performance contracts between the Ministry and the single university. These contracts are the decisive link between the strategic governance perceptions of the Ministry and the rectorate as well as the Board of Trustees of the single university. The Board of Trustees is responsible for strategic decisions, such as approving the development plan and first drafts of performance agreements and the organisational structure or electing the rectorate and supervising internal budgeting.

The more autonomous the public universities became, the more a governance by numbers-approach, combined with accountability, was seen as a necessary complement. Although the Ministry has to inform the Parliament on the development of the public universities every three years, the political parties in opposition, when the University Act was passed in 2002, especially asked strongly for “accountability” to balance the growing autonomy. According to some of our interview partners, interpellations of the Parliament became more common, and from the Ministry’s perspective, *“(i)t became necessary to develop a new system of accountability (...) economically, (...) in terms of performance, (...) and there was also the idea of a Knowledge Balance Sheet to report the development of knowledge at the university” (senior official/Ministry).*

The KBS is the dominant calculative technology when it comes to performance measurement and management. To the Ministry, it is of particular importance when governing the Austrian HES (Universitätsbericht 2017). The KBS provides the basis for the development plan and the performance contracts between the Ministry and the universities. Furthermore, it correlates with the financial framework conditions of public universities in Austria defined by the Ministry of Finance.

A dominant calculative technology

At present, the KBS combines a narrative performance report, a set of performance indicators and the report on the performance agreements implemented already. Table 11.1 shows its 24 performance measures. Each university may add performance measures voluntarily. A presentation of a full version of the narrative performance report in one year may alternate with two years of presenting a short version only.

However, to analyse the installment of a new calculative technology is a question not only of presenting its structure but also of having a closer look at its daily use by different stakeholders. Therefore, we focus on diverse rationales when using the KBS and different perceptions of its usefulness.

Table 11.1 Performance indicators in the KBS (according to WBV 2016 and 2017)

<i>Intellectual capital</i>	<i>Core processes...</i>	<i>Output and impact of the core processes...</i>
<i>Human capital</i>	<i>...of study programmes and advanced training</i>	<i>...concerning study programmes and advanced training</i>
1 Personnel	1 Number of professors (full-time equivalents)	1 Number of studies accomplished
2 Number of appointments	2 Number of study programmes	2 Number of studies accomplished within the timeframe tolerated
3 Female quota in collective boards	3 Success quota of regular students	3 Number of studies accomplished including a study-abroad period within an international mobility programme
4 Wage difference between male and female personnel	4 Number of applicants for study programmes with specific entrance requirements	
5 Representation of women in appointment procedures	5 Number of students	
<i>Relational capital</i>	6 Number of study enrolments (active in exams; bachelor, master and diploma studies)	<i>...concerning research and development including the development of the arts</i>
1 Number of scientific personnel with a stay abroad (visiting researchers)	7 Number of study programmes enrolled in by regular students	1 Number of publications
<i>Structural capital</i>	8 Number of regular students taking part in international mobility programmes (outgoing)	2 Number of scientific presentations
1 Income from research and development projects (in €)	9 Number of regular students taking part in international mobility programmes (incoming)	3 Number of patent applications, granted patents, exploitations of spin-offs, license, options and selling contracts
2 Investment in infrastructure in the area of research and development (in €)	<i>...of research and development including the development of the arts</i>	
	1 Doctoral students employed by the university	

Clash of judgements

If we think about the main protagonists in the context of the KBS implementation, three stakeholders are to be mentioned: the public in general, the Ministry and the public universities.

The public in general is a differentiated construct influenced by a certain zeitgeist which defines what receives attention and how attention is organised. “Politicians look more at data and listen less to narratives, which was the other way around in former times” (ÖAW). Stakeholders like citizens, students, private or public companies, various funding organisations and political institutions are represented via political processes on regional and

federal levels. Politicians are confronted with floating majorities and shifting power in Parliament to support idea(l)s of educational policies. It is not always clear who is the addressee of performance evaluation, of scientific insights, of teaching efforts and of the impacts resulting from it. Consequently, an abstract, standardised format of legitimation and accountability seems appropriate, but only on a highly aggregated level. Supporting governance by numbers from a distance and abstraction to deal with ambiguous, detailed and complex contexts, however, results in less knowledge of specific contexts and detail. This provokes profound critique, and alternative judgements are raised by those who are more familiar with the relevant context and its nuances.

The Ministry stressed the importance of the KBS – “(...) *we have the KBS-information only*” (*senior official/Ministry*) – in order not to be cut-off from data. And the political parties in opposition asked strongly for “accountability” to balance the public universities autonomy and to monitor the universities development more closely. Under pressure to offer transparency and legitimation towards the public in general, and especially towards the Parliament, the Ministry finds itself in an ambiguous position. It has to account for and supervise, but it also depends on the universities’ data and their explanation of the data to negotiate substantive performance contracts.

Public universities are very diverse in focus/specialisation, size and strategies chosen to develop within a new public management rationale. They are managed basically by academics, and not by professional managers. Consequently, the scientific staff involved in managerial tasks is not homogeneous because they come from different academic backgrounds and scientific cultures. To deal with ambiguity when governing public universities seems to be a *conditio sine qua non*. The organisational structure decided for in the University Act of 2002 was to install the rectorate as a more powerful governance institution compared to the former governance by “collegium.” This comprises a shift of personnel towards central units. Also the set of values of the rectorates’ members becomes more decisive as well as the political clout of different groups inside (e.g. central administrative units) and outside (e.g., Board of Trustees) the public university.

The shift towards centralised decision-making provokes partly fundamental critique of the values inherent to the new calculative regime. There are two aspects where judgements of the Ministry clash with judgements of public universities:

- the usefulness of numbers to govern public universities, especially when it comes to the representation of quality by quantity and
- how diffusion and impact of the new calculative regime are perceived.

To govern by numbers is seen differently within the single public university because of different scientific traditions and cultures.

I think the faculties handle numbers differently. That's just a personal observation. I have the feeling that for example natural sciences just take the numbers and welcome them, whereas the humanities are more critical, they (...) are not working too much with numbers

(KBS-office/full university)

One of the deans we interviewed described his unsuccessful attempt to convince the rector of the value of philosophy: *"Eventually, I understood (...) such things he does not understand because it is not transferable into numbers,"* provoking the critical question: *"What does management of a full university mean if there are up to three different scientific cultures and (...) hard facts come from a culture, that is not humanities, but from a culture driven by natural sciences?"* (Dean/full university/T). To "hunt" only for publications in high-ranked journals, or grants, may not be appropriate for every scientific discipline – especially when the discipline has less access to grants because of structural or cultural reasons. By professional administrators in the universities' staff, often coming from a management background, the calculative regime is seen ambivalent. They are partly critical because the *"tool (...) turned out to grow and grow"* (rector/specialised university) and the cost-benefit ratio for the single university is not convincing. But the KBS also serves the *"(...) interest of all the people working on that"* (QM-KBS/specialised university).

However, the dominance of one rationality, for example, to represent the value of the organisation (for society) as a whole by using a quantitative governing by numbers-only approach, leads to a clash of judgements in case the attempt to represent quality by quantities is seen as unnecessary and a-historic.

For purposes in terms of advancement of quality it is not necessary. There are many other mechanisms. There is a system of quality assurance, which is the scientific community. A system that does not react very quickly, but it is a system which worked for hundreds of years; to say that the university would not be able to produce quality without a quality assurance system implemented on government level is ridiculous if you look back to the history of science.

(rector/specialised university)

The second aspect, focusing on diffusion and impact, reveals very different interpretations of "reality." The Ministry's rationale describes the KBS as useful for internal managerial control processes and a valid source of highly aggregated standardised data for those who want to benchmark themselves with others. In contrast, out of a public university's inner perspective, the KBS did not become prominent in internal managerial control procedures down the hierarchical line. Nor did it become the public universities' preferred calculative technology for longitudinal self-benchmarking

and -reflection (vice rector teaching/full university). *“I never took an indicator directly from the KBS. (...) It is an input-only-system from our perspective (...) with much effort”* (dean/full university). This means the faculties deliver data but do not profit from them for their own governance issues which is not an individual opinion: *“In all my six talks, there was no university that said they would need or really use the Knowledge Balance Sheet. For the ministry the cost-benefit-ratio is definitely better”* (management consultant).

A clash of judgements signals that not only one rationality is at work, but a dissonance of diverse rationalities has to be handled in institutional relations day by day. A certain robustness emerges over time by *“a kind of political dealing between university and ministry”* (rector/specialised university). Public universities have to acknowledge that for the Ministry *“(...) the KBS is (...) an important source of information in order to fulfil its responsibility, its supervising function. So, you cannot abandon it (...)”* (admin KBS/specialised university). The Ministry will continue to use the KBS for budgeting and benchmarking. On the other hand, the Ministry knows very well: *“If universities work to rule when delivering data to the Ministry, there will be no spirit and purpose in the end”* (KBS-official/Ministry), and therefore invests time in accompanying talks. There, the public universities can present alternative opinions and propose improvements. Although the Ministry had knowledge about the public universities generated by internal “task forces” and reporting routines before the KBS became installed, data clearing, plausibility checks and devices to compare developed congruently with the KBS. This strengthened the Ministry’s position in budgetary negotiations, performance agreements and accompanying talks.

Governing hybrids and hybrid governance

Hybridity is characterised by mixed ownership, goal incongruence and competing institutional logics, multiplicity of funding arrangements and public and private forms of financial and social control. In studying this institutional phenomenon, Johanson and Vakkuri (2017) focus on strategy formation and performance measurement, both decisive aspects of hybrid forms of governing and organising purposive action. Strategy addresses the question of how objectives are created, and performance refers to the degree of achievement related to the objectives defined by strategy. Performance itself may be understood by diverse rationalities of the three Es: economy as means-ends relation and focusing on minimising costs (parsimony), efficiency as optimal input-output/outcome-relation and effectiveness focusing on legitimate value creation for a set of diverse stakeholders, including shareholders. To better understand the measurement aspect of performance, Johanson and Vakkuri offer a classification of measurement principles: measurer, measuree, measurement system and measurement results. This classification allows for systematising the different perspectives

on every measurement principle. However, measurement and performance are ambiguous concepts. The state may propose measurers different from the market or other relevant players internal or external to the hybrid organisation. Or the stakeholders involved differ in their perspectives on what is a legitimate measurement result. By focusing on the strategy-performance link, Johanson and Vakkuri design a matrix of strategy and performance interaction, with diverse aspects of legitimation as possible results of the interaction: legacy, social welfare, social capital, financial sustainability, equilibrium and worth. Especially “worth” is a central outcome because it

(...) epitomises value creation initiatives among hybrid organisations. Second, it may be easier to understand hybrid activities and organisations when such a broad concept of worth is systematically addressed. (...) The limitations of hybrid activities, the bounded rationalities of their goals, and their performances make more sense when the ambiguity of measuring, demonstrating and legitimising worth in hybrid activities is seriously acknowledged.

(2017, 157)

Within this setting, public universities are one out of many examples of a hybrid organisation. They have mixed ownership, goal incongruence and competing institutional logics, multiplicity of funding arrangements and public and private forms of financial and social control. This character of hybrid organisations becomes transparent in the three main activities of public universities: research, teaching and the so called “third mission.” The latter includes cooperation with society – companies, local businesses, communities and regions as well as other public institutions like schools or cultural organisations. All of these activities are usually closely connected and intertwined within the public universities, which sometimes also makes them hard to separate from a performance perspective. In addition, public universities are not only “between” state and market and their institutional logics. They are also governed by the academic oligarchy of the public university as a form of professional self-control.

Calculative regimes within public universities are based on knowing about performance and “doing performance” itself (Vakkuri 2010). Both can be interpreted as two different kinds of performativity and both are of relevance for how performance is understood and managed within organisations. This story becomes even more complicated if we take into account that performativity also depends on deliberate or emergent processes (Mintzberg and Waters 1985). Educational processes are deliberate in the sense of planning, and the outcome is relatively stable regarding the number of students and degrees. Courses and programmes are usually well structured with clearly stated (deliberate) learning outcomes. When it comes to research and third mission projects, however, these are often much more emergent in their character. Intentions and purposes are stated,

but relatively unsecure and emergent in their outputs and outcomes (performances). Processes of research and third mission are much more flexible and adjustable in relation to what is accruing along the way, but also harder to grasp by calculative technologies to measure performance. Designing sophisticated calculative regimes for education, research and third mission processes is therefore not an easy task. No matter how technically sophisticated the indicators appear to be, they never reveal how university organisations make sense of the different performances and what individually or collectively results from it while governing the organisation. Formulating technically correct performance metrics and indicators is one side of the coin. Doing/understanding performance is the other.

Consequently, “ambiguity” is the term chosen by Johanson and Vakkuri (2017) to describe performance measurement problems of public universities along their classification of measurer, measuree, measurement system and measurement results (cf. table 5.2, 137f.). The main stakeholders – state, market and academic oligarchy – differ in answering leading questions like whose values to increase, impact on whom, what to expect from performance and performativity or who is the audience to legitimate performances. Therefore, HES and public universities’ reforms are “(...) an important context for exploring ambiguities in the performance measurement of hybrid organisations” (2017, 138). Understanding hybridity, and more specifically the governance of hybrid organisations, is based on three attitudes:

- First of all, an external perspective (hybrids are messy objects that should be regulated and controlled) and an internal perspective (hybrids are complex systems which survive successfully in institutionally complex environments mostly by muddling through) are both legitimate perspectives and equally relevant to better understand hybridity.
- Second, hybridity asks for multiple rationalities and not for one universal notion of rationality, that is, ambiguity is not only problem but solution as well.
- Third, diversity is the quality of the space in between and therefore a potential of organising society and its economy adequately: “Hybridity is not a question of the extension of business or government but instead a way of organising functional society in the first place” (2017, 168).

Having this conceptualisation of hybridity in mind, we present in the following some empirical material on the reform of public universities in Austria and relate it to the idea of hybridity and hybrid organisations (HYBORGs).

Empirical insights under discussion

To present our empirical insights, we refer, firstly, to the systematisation of measurer, measuree, measurement system and measurement results.

Secondly, we combine this systematisation with a focus on the strategy-performance link, tactics and power relations to draw a more nuanced picture of hybridisation.

Measurer and measuree

Taking the structure of the KBS as a starting point, in its 24 performance indicators (cf. Table 11.1), the ambiguity of performance measurement and the new calculative regime is expressed. The 24 indicators are a compilation of diverse “measurers” rationalities, institutional logics and interests to measure. Out of a market logic, it may be interesting to measure the income from R&D-projects, or the exploitation of spin-offs, patents and grants and so forth. In case students understand the HES as driven by market forces and themselves as consumers, it may be an important information for rational decision-making to know the number of professors and students, the success quota of the study programme or how many doctoral students are employed by university. Out of a political rationale in favour of equal opportunities, female quotas or gender wage gaps become important. The state and its policy actors are in their administrative logic probably interested in legitimation by how well the three Es are achieved. Therefore, they may have a closer look at studies accomplished within the time tolerated or at numbers of students in international mobility programmes. The academic oligarchy may refer to the rationality of professionalism, being interested in the number of scientific publications and investments in infrastructure and personnel.

We do not have to go into detail on every single indicator. The diversity of measurement interests and their rationality expressed by institutional logics guiding actions and judgements is important. It is this variety that has been decisive when designing the KBS framework. Although the KBS and its structure is mandatory, each public university may add performance measures voluntarily and in accordance with the Ministry. This refers to the diversity of the “measuree,” at least to some extent.

If we leave the very detailed level of indicators and have a closer look at the stakeholders involved, we may analyse their specific rationality underlying clashing judgements, dissonances and the emergence of ambiguity with some consequences for governing HYBORGS.

Measurement systems and measurement results

The public in general, the society, is in itself a fragmented pool of diverse interests and structured opportunities to raise their own, more or less powerful, voice in the parliament or in the media in order to support specific idea(l)s of educational policies. Consequently, the extent and plausibility of the legitimisation by using “measurement systems” to produce persuasive “measurement results” is perceived differently. Sometimes the impact of measurement

results is not well known if the measurer as addressee is fragmented. Sometimes the addressee is clear but not sufficiently convinced by the measurement results offered. In this case, it seems not to be “enough” if the Ministry praises the KBS as “panoramic view” on science and the society’s progress by objectified data. Otherwise, interpellations of the parliament would not have become more common. And sometimes the measurement results may be convincing, but the addressees are not interested in the format: *“The taxpayer wants to know, if the money is used in an effective way. But the taxpayer would not read the KBS” (KBS admin/specialised university).*

The Ministry as one key stakeholder finds itself in an ambiguous context. Its withdrawal from operations to primarily focus on strategic governance ended up in institutional change and a kind of open space. To go for abstraction and high standardisation when dealing with ambiguous, detailed and complex contexts, however, results in less knowledge about the specific organisational contexts. This is one of the reasons why the legitimising value of the measurement system and its results is judged differently by the public universities.

Ambiguity is fostered by the heterogeneity of public universities and the academic oligarchy. On the one hand, the University Act of 2002 shifted decision-making power from the “collegium” to central and monocratic decision-making institutions like the rectorate and its centralised administrative units. Within the public university, *“(…) an increasing bureaucratization of administrative processes, centralized (...) which drowns a lot of creativity” (Dean/full university/T)* is observed. Consequently, the set of values of decision-makers in power becomes more important because it comes along with a new calculative regime and managerial consequences for all members of the academic oligarchy. Dissonant judgements refer to the dominant use of numbers to govern public universities, to represent qualities and to assess how far-going the diffusion and impact of the new calculative regime really is.

An example may be the argument on quality, when a rector of a specialised university states *“(…) that the university would not be able to produce quality without a quality assurance system implemented on government level is ridiculous if you look back to the history of science.”*

Finally, the interpretations of “reality” differ. The Ministry describes the calculative regime and the KBS as useful for internal managerial control processes, an important data source for benchmarking and a valid instrument to foster legitimation by being transparent on the relevant measurement results. One of the KBS officials of the Ministry stated:

The KBS overarches a retrospective overview what happened at the university in all relevant areas—teaching, research, societal targets, cooperation and internationality. And if you put together the figures from all universities, then you really have a good view what is going on in the institutions. Hence, I would definitely say that this panoramic view is possible with the KBS.

The public universities' perspective differs profoundly. The KBS did not become prominent in internal managerial control down the hierarchical line or in processes of self-reflection and longitudinal self-benchmarking (vice rector teaching/full university), and there is a perception of "low impact." This is an important aspect because it also shows fundamental shortcomings when talking about measurement results, legitimation and the strategy-performance link. The latter is central within the conceptualisation of hybridity and crucial for the legitimisation of performance measurement processes and their results.

Strategy, performance, tactics and power relations

From our empirical insights, "strategy" in terms of "big picture" turns out to be a blank, open space, filled by diverse tactics and backed by different rationalities and institutional logics in order to handle the new calculative regime day by day. The new calculative regime makes changes in power relations between different stakeholders more visible.

From the public universities' perspective, there were and still are fundamental shortcomings to recognise: *"For a tool celebrating ten years of existence it is out of the question that there is no clear notion until now of what this is all about"* (admin KBS/specialised university). The public universities feel a lack of overall strategic mission when the *"(...) declaration of the political will is not visible"* (vice rector teaching/full university). Criteria to guide decision-making are missing: *"For example, graduates and study time consumed. Students study quickly and are very focused, or they study parallel to their jobs, and they need longer. There is a statement missing about the aspects which are positive or negative"* (admin KBS/specialised university).

Within this setting, diverse tactics of public universities emerged to deal with the new calculative regime and its consequences. The first one is "pragmatism." *"Our staff is professional and routinised in preparing the data, and it needs to be done"* (vice rector teaching/full university). Public universities understand that for the Ministry, the KBS is a most relevant governance tool, also partly because of its benchmarking capacities when negotiating performance contracts. Part of a pragmatic attitude is to try to anticipate what may become a politically important indicator in the future, like it was in the past, for instance, gender pay-gap, third-party funding percentage or how many students accomplish their studies on time.

A second tactic is "de-coupling." The very moderate or even inexistent internal impact of the new calculative technology down the hierarchical line allows for a strategy between ignorance and defiance: *"Many people do not take the KBS seriously. It is a bunch of data (...) enforced by decree, (...) for most it is not more"* (admin KBS/full university). However, the new calculative regime, even limited in impact, causes some sort of "costs." Sometimes, indicators like third-party funding have to be calculated three

times differently: for the KBS, for internal budgeting and for the profit and loss statement. To inform the general public or society at large, the KBS is seen as too technical (admin KBS/full university) and not as a user-friendly format. In fact, universities inform the general public in addition by public relations and simplified statistics which is time-consuming double work. Some universities see the narrative part as an unnecessary burden preferably to be abandoned (vice rector teaching/full university). Also, motivation in decline may be seen as costs of the calculative regime in general. The lack of resources to change the system is most dissatisfactory: “(...) *there is much more data to consume, than time to interpret the data*” (vice rector teaching/full university).

Within this dissatisfactory setting, a third tactic becomes visible: “Recoupling.” It has a specific history. At the beginning, the Austrian University Act 2002 provoked the impression of “Both sides feel weak” within the Ministry and the public universities. But this was no self-image both sides wanted to perpetuate. For both sides it became clear that a new balance of stakeholder relations had to be established. Budget talks are a good example for the new balance. In the first round of budget talks, a new “uncertainty” occurred when

(...) the ministry during the first three rounds (...) said to every single thing with some exceptions very good, great idea (...); and afterwards, in the fourth round concerning money they said we give you half of what you want.

(QM-KBS/specialised university)

To reduce this kind of uncertainty, both sides took care of “*negotiation and relations*” (Budgeting & Controlling/full university) in order to establish trust for the “(...) *kind of political dealing between university and ministry*” (rector/specialised university) – even if “*they provide you with the money finally*” (Budgeting & Controlling/full university).

The public universities and the Ministry started to push towards a “communicative culture” in order to deal with ambiguous conditions. This has many facets, for instance, cooperating more strongly in the universities’ conference (UNIKO) with the aim to consider “(...) *the opinion of the university more profoundly*” (Management consultant) and to strive for a more “(...) *consensus-oriented behavior. Every change of decree will be aligned with the universities*” (KBS-official/Ministry). Another initiative was set up in 2015 by the Ministry when it decided to engage an internationally renowned consulting company to analyse the KBS perception by public universities and to reveal critical aspects. In general, the results focus on strategic and operational initiatives both sides may take care of: public universities would like to have a transparent HES strategy, a defined role of the KBS, less indicators or qualitatively improved ones, less double work, a narrative part with minimal requirements and more space to

present the diversity of the public universities. Nevertheless, from the Ministry's perspective, the public universities' autonomy "(...) *doesn't stipulate the development of a joint plan*" (member of the Ministry). Consequently, the Ministry focuses on setting policy-relevant targets in the individual performance agreements, that is, individualised goal-setting without a transparent overall strategic framework. The latest initiative by the Ministry is a series of workshops which started in 2018 to discuss the bureaucratisation and overburdening efforts when public universities have to fulfil requirements of calculative technologies. It is as if some common ground is marked out: the workload for reporting should be reduced. This may have consequences for governance on different levels like strategic governance on the Ministry's level and operational governance on the university's level. This initiative was, on the one hand, supported by the analysis of the consulting company mentioned earlier – including the mandatory KBS (Habersam et al. 2018). On the other hand, journalists of relevant media in the country bemoaned the highly complex reporting framework and its workload for universities (Bayrhammer and Grancy 2018). However, recoupling does not only take place between the Ministry and the public universities but it results as well in network-building between public universities. Based on mutual trust, some universities voluntarily benchmark each other on selected indicators. Obviously, processes of recoupling and feedback trigger organisational learning. All facets described so far show how power relations have changed over time, how channels of communication opened up and how both sides use the chances of a more communicative culture in favour of a more consensus-oriented behaviour.

The new calculative regime obviously produced intended and unintended outcomes, and all tactics exist in parallel, as a kind of repertoire to handle the ambiguities caused by the new calculative regime. However, the way these tactics are used in practice is influenced by changes in power relations as well as it influences the way power relations change.

In the power relation between the Ministry and the single public university, the Ministry's growing capacity to benchmark, supported by KBS data clearing and plausibility checks, strengthened its position in budgetary negotiations, performance agreements and accompanying talks. But at the same time, public universities opposed the benchmarking procedures, although it took a longer time to establish a different view on the "measuree" and on how to refer to its characteristics more adequately:

(...) after three years the ministry also began to understand that they cannot make use of reports to compare the six universities of arts when every university says this is not relevant for us; and we have now the possibility to report, in a written way, but not accounting for our activities, so we can add a text with relevant activities in different fields... I think this is a far more sensible approach, and it also evaluates reporting in a qualitative way, which is more reasonable in the field of arts.

(QM-KBS/specialised university)

Resistance is a sign of changes in the dispersion of “hard” power (the public universities’ autonomy strengthened their “hard” power ability). And it is a sign of changes in power relations in two ways: changing power relations between the Ministry and the public universities, and changing power relations within the public universities. In the first perspective, resistance is, for instance, expressed by the rhetoric of “reputation.” It allows to oppose against standardisation and governing by numbers-approach (rankings) to define professional academics’ identity and self-image. In the second perspective, a comprehensive public university is seen as a cluster of sub-cultures. There are scientific traditions from the humanities and from the natural sciences, and the latter have more “(...) indicators, (...) a long tradition and everyone believes in it. In the field of humanities it is slightly different. And in the field of art there is no tradition of counting” (QM-KBS/specialised university).

Our empirical material shows the diverse rationalities “at work” in the process of an HES reform, when a new calculative regime is installed – ambiguities emerge and different tactics are developed to cope with the situation (cf. Campanale et al. in this volume). It shows how a new balance between stakeholders had to be created in the process of performance measurement and how power relations are an important part when trying to better understand the governance of HYBORGs – a dimension which is missing in the current conceptualisation of hybridity. This is one of the inspiring results from matching empirical material with conceptual ideas which leads us to preliminary conclusions.

Not the end, but perhaps the end of a hybrid beginning

With the intention to develop the conceptualisation of hybridity and the perspectives on public universities as an example of HYBORGs further, we focus on four contributions from the empirical insights on changes in the Austrian HES.

Johanson and Vakkuri (2017) present a comprehensive, focused and at the same time differentiated and sensitive framework to better understand hybrid organisations. Within their framework, the strategy-performance link plays a central role (cf. esp. Figure 6.1, 143). The matrix of strategy and performance with diverse outcomes of hybrid activities primarily aiming at legitimisation can be interpreted in three different ways: prescriptive for policy rationales, descriptive when trying to understand better how hybrids manage their survival and instructive when the question occurs how to deal with complex, ambiguous and incongruent settings. Hybrid activities offer solutions which are sometimes imperfect when judged from an ideal rational perspective but they work in practice (cf. *ibid.*). In short, hybridity and ambiguity are not only a problem but also a solution.

Reflecting on the empirical insights, we can – as a first contribution – add tactics to Johanson and Vakkuri’s understanding of the strategy-performance link. Taking both strategy and tactics into account, the

material shows a variety of actions on the micro-level, that is, actions of the single public university in relation to other stakeholders and actions of (single) actors at the university-level concerning internal and external relations. The “big picture” of strategic action is missing which becomes obvious when analysing the role of the Ministry. In the context of the strategy-performance link, we offer a nuanced perspective by presenting a whole repertoire of tactics mainly to be enacted on the micro-level: pragmatism, de-coupling and recoupling. These tactics open up a new space of mobilising HYBORGS to build a (strategic) agenda starting “bottom up” from the micro-levels instead of complaining about the missing big picture of strategy as a defensive routine. The emergence of tactical behaviour also represents an act of recoupling between different organisational levels and different members of the HES. In our second contribution, we focus on the performance part of the strategy-performance link and highlight the impact on value creation. Public universities are an adequate context to analyse different rationalities and ambiguities within the representation of performance (in line with Johanson and Vakkuri (2017, 138)). The ambiguity of performance becomes obvious when we take different performance ideals into account. The managerial ideal is represented by the notion “what gets measured gets managed” (Catusus et al. 2007). From our case study, we cannot fully support this managerial rationality. The empirical material shows more critique towards the measurement paradigm. In detail, the separate calculation of indicators on research, teaching and third mission, in isolation from one other does not give a thorough picture of these areas. Separateness instead of integration is in danger of becoming irrelevant when at the same time the link to the strategic mission is missing. One way to increase our understanding and sense-making of public universities as HYBORGS could be to ask how far they take an integration-oriented approach of different performance ideals into account (Johanson and Skoog, 2015). The question may be how different performance ideals within HYBORGS are linked to each other and how they actually mobilise action within and between teaching, research and third mission. The question seems important because “overarching target” is an easily introduced theoretical term – in practice, the organisers are left with the intricacies, links and also conflicts between the different performance ideals.

Extending the argument of separateness, we can support the perspective on HYBORGS as a space to live adequately with the handling of multi-rationalities – our third contribution. Multi-rationalities are, on the one hand, a consequence of the specific stakeholder environment of the public university and, on the other hand, of the nature of “Bildung” as an ideal outcome of the public university. Concerning the main stakeholders (rectorate/management, staff, students, scientific community, regional organisations and institutions, Ministry and the public in general), we found different perceptions of value creation by public universities.

The public universities' achievement of policy goals in terms of value creation gains legitimation from the state. The accumulation of scientific knowledge legitimises activities from a society's perspective. Reputation and prestige increase legitimation within the academic community. Value creation effects and measurement results may be put in relation to all stakeholder perspectives, but this does not mitigate goal conflicts (Pekkola et al. in this volume). One example is the rankings and accreditation procedures which may satisfy both the market/society and the state but hamper the academic environment by increasing deliberate performativity at the expense of an emergent one. The latter is often called "academic freedom" of research and teaching. However, academic freedom is only one part of the concept of the Humboldtian university, which connects teaching and research performance to make "Bildung" happen. Separate measures and the dominance of one stakeholder rationality will not be able to grasp what "Bildung" means. Therefore, HYBORGs are better capable of dealing with an ambiguous situation inherent to "Bildung" than "pure" rationalities of a state or market logic. From a value creation perspective, it can therefore be argued that there may be observable gains of value within the different rationalities, such as within research and teaching, and within the HYBORGs, but these values are not possible to aggregate in a traditional "return on investment" way. On the contrary, observed value creation for some stakeholder groups (with their rationalities) may be perceived as a value destruction for others. However, the complex value creation processes of university HYBORGs are not unique for this sector or for the creation of public value in general. In the past decades, the traditional industrial-oriented way of interpreting value creation has been challenged by a more stakeholder-oriented co-creating and intangible-based value orientation, where organisational value creation can be hard to grasp with individual performance indicators in general, and particularly in those that are expressed in monetary terms (Ahonen 2000; Roberts 2000; Skoog 2003). Value creation in HYBORGs can therefore not be interpreted as a linear connected process but rather as parallel processes of different rationalities that sometimes even oppose each other. This opposition may not always be something negative. On the contrary, these tensions may nurture the development of new valuable questions that can be valuable in the long run for research, teaching and third mission rationalities.

In our fourth contribution, we argue that in terms of what is considered valuable, the long-lasting presence of indicators on patent applications, exploitation of spin-offs and so forth for more than a decade backed the establishment of facilities supporting these issues and the third mission in general within many universities. Furthermore, the strong focus of KBS measures on internationalisation made contacts with foreign institutions and researchers more explicitly valuable. Beyond that we did not find a substantial change of valuation regimes within the fundamental fields of research and teaching. In general, the introduction of the KBS triggered a

more market-oriented perception of the universities. That means the actors started to benchmark themselves against each other based on some key performance indicators. What is more, they now perceive themselves in a more competitive environment with other actors in the field.

We conclude in our fifth contribution that hybrid settings and different rationalities open doors for the elaboration of new ideas and the development of solutions for complex problems. We do not need to decide between an external regulatory perspective on messy hybrids and an internal perspective on hybrids as successful survivors by tactics in complex environments. Both perspectives are legitimate and equally relevant to better understand hybridity, governing HYBORGS and hybrid governance. Therefore, we may see hybridisation as a qualitative space for organising society and its economy adequately (Johanson and Vakkuri 2017). It may be an inspiring space between clear-cut ideological monoliths, where the ambiguity of mainstream and non-mainstream developments prepares for living with preliminary undecided options. When you still cannot tell if A or B is the better decision, not to be forced to decide too quickly, but to provide for and to live with diverse rationalities is possibly one of the core values and long-term value creating processes of public universities. This is what the hybridity lens may help us to unveil and further develop.

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12 Value creation by two types of hybrid organisations

Opportunities and risks

Philip Marcel Karré

Introduction

In this chapter, we examine the opportunities and risks of value creation by two different kinds of hybrid organisations: state-owned enterprises/quangos and social enterprises. Hybrid organisations are often formed because it is expected that hybridity will lead to the creation of public value. But there are also those who warn that hybridity is not beneficial to the creation of public value but rather detrimental to it. What to make of both claims? Does hybridity create opportunities for the creation of public value, or is it a risky adventure that will ultimately destroy public value? Or is it both? And under which circumstances?

Hybrid organisations in various forms and guises are ubiquitous today, as many countries have moved from the “welfare state” to a “welfare mix” (Defourny 2014, 20; Seibel 2015) as a way to provide public services. Because of this development, the traditional boundaries between the public, the private and the third sector have become blurred (Billis 2010a; Brandsen and Karré 2011; Karré 2011; Battilana and Lee 2014; Smith 2014; Denis et al. 2015; Koppenjan et al. 2019b; Powell et al. 2019). This has led to a rise of the number of hybrid organisations combining the characteristics and logics conventionally attached to public, private and third-sector organisations (Koppell 2003; Brandsen et al. 2005; Battilana and Lee 2014; Skelcher and Smith 2014; Anheier and Krlev 2015; Denis et al. 2015; Schmitz and Glänzel 2016; Johanson and Vakkuri 2017).

The transformation from the “welfare state” to the “welfare mix” is linked to the emergence of two trends in the provision of public services – New Public Management and New Public Governance – that substitute traditional service provision by more traditional public administration regimes (Koppenjan et al. 2019a). As a result of New Public Management (Christensen and Lægread 2011a, 2011b; Pollitt et al. 2007), public organisations are now also expected to behave more like businesses, with a focus on performance, efficiency and transparency. In order to do so, many have been put at arm’s length from their political principals. Examples of such hybrid organisations include 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 the government (van Thiel 2000; Pollitt et al. 2004; Pollitt and Talbot 2004; Karré 2011; Bruton et al. 2015).

And as a result of what has come to be known as New Public Governance (Pierre and Peters 2000; Osborne 2010; Durose and Richardson 2015a, 2015b), public organisations are now also expected to be more responsive and to cooperate with organisations and initiatives emanating from society, for example, in the co-production of goods and services (Edelenbos and van Meerkerk 2016; Edelenbos et al. 2018). There increasingly also are examples of societal self-organisation, as citizens organise themselves and start to provide goods and services, supplementing those provided by the state, for example, through establishing social enterprises, hybrid organisations that mix commercial and social care logics (Mair and Martí 2006; Battilana and Lee 2014; Ebrahim et al. 2014; Defourny and Nyssens 2017a; Karré 2018; Powell et al. 2019).

Hybrid organisations are “heterogeneous arrangements, characterised by mixtures of pure and incongruous origins, (ideal) types, ‘cultures’, ‘coordination mechanisms’, ‘rationalities’, or ‘action logics’” (Brandsen et al. 2005, 750). They (1) involve a variety of stakeholders, (2) pursue multiple and often conflicting goals, (3) engage in divergent or inconsistent activities (Mair et al. 2015, 714). As this definition makes clear, being a hybrid is no mean feat. The organisational characteristics they combine do not necessarily go well together, and as a result hybrid organisations inevitably have to deal with internal and external tensions between the forms they combine (Battilana and Lee 2014). These tensions can be seen as either beneficial or detrimental (Brandsen and Karré 2011; Doherty et al. 2014; Anheier and Krlev 2015; Mair et al. 2015; Powell et al. 2019).

Hybrid organisations are often created based on the idea that combining the characteristics of different organisational forms will lead to the creation of value. In this logic, hybridity is seen as a way to spark innovation and create new opportunities and synergies, as hybrid organisations can combine the best of different worlds (Brandsen 2010, 841). For example, Mair et al. (2015, 715) mention several possible positive effects identified by scholars who

suggest that operating in institutional interstices and combining multiple logics (i.e. 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.

But there are also risks to value creation, as hybridity can also result in ambiguity, mission drift, accountability challenges and clashes between competing logics. In this logic, hybridity is not a solution but rather a problem. The main criticism is that of corruption, as it is feared that of commercial

activities will undermine the organisation's public or social activities and public service ethos (e.g., Jacobs 1992). Instead of producing value, hybrid organisations are, in this perspective, suspected to destroy public value or at least impede the production of it.

In this chapter, we will explore both perspectives, as we focus on the opportunities and risks of value creation by hybrid organisations. We mainly look at two types of hybrid organisations, state-owned enterprises (or SOEs) and quasi-nongovernmental organisations (or quangos) on the one hand, and social enterprises (or SEs) on the other hand. After a further elaboration on how the terms hybridity and hybrid organisations are defined in this chapter, we will first examine the hybrid character of these different forms of hybrid organisations in turn, as well as the opportunities and risks concerning their public value creation. We will then look at these conclusions and discuss what they tell us about the opportunities and risks of value creation by hybrid organisations in a more general way. We will also discuss questions and avenues for further research, as well as questions that should be raised by those who deal with hybrid organisations in a practical way, either as policy-makers or in a more managerial capacity.

Hybridity and hybrid organisations

In this chapter, hybridity is understood in the tradition of the field of public administration “to denote public/private mixes (making no clear distinction between the non-profit and commercial dimensions)” (Brandsen 2010, 840). This definition is closely linked to the idea that our world can be divided into three sectors, namely, state, market and society, which are connected to three distinct ideal-typical types of organisation: agencies, enterprises and non-profit organisations (Brandsen et al. 2005; Rainey and Chun 2007; Billis 2010b; Pestoff 2014; Koppenjan et al. 2019a). These sectors, and the organisations that inhabit them, have different purposes, roles and characteristics, which are shortly examined.

The state safeguards public interests through coercion and by providing essential public services through public organisations (agencies). The market, driven by individual self-interest and the quest for making a profit, provides commercial goods and services through private organisations (enterprises). And society takes care of charity on a voluntary basis through non-profit organisations, such as social enterprises, cooperatives and other forms of self-organisation.

Agencies produce public goods and services, often in a monopoly position, and do not trade on the market place but rely on governmental appropriations. Their autonomy is limited as they function under governmental authority and oversight. Important guiding principles for such organisations are rules, openness and legality (Jacobs 1992; Lane 1994). Employees enter the organisation because they see it as their vocation to serve the public interest.

Enterprises trade on competitive markets and finance themselves through sales and fees. They also have to adhere to public laws and regulations but generally have a considerable degree of autonomy concerning their transactions and relations. Important values in such a commercial setting are objectives, secrecy and effectiveness, as the organisation is aimed not at serving the public interest but at making a profit (Jacobs 1992; Lane 1994).

Third sector or non-profit organisations, which can be found in many countries in the guise of associations, foundations or social cooperatives, aim to contribute to the well-being of certain societal groups or to prevent or fight a certain societal ill, and by doing so contribute to the broader public good and welfare. They are financed through donations, subsidies and voluntary contributions and are influenced both formally and informally by their stakeholders. Guiding principles in third-sector organisations are trust, solidarity and reciprocity.

Due to the developments described in the introduction, the boundaries between the three sectors have blurred, and state, market and society now overlap in various ways (Billis 2010b). We now find many hybrid organisations that display the characteristics of public, private and third-sector organisations simultaneously – according to Billis, there are nine “hybrid zones” of overlap and hence at least nine different types of hybrid organisations. In the following paragraphs, this chapter examines two of them. It first looks at hybrid organisations mixing the characteristics of agencies and enterprises (SOEs and quangos), and then at hybrid organisations mixing the characteristics of agencies, enterprises and non-profit organisations.

Public/private hybrid organisations: state-owned enterprises and quangos

Definition: mixing the characteristics of agency and enterprise

Public/private hybrid organisations, such as state-owned enterprises and quangos, mix the characteristics of the agency with that of the enterprise, or – in other words – that of the ideal-typical public and the ideal-typical private sector organisation. They often started out as integral parts of government bureaucracy, for example, as parts of government departments, but have often been put at arm’s length of government as part of becoming hybrid organisations. As such, they now mix public and private sector organisational characteristics (Dahl and Lindblom 1953; Wamsley and Zald 1973; Fottler 1981; Bozeman 1987; Perry and Rainey 1988; van Thiel 2000; Billis 2010b; Karré 2011; Denis et al. 2015). These hybrid organisations not only undertake activities at the behest of government, providing public goods and services, but also undertake commercial activities on the market place. By doing so, they mix government appropriations with private funding and are subject to developments both in politics and on the market place. Their management often has more autonomy than that of

traditional public organisations to decide how to run the organisation, for example, by modelling their organisational culture on that of commercial enterprises. However, as they still have a link with the public sector (they have been put at arm's length but have not (yet) been privatised), this autonomy is not complete. These hybrid organisations and their shareholders still have to be accountable to the public at large through processes of political representation.

Opportunities and risks

The literature on state-owned enterprises and quangos as public/private hybrid organisations describes several opportunities and risks arising from their hybridity, which can be summarised as being financial, cultural and political opportunities and risks (Brandsen and Karré 2011). Financial opportunities/risks concern an organisation's financial position, cultural opportunities/risks their organisational values and political opportunities/risks their relationship with their political principals and, through them, the public at large. Each of them is described in turn.

Financial opportunities refer to the opportunities for financial gain, as a hybrid position, that is, undertaking activities on the market place, besides their tasks for their public principals, allows organisations to access new markets and new resources. This can help them to make much-needed investments, which often have been delayed due to a shortfall in public funding or because the appropriation of public funding always costs time due to how the democratic process works. In principle, this is beneficial for government as the *de facto* owner of the organisation, as it makes it possible to reduce subsidies to an organisation, which, as it is generating parts of its own income, is increasingly able to carry its own weight. But this is not the only potential financial opportunity of an organisation's hybridity. The need to be efficient and effective in how goods and services are provided in order to be able to compete with private sector rivals can lead to financial savings, and hence to lower costs for government and citizens alike. But hybridity does not only provide financial opportunities. There also are *financial risks*, which concern the possible loss of public funds through investment in risky ventures or through losses in the marketplace that have to be compensated by using public funds. When a hybrid organisation fails to be successful on the market place and runs into financial difficulties or debts, it might fall on government to bail it out, with possible detrimental effects to the taxpayer.

A *cultural opportunity* would be that the public/private hybrid organisation mixes different cultural orientations and organisational values which strengthen each other. For example, by also being active on the market place, the organisation's employees could learn how to be more customer-oriented, efficient and innovative. This is understood to increase their opportunity to create public value, as traditionally these are not always

necessarily seen as characteristics of public service employees (e.g., Wilson 1989). However, not everybody is convinced that different cultural orientations can, and most importantly should, be mixed. Some fear *cultural risks* due to hybridity, as public and private sectors' cultural orientations can clash, resulting in a decline in public service ethos, corruption and moral degeneration. For example, Denis et al. (2015) state that combining several organisational archetypes and institutional logics will lead to unstable organisations. In this perspective, mixing multiple identities will lead to challenges and dilemmas for the individual within the organisation 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. Clashes between different types of employee can lead to detrimental effects for the organisation as a whole and for how it creates public value.

Finally, there are also political opportunities and risks, which refer to the organisation's relationship with its political principal and with the public as its most important stakeholder. For example, a *political opportunity* due to hybridity would be that public/private hybrid organisations, as they now have to satisfy a variety of stakeholders with different goals and expectations, will have to be more open and transparent about what they do, how they do it and to what effect, broadening and strengthening their public accountability (Fontes-Filho and Carris de Almeida in this volume). However, as the influence of a broader range of stakeholders is extended, conversely, that of the government, before the main principal of the organisation, will be weakened, especially concerning organisations that have been put at arm's length. This can be seen as a *political risk* and is why several authors fear that hybridity will lead to an accountability gap (Ebrahim et al. 2014; Grossi and Thomasson 2015; Mair et al. 2015), making it more difficult for governments to control the hybrid organisation. This is especially problematic in times of mission drift, when the organisation's public goals are put under pressure by their commercial ambitions, without an effective way for government as guardian of the public interest to prevent or stop this.

Discussion of opportunities and risks

In Table 12.1 the opportunities and risks for value creation by public/private hybrid organisations are summarised. They do not seem to be mutually exclusive but often are two sides of the same coin. Whether an effect is seen as a positive or as negative is often in the eyes of the beholder and thus depends on who is making the assessment (Karré, 2011).

For example, the financial opportunities of hybridity (access to new funding and other resources), which are often cited by managers of these organisations as an argument for (more) hybridity, seem to be especially beneficial for the organisation itself. Whether the public at-large also benefits from increased turnover and higher profits an organisation can generate due to its additional commercial activities is a topic of discussion, as this

Table 12.1 Opportunities and risks of value creation by public/private hybrid organisations

	<i>Opportunities</i>	<i>Risks</i>
Financial	Access to new funding and other resources	Loss of public funds
Cultural	More efficiency and effectiveness	Decline in public service ethos and moral degeneration
Political	More legitimacy through broader group of stakeholders	Loss of control by politics

money is in principle not part of the public purse and not at the disposal of public budgeters. When the additional income only is kept within the organisation and for its own purposes, it cannot be used for other goals, for example, for lowering public tariffs. Also, there might be a danger that the public would have to pay for any losses the organisation makes on the market place. This could even put its public activities in danger as well, should these losses be threatening the continuation of the organisation's activities in general. On the other hand, hybridity can be a financial opportunity for the public, should it enable the organisation to limit public contributions by subsidising its public activities with funds acquired through its commercial activities.

Also the cultural opportunities and risk with regard to an organisation's hybridity are essentially two sides of the same coin. Managing an organisation originally stemming from the public sector in a more business-like manner can increase its effectiveness and efficiency, and thus save money for the public purse. Not everyone is convinced that efficiency should be seen as the dominant or the only goal in the provision of public services though. For example, recently more business-like home and health care services in the Netherlands have 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 might be that the hybrid organisation might neglect its public activities and customers as their commercial counterparts are seen as financially more rewarding. Behaviour, which is a good strategy in the marketplace, such as always choosing the cheapest or most profitable option, is not necessarily desirable 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 be seen as a risk, should the organisation's public service ethos disappear with those employees as well. It can also, of course, be seen as a positive effect, as it cuts the organisation's dead wood. Again, hybridity's opportunities and risks cannot be seen as independent from each other.

Finally, also the political opportunities and risks 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, as it is put at arm's length from government and has to engage with other societal partners as well. On the other hand, however, this can also be interpreted in a negative way, as a broadening of accountability can lead to less influence by politics, which, before an organisation is hybridised, often was the dominant actor, determining what the organisation did and how it spends its money. However, from politicians' point of view, this can be seen as a negative effect, as it means that government has less control over how the organisation provides its services and how it spends what is, in essence, public money.

Public/private third-sector hybrids: social enterprises

Definition: mixing the characteristics of public, private and third-sector organisations

The second type of hybrid organisation we will look at in this chapter is social enterprises, which can be seen as private, public and third-sector hybrids. These hybrid organisations combine the characteristics of agency, enterprise and third-sector organisation and try to contribute to the common good by creating public value through commercial activities at the nexus of government, market and society (Defourny et al. 2014; Defourny and Nyssens 2017b). Examples of such social enterprises as hybrid organisations are work-integration social enterprises (also known under the acronym WISE) that provide employment enhancement programmes for the long-term unemployed, or urban farming initiatives that use their agricultural activities mainly to pursue social goals, such as social cohesion in disadvantaged neighbourhoods.

There is quite some confusion about the concept of social enterprise and many competing definitions of what a social enterprise is precisely (Lyon and Sepulveda 2009; Dart et al. 2010; Teasdale 2012a). But what they all have in common is that they aim at integrating “economic and social value creation” (Mair and Martí 2006, 36). In spite of their diversity, social enterprises, according to the widely used definition of the international EMES research network, share a number of common features (Teasdale 2012b, 100; Doherty et al. 2014, 417):

- Their primary goal is to generate social impact rather than profit for the company's owners or shareholders.
- They trade goods and services on the market and do so in an enterprising and innovative manner.
- Profits are mainly used to achieve social goals.
- The organisation's management is transparent about its actions and is accountable to its employees, customers and other stakeholders.

Social enterprises can be seen as hybrid organisations because they trade goods and services exactly as an enterprise would do but have the achievement of social goals as their main aim (exactly like non-profit and public organisations). They are, just as enterprises and third-sector organisations, autonomous organisations (and hence no part of the state), but often have to deal with government as they traditionally are active in processes of public value creation, where governments play an important role as stakeholders, purchasers of goods and services and regulators.

Opportunities and risks

Research on how hybridity influences a social enterprise's value creation activities is only now beginning to emerge. Especially valuable in this respect is the review compiled by Doherty et al. (2014) of the literature on opportunities and risks of hybridity for social enterprises in creating value. Here they look at three issues: mission, financial resources and human resources.

A first set of opportunities and risks of hybridity concerning a social enterprise's value creation activities identified by Doherty et al. (2014) concerns its *mission*. In terms of opportunities, the combination of a social and an economic outlook by the social enterprise is expected to lead to innovation, for example, by leading to more efficient or effective work practices or to more socially minded and ethical business practices. This is mainly due to synergies that can be created, for example, by helping clients with (re-) integration into the labour market by providing them with experiences in a real commercial setting. This not only helps the client (by offering on the job training in a real-life setting), but the organisation as well. However, hybridity will not necessarily be beneficial to a social enterprise's value creation activities. The combination of social and economic goals can also lead to ambiguity about the organisation's mission. The ensuing confusion can make it difficult for a social entrepreneur to properly manage his organisation and for its stakeholders to hold the entrepreneur to account. A related risk is that of mission drift when the commercial goals of the organisation become more important than their social welfare goals, for example, when the organisation sees its clients as cheap labour. This can lead to a loss of legitimacy of the organisation among its stakeholders and in the broader public, should the impression arise that (contrary to their narrative) social entrepreneurs are only in it for the money, neglecting their clients' needs. When social enterprise becomes a goal in itself instead of a means to achieve a broader, societal goals, legitimacy discussions will ensue.

A second set of opportunities and risks of hybridity concerning a social enterprise's value creation activities identified by Doherty et al. (2014) concerns its *financial resources*. A financial opportunity for value creation due for social enterprises is that they, due to their hybrid character, have access to a greater variety of sources for their funding than, for example, traditional non-profit organisations. As they operate at the nexus of state,

market and civil society, social enterprises can choose from and combine various financial streams, such as subsidies, gifts, donations and market incomes. This plethora of opportunities makes them more agile and can be seen as a distinct advantage for social enterprises over non-hybrid organisations that rely on only one type of funding and often are dependent on a single contributor for their financial resources. However, in practice, attracting funding is often not that straightforward for social enterprises even though in theory they have more potential sources of funding available to them. Because of their often rather ambiguous and diffuse missions as hybrid organisations (see earlier in the chapter), social enterprises often find it hard to actually attract funding, especially from private investors. These investors are often mainly interested in financial returns and not as much in the social goals of the organisation. Therefore, investing into a social enterprise is often not economically attractive to them.

A final set of opportunities and risks of hybridity concerning a social enterprise's value creation activities identified by Doherty et al. (2014) deals with their *human resources*, both their employees and the volunteers they might engage. With regard to human resources, hybridity can bring diversity, which, in turn, can be seen as an opportunity: social enterprises have access not only to varied sources of funding but also to a more diverse group of personnel with various backgrounds (social and economic). When they all strive to achieve the social enterprise's mission, this mixture of different background and skills can be a significant boost to the organisation's success. Compared to traditional non-profits, social enterprises often attract staff that are more business-minded. They often focus more on opportunities and growth for their clients than would maybe be the case from a more traditional, welfare and care perspective. Coupling socially minded staff with more entrepreneurial staff can also be used as a means to prevent a too narrow focus either way. This will bring more balance within an organisation, which depends on the two diametrically opposed poles of its mission (social and economic) to be balanced. This is not always achieved though. The values of different types of employees can be aligned, but they can also clash. Besides clashes related different visions on how to best serve the organisation's clients, there can also be clashes between volunteers (who are not paid) and regular staff (who receive a salary). Also, while it might be beneficial for clients to engage in the organisation's commercial activities, this could be seen as exploitation, should the organisation mainly use them as cheap labour without offering them adequate training and career opportunities.

Discussion of opportunities and risks

Table 12.2 summarises the opportunities and risks for public value creation by social enterprises as public/private/third-sector hybrid organisations. These concern their mission, financial resources and human resources and can also be seen as two sides of the same coin.

Table 12.2 Opportunities and risks of hybridity for public/private/third-sector hybrid organisations

	<i>Positive effect</i>	<i>Negative effect</i>
Mission	Innovation	Ambiguity, mission drift
Financial resources	Different sources for funding	Constraints in access to finance
Human resources	Diversity	Conflict

Hybridity is the essential character trait of social enterprises: without it they would not exist. In order to innovate and to come up with new and creative ways of how to tackle societal issues and help their clients, they need to be able to combine a social and economic outlook and mission. However, as always is the case with processes of innovation, this will make it more complicated to develop a convincing narrative of what the organisation does and why it exists. After all, the basic idea is that it is different from others and that it creates public values in a new and different manner. As a hybrid organisation that has to combine different and essentially contradictory goals and activities, this might lead to ambiguity and confusion. To a certain extent, this is to be expected from a hybrid organisation and cannot totally be avoided. It mostly asks of the social entrepreneur to develop a narrative that bridges the differences between the economic and the social aspects of its mission. Another risk to public value creation by a social enterprise is that it goes too far in its innovation, by seeing economic activities more than a goal in themselves than a means to achieve certain social goals. It can be necessary, for a short while, to shift the balance and to focus on economic activities over the organisation's social mission as part of its innovation process. However, should this situation persist, mission drift will ensue, seriously undermining the organisation's legitimacy.

Also the opportunities and risks that hybridity provides a social enterprise with regard to its financing can be seen as two sides of the same coin. On the one hand, a hybrid position can help an organisation to generate income from a variety of sources and can prevent it to become financially dependent from only one (group of) investor(s). However, in practice, social enterprises are less attractive to private sector investors because of an often ambiguous mission and the fact that their focus on social objectives, next to economic objectives, makes them less likely to provide huge returns on investment. Here the paradoxical situation occurs where hybridity simultaneously is helping social enterprises gain access to funding, as well as blocking it (Campanale et al. in this volume).

Finally, social enterprises can bring together staff with various backgrounds. This diversity makes them strong, but it can also lead to tensions. Here again hybridity simultaneously can lead to a positive as well as to a negative outcome.

Again, as was the case with those of public/private hybrid organisations, the potential risks and benefits of hybridity in social enterprises and other public/private/third-sector organisations cannot be seen separate from one another. They are two sides of the same coin too, and this underlines the need for proper management. As the very same hybridity can, for example, lead both to innovation when social and entrepreneurial interests are balanced properly and to mission drift when they are not, the question arises as to how that can be done and which circumstances enable and which prevent a social entrepreneur in doing so.

Conclusions and discussion

In this chapter, we looked at the opportunities and risks of public value creation by two types of hybrid organisations, state-owned enterprises/quangos and social enterprises. Both operate at the nexus of state, market and society, and by doing so, they mix the characteristics of ideal-typical public, private and third-sector organisations. This makes them hybrid, as it means that they now have a broader variety of stakeholders as well as of goals, which might be conflicting with one another.

Hybrid organisations often are established with the idea that mixing different and, in essence, contradictory organisational characteristics and institutional logics will lead to synergy and innovation, and hence to the creation of public value. But there are also those that warn that this might not be the case and that hybridity should rather be seen as a risk to public value creation.

We described the opportunities and risks for public value creation by public/private hybrids (state-owned enterprises and quangos) as being related to their financial situation and development, their culture (values and vision) and to their political situation and the accountability pressures this entails. And we described the opportunities and risks for public value creation by public/private/third-sector hybrids (social enterprises) as being related to their mission, their financial resources and their human resources.

When looking at the opportunities and risks for public value creation by these two types of hybrid organisations, it is interesting to note that they do not seem to be mutually exclusive but that they are linked to one another. More precisely and perhaps more strikingly, they seem to be two sides of the same coin. For example, while hybridity can lead to innovation by experimentation through mixing hitherto “pure” in the sense of unconnected ways of organising, it can also lead to ambiguity and mission drift due to the very same reasons. While hybridity can lead to more financial opportunities, it can also lead to financial problems. While it can lead to better, in the sense of broader, public accountability, it can also lead to an accountability gap, and thus a lack of accountability. And while it can lead to diversity and a combination of the best values eminent in the public,

private and third sectors, it can also lead to value clashes, leading to organisational instability.

From this, we can draw the overarching conclusion that hybridity is a “heads and tails” issue (Karré 2011). It is neither the perfect way to create public value, nor is it a catastrophe waiting to happen. In fact, it can be both, either or perhaps even neither (Habersam et al. in this volume). This tells us two things. First, hybridity is not a neutral or innocent topic. It is always necessary to explain and to discuss why it is a necessary prerequisite for the creation of public value. This makes it necessary to understand hybridity better, as it is an ubiquitous yet still underconceptualised phenomenon in public administration and management research (Billis 2010a; Skelcher and Smith 2014; Denis et al. 2015). New research should fill that gap.

A second general insight from looking at how two kinds of hybrid organisations create public value is that it will always be necessary to think of ways of how to maximise the opportunities for public value creation that lie in hybridity, while finding smart ways to minimise the risks it carries (a point also made in several of the contributions to Koppenjan et al. (2019b)). These are topics that should be at the centre of discussions in policy and management circles when plans are made to hybridise an organisation and/or when the performance of already existing hybrid organisations is assessed. Research can play a role here, too, by examining how various hybrid organisations work in practice and how they deal with the opportunities and risks connected to public value creation.

A more general conclusion and final task for academia and practice alike is that in a world in which hybrid organisations are ubiquitous and in which service provision through “pure” or ideal-typical public, private or third-sector organisations has become increasingly exotic, a broader societal discussion should be organised about what we see as “public” services and how we think that they should be provided best.

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Part V

Value creation and beyond



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13 Value creation between and among levels of hybrid governance

Jan-Erik Johanson and Jarmo Vakkuri

Hybrid value creation through societal levels

The problems with value creation vary at different hybrid governance levels. The macro-, meso- and micro-levels in hybrid governance enable us to grasp society's essential parts. Depending on the perspective, the number of relevant levels may vary. It is sometimes possible to reduce the number of levels to the examination of the dyadic macro/micro-question (Coleman 1990) or to introduce more levels and fine-grained distinctions to account for an even wider variety of actions. Different disciplines introduce their own flavour in the separation of societal levels. For instance, individuals may reside on a rather low level of analysis in organisational studies and on a rather high level of analysis in psychology. Here, organisations reside on the micro-level, groups of organisations on the meso-level and societal institutions on the macro-level of examination (cf. Lepak et al. 2007).

The analytical level is a tricky question in value conceptualisations. Values are significantly contingent on the levels on which they can be demonstrated, evaluated and measured. Distinctions made for economy, polity and civil society exemplify institutions on the macro-level of governance. Private businesses, industries and the national economy comprise relevant micro-, meso- and macro-levels of scrutiny within the economy. Likewise, federal governments and other institutional structures alike comprise the macro-level in a given polity. Decisions originating from political struggles are formulated in policies (meso-) and implemented by public agencies (micro-). Furthermore, civil society contains a variety of micro-community activity in service provision, community building and advocacy, which are important parts of our mental and cultural landscape. The variety of activities and the fluidity in the execution within civil society elude sharp separations between societal levels. Previous literature has identified hybridity in terms of demarcation lines between the tripartite separation into economy, polity and civil society (see Billis 2010). For instance, when corporate social responsibility schemes or public-private partnerships overcome economy-polity divides, community development can be achieved through business and voluntary interactions, and the combined efforts of polity and civil society easily can save depletable commodities, such as fisheries and forests (see Steurer 2013).

Societal levels provide another way to view hybrid value creation as interactions between these levels. First, we may deal with macro-level hybrid governance (hybrid systems), defined as the assemblage of institutions and actors pursuing societal macro-level goals, but with different sets of institutional backgrounds, value-creation logics and decision-making rationale. Second, the meso-level represents collective, but more restricted and/or localised, patterns of value-creation actions. Third, the micro-level presents individual units of analysis. Here, it is relevant to identify key players who possess the ability for action. The value-creation engine resides in different places in economy, polity and civil society. With economy, the value-creating capacity lies in firms and organisational fields. With polity, the political struggle over power holds a pivotal position, and in civil society, trust and reciprocity within communities enable value creation. The hybridity context often necessitates a broad understanding of the system, in which public and private values may interact, not necessarily within organisations (firms, public agencies and civil society) or industries, but through different hybrid governance levels. Accordingly, we may observe “public” value creation of a certain kind at one level, and “private” at another. Economy, polity and civil society operate under their own logics by driving towards profits, achieving political goals or building trust and social capital, respectively.

The limitations of analysing level interactions should be recognised. The categorisation of the three levels is by no means self-evident. Micro-, meso- and macro-levels can be conceptualised differently, especially according to different disciplinary traditions. For instance, in the realm of institutional economics, the meso-level is described as the most important mechanism of economic action, treating the macro-level as a mere aggregate of the meso-level’s institutional actions and treating the micro-level as a mere empirical illustration of meso-level’s institutional activities (Dopfer et al. 2004). In the light of empirical findings that suggest firms’ value capture deviates more often between industries than within industries (Rumelt 1991), we also might argue that single firms are the centre of value production. Regardless of finding the most suitable level of economic action, we can be quite confident that the overall “national economy,” that is,, gross domestic product (GDP), is an aggregation of actions at lower analytical levels, rather than actors equipped with the ability to choose between actions.

In polity, public administration and policy-related research, the macro-level is not “an aggregate.” It is the basic level of the politico-administrative apparatus. Governments and legislatures are tangible collective actors able to produce tangible and concrete outcomes (Bozeman 2009). In contrast to economic analyses, there is a problem identifying the action capacity of policies and public agencies. The former can be viewed as a mere aggregation of government actions in a specific policy area, and the latter as empirical executors of the government’s macro-decisions. Of course, if this distinction is viewed as a dichotomy, we would end up with a naïve separation between politics and administration that does not reflect the enmeshed nature of

government activity (Aberbach et al. 1981). With a less-rigid stance, the separation between politics and administration and, consequently, between government levels contains several demarcation areas, or no-man’s lands, where both political and administrative interests reside (Alford et al. 2017). In this sense, policy formation combines input from both politicians and administrators. Furthermore, public agencies are embodiments of political struggle (Moe 1989), but they also are able actors in manoeuvring their way through conflicting interests. Moreover, another factor is street-level bureaucrats (see Hupe 2019) powerful enough to modify policy formulation according to their professional interests and individual tastes. This presents yet another level in the vertical examination within polity, but it is beyond our scope here.

Furthermore, the voluntary third sector plays a role in societies’ value creation. Extensive research has been done to assess the economic significance of the highly diversified nature of voluntary non-profit activities, comprising advocacy, service production, leisure and community activities (Salamon 2016). It seems that civil society as a whole represents similar aggregation as a national economy. The actors within civil society may well exert considerable impact on the whole of society, but it is not a unified force similar to government actors. If we view trust and reciprocity as guiding principles of civic action, we are likely to conclude that cohesive social organisations bound by social proximity are the main operational forces that create social value within civil society (Putnam et al. 1994). This is not to belittle the importance of rather ambiguous aggregate collective action at the meso- and macro-levels in supporting civil rights, democracy or sustainable environment, but rather to argue that civil society’s productive engine resides in the immediate micro-community, which provides the capacity for a variety of social actions not easily predicted or defined in advance (Figure 13.1).

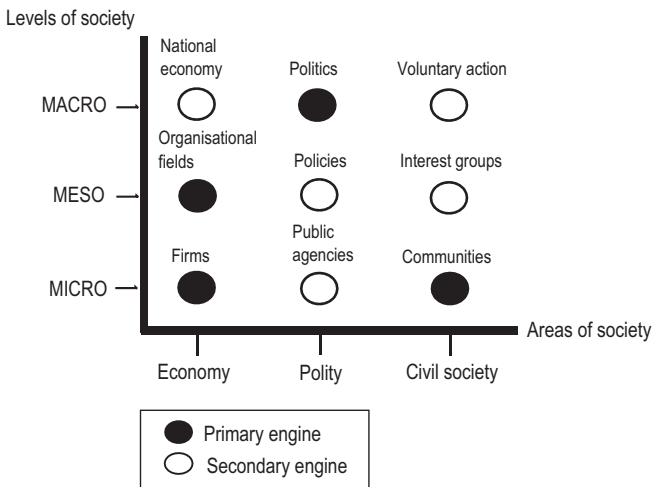


Figure 13.1 Engines across levels and areas of society.

Mixing value within and between hybridity levels

Hybrid settings not only combine different societal actors but also extend over societal levels. From a governmental perspective, individual agencies' options in dealing with other outside constituencies are restricted by legislation, administrative procedures and spheres of authority. In this sense, government agencies responsible for implementing policies might appear to be mean machines unable to learn because they are but portals of the government's central mainframe. On the other hand, business enterprises and community groups need to gain legitimation to continue their combined for-profit and social missions, as well as disseminate these practices to other social surroundings. Legitimation of government works in a top-down fashion. The ultimate proof of that concern is government monopoly of the use of physical force in society (Weber 1968). In contrast, private enterprises and community initiatives require bottom-up legitimation for their good deeds. Corporate social responsibility schemes often are suspected of being disguises for profit-seeking before gaining recognition and trust. Similarly, community efforts in developing standards for sustainable development or guidelines for curbing corruption require wide approval to be effective tools for tangible improvements. These bottom-up developments exemplify dual processes concerning the need to acquire approval, as well as widen adaptation within the population.

Crucial complementarity of resources between public and private sectors through level interactions also should be noted. Public organisations may produce "public" outputs, but use both public and private inputs. The public-good nature of public resources cannot be used as a criterion for separating public and private resources because private firms also depend on some public goods, such as knowledge, goodwill and reputation, as the case of technological development demonstrates. Identifiable individuals or groups operating in markets own private resources, but governments own or control public resources and can use legally sanctioned coercion to acquire and deploy resources. Moreover, consider the nature of value generation. Private firms aim to capture value (profit), but most often, they first need to create at least some part of the value that can be captured. Public agencies create value for wider public interests, but they also need to capture some value for their own goals, which may include survival, re-election or tax revenue. In other words, private firms aim to appropriate created value, whereas public agencies sometimes try to create appropriable value (Klein et al. 2010).

In hybrid setting, the sharp separation between value creation and value capture cannot always be established. In this volume, state-owned enterprises have been one area of empirical scrutiny (Fontes-Filho and Carris de Almeida in this volume). The case of public entrepreneurship eludes any straightforward separation between these two approaches to value generation. In SOEs, it is sometimes the case that political rulers capture more

value than what seems to be their fair share by meddling in SOEs' internal affairs. Following the idea of combining value creation and value capture, another interpretation of politicians' predatory action exists. It might be that political problems are serious enough to endanger the continuity of the democratic process. In these cases, value capture might work for the political system's survival, although it might hinder business, as usual, severely. No fixed amount of resources exists that should be reserved for public government purposes, but rather changing demands of value for continuity and survival. Of course, there is also the possibility of orthogonally opposite development in SOEs ransacking public resources in their value-capturing efforts. The important lesson in combining parallel and sometimes incongruent goals into single entities is that there is hardly an optimal point of balance between the goals, but rather an ongoing balancing act between politics and profit-seeking. A relevant discussion of the state's role in market societies also has been part of discourse (Bremmer 2010). In state-centric societies, such as China and Russia, historical developments suggest that the government's role is superior to other societal spheres, whereas in English-speaking countries in particular, people tend to view the state in a more suspicious light by emphasising the predominance of free markets and voluntary actions. Interpreting hybrids' role in value creation in newly industrialised countries is difficult. It could be an indication of growing state influence in society, a transition phase to more decentralised federal arrangements or, indeed, an example of administrative pragmatism in raising capital that cannot be amassed easily through other available means for large-scale operations.

In this volume, the joint appearance of a vertical dimension between interaction levels and among horizontal actors has been addressed directly, for example, in the chapter on nested hybridity within higher education systems (Pekkola et al. in this volume). *Nested hybridity* refers simultaneously to the dual processes of mixing value creation. On the one hand, it refers to the vertical line of interaction in connecting government policies with the operation of individual academic duties. On the other hand, it refers to interactions within the same governance level. On the vertical line, it is very difficult to show any direct influence of top-down implementation from government policies in performing individual academic duties. It is not only a question of complicated policy processes, but also a question of the relative power position of major stakeholders (academic oligarchies, students, funders and the government), which orient outcomes. From a bottom-up perspective, scientific fame tends to be concentrated among renowned academics who can make important scientific breakthroughs and create inventions for which they achieve rewards and other recognition. Even highly personalised achievements radiate to glorify their broader environments with respect to particular academic institutes, regions and even nations. Likewise, research in higher education produces horizontal spillover into private enterprises by pointing out new business opportunities

through innovation. Universities' hybridity is viewed as balancing between the government's political demands, private enterprises' business interests and staff and students' expectations. Furthermore, higher education systems divide benefits and costs between different actors on different hybrid activity levels.

The case of bike-sharing practices in major Chinese cities (Xu and Lu in this volume) exemplifies the tremendous administrative effort in promoting greener traffic and easing urban congestion, yet promoting business value logics and profit-seeking. Initiating practices of sharing requires tackling mundane tasks in sharing risks with private providers, building up functional incentives for users to preserve bicycles in full working order and providing facilities for parking, repair and recycling of bikes. However, the development of sustainable cities promotes cleaner macro-environments by combatting global air pollution originating from the use of fossil fuels. To initiate value creation in this activity field, there have been specific forms of interaction between the macro- and meso-levels of hybrid governance. First, an intellectual shift has occurred to understand environmental problems in a new light. The traditional idea of treating big business and the environment as mutually exclusive elements of the market economy had to be changed (Cooke 2008). Environmental "problems" had to be transformed into "opportunities" for investments and profit-making. New institutional logics and frames were needed to solve environmental problems. In other words, as societal ends include environmental, ecologically sustainable or social benefits to society, the most optimal means could be found in an effective system of business and entrepreneurial activities. "Doing well by doing good" began to be accepted as a proper form of business behaviour that pursues social ends.

The project organisations exemplify the obstacles and opportunities in connecting different actors in temporally bound structures (Godenhjelm and Sjöblom in this volume). The project's most striking feature as a hybrid constellation is that it simultaneously can connect vertical and horizontal governance levels under a hybrid umbrella. Horizontally, projects may include government agencies, private businesses and community groups together to fulfil shared goals. Moreover, projects easily can incorporate actors of unequal size as they build platforms for conversing among small startups, big business, community groups and government actors. Projects may overcome obstacles, for example, by finding common understanding or combining capabilities into new resource combinations that can be copied as practices in other localities. Projects also can cross boundaries between societal levels, and during their operation, they might induce new forms of voluntary activity. However, project work's fluidity and flexibility have downsides. First, projects' temporal discontinuity does not guarantee options for further implementation and might hinder dissemination of even the best possible practices. Second, lessons learned from other participants might be lost due to an inability to incorporate new practices into one's

own organisation. Third, in many cases, the presence of public actors in project work does not allow for experimentation due to fear of failure and consequent blame. In these cases, predefined restrictions on project work might endanger creation of new ideas and practices.

Horizontal compromising among hybrids

One important feature of compromising as a value-creation mechanism is that it contains some conscious effort by interacting partners. Additional relevant aspects of the notion of compromise are that negotiating partners are equal enough to make voluntary mutually binding agreements, that is, they represent interactions with actors on the same societal level rather than among different governance levels.

Interestingly enough, the study of social services (Campanela et al. in this volume) illustrates how performance measurement represents goals in disproportionate fashion. The performance measurement in this setting takes well into account the value of users' welfare and community, but does not represent financial aspects of the activity well, such as efficiency or standardisation of services, that is, the performance measurement mainly highlights the establishment's social mission. By doing so, it presents the value of the recipients of services and the value contributed to residents of the facilities, but simultaneously may deprive funders of the possibility of scrutinising financial value for money. Funders cannot be totally ignorant of these developments, suggesting that it is a question of some type of compromise, although it is a highly uneven one favouring one group of actors over others. The possible problems with this reconciliation are evident. It is likely to become more difficult to convince funders long-term of their contributions' overall value due to the limited measurement system. Moreover, a danger exists that with changing circumstances, a need might exist to incite new funders who cannot easily be convinced of the operations' financial viability due to a lack of suitable indices at their disposal.

The horizontal compromises over hybrid value creation are hardly a one-shot game, but often comprise multiple negotiation rounds to reach a resolution. One of the initial stages comprises developing social communication media. Consequently, social objects' value can be found in areas other than where we usually believe it to be. Formation of goals in terms of strategies and development of performance indices might have uses other than defining common objectives or establishing shared standards. In the context of welfare services, they not only serve to define future actions or enumerate past achievements (Rajala in this volume). Instead, strategy and performance function as tools to build understanding for meaningful debate and common platforms for social interaction. In this sense, the value of goal formation and the establishment of measurement systems can be found not in focusing action in particular directions, but by initiating discussions about possible pattern cooperation among interacting partners.

No clear blueprint for designing hybrid activities exists, indicating that plenty of opportunities for trial and error are available. Take the example of the Japanese systems of combining voluntary, cooperative and business logics into interconnected networks of actors (Katoh in this volume). It is not easy to refer to such a relationship as something that governments, firms or community groups have consciously built. Rather, a set of institutional actors aims to contribute to sustainability, profitability and a sense of togetherness, employing their own decision-making rationalities and adapting to sudden environmental changes. These developments may result in hybridity at the meso-level (hybrid industries), which is a cluster of public and private actors pursuing public and private agendas, but within a more specific institutional field (Padgett and Powell 2012).

Vertical legitimisation between governance levels

The distinction between value creation and value capture is a social construction. Values of society and cultural conventions play a role here. We sometimes are inclined to delegate credit disproportionately across governance levels among different actors. Consider Mazucato, who reflects on the Defense Advanced Research Projects Agency's (DARPA) historical origins in the process of not only allocating resources to basic science but also taking more sophisticated risks in the pursuit of technological innovations. Some of today's important technologies have been initiated and significantly facilitated and funded by the government (in this case, U.S. federal government). In the words of Mazucato (2015, 79): "*Despite the perception of the U.S. as the epitome of private sector-led wealth creation, in reality, it is the State that has been engaged on a massive scale in entrepreneurial risk taking to spur innovation.*" Later, this value creation has been extremely beneficial to many ICT technology firms. In other words, macro-level value creation by the government has contributed to private shareholder value creation (or, to some extent, value capture). This could be viewed as close to what is called a spillover effect in economics, which can be viewed not only as an investment or activity that "spills over" but also as one creating new value during the "spilling process" that can be distributed and redistributed in different ways. Mazucato's argument is that our understanding of the legitimisation of value-creation mechanisms between macro- and micro-levels may be fairly constrained and influenced more by charismatic leaders and entrepreneurs' heroic notions than by systematic scrutiny of value-creation mechanisms in society (Mazucato 2018).

On the other hand, consider Milton Friedman's well-known formulation (1970), stating that "the social responsibility of business is to increase profits," a view that has raised rich, eloquent, scientific debate on how we should understand businesses' roles and accountabilities within and for society. An important argument asserts that in several cases, private investments, entrepreneurial action and big business contribute to significant amounts

of value and societally relevant common goods by increasing employment, tax revenues and important new services and innovation. However, a normative tone has surfaced and leans towards corporate social responsibility (CSR), maintaining that one also should be aware of corporate activities' potential detrimental impacts on society. Among other links to fundamental discussions on public regulations, free-market economics and the positive and negative side effects of big business, this classic example provides two important perspectives for understanding value-creation logics in the context of hybridity, with a particular emphasis on societal level interactions. First, it elaborates on how micro- and macro-level interactions may be helpful in understanding value creation as a comprehensive system of hybrid governance, in which these interactions take place "within" the system, not by crossing the system's boundaries (cf. Lepak et al. 2007). To provide a more in-depth theoretical account of value creation in the hybridity context, a need exists to revisit the legitimacy characteristics of the systems of interaction. We may need to loosen some of the most rigid assumptions regarding "organisations" as *prima facie* actors in value creation. While many conceptualisations of value-creation mechanisms draw from the assumptions of interactions between organisations and their environments (e.g., "society" or "government"), important arguments can be made for more multifaceted and multilevel value creation in hybrid settings. Second, it also should be noted that value for private investors may be positive, while for the public, it may be negative, or vice versa. In other words, there may be value, but also "disvalue," created by either public or private actors. By focusing on level interactions in value creation, it may be easier to discern such mechanisms. In hybrid settings with multiple value definitions, value-creation logics and audiences of legitimation, such reasoning is particularly important.

This discussion indicates that the gains produced by hybrid activity can be assessed as micro-partners' achievements in the composite pattern of interaction. The discussion also provides some insight into the normative aspect of value creation across governance levels by suggesting that micro-level hybridity can be detrimental to society on the macro-level. The discussion of opportunities and risks of hybrid action (Karré in this volume) presents a lucid interpretation of hybridity's possible benefits and costs. Hybrids are not a perfect method of value creation, neither are they a catastrophe waiting to happen. Exceptional value-creation efforts in combining multiple institutions and sources of resources, as well as knowledge bases, might elicit superior outcomes at present, but mounting contradictions and ambiguities in goal-setting might erode the legitimation of value creation in future instances. The realised risks and anticipated benefits are bound by contextual and institutional conditions like any other organised action.

Consider the case of pension schemes (Sorsa in this volume), in which several actors – including public policymakers, business firms and social partners – aim to contribute to the common good of old-age financial

security by instigating the intergenerational transfer of funds and/or long-term investments into global financial markets. The interesting vertical aspect of the comparison of pension schemes is that the restrictive aspects in hybrid-value propositions originate from global financial institutions, and enlarging aspects grow out of the meso-level organisational field among social partners. The important lesson for legitimation in hybrids is that they equally can increase or decrease the scope of their value production in a widely approved manner.

The case of Austrian universities (Habersam et al. in this volume) shows cases top-down and bottom-up evolutionary approaches to managerial insight into the value creation of higher education. The case illustrates how hybridity works in practice. Overall, the university community faced some of the common features of any measurement system by finding out that management focuses on those aspects of activities that actually are measured. Individual management schemes in measuring universities' human capital began to spread to measuring other features of academic work. Universities are susceptible to external influences, and performance-measurement indices can be instrumental in spreading a business mentality in higher education institutions. Moreover, the top-down aim of legitimising universities as business-like entities gave impetus to bottom-up self-reflection on what is the true nature of academic community, and by introducing new items of measurement, it encouraged stronger international cooperation.

This book has dealt with several value-creation relationships between public, private and community activity in various fields of production and institutional settings. Despite even the somewhat pejorative connotation included in the very notion of hybridity, the existence of a hybrid indicates that it is a being on its own, whether in the biological or in the cultural world. The separation between the natural biological world and cultural world is not clear-cut. The pure and impure species are but mental schemes to guide our perceptions. What Stross (1999) argues is that without distinctions in species, all we have is hybridity. For us, this might be too far-fetched because without any separation, it would be impossible to perceive differences or the appearance of any objects in the first place. However, an interesting idea along these lines is the dynamic character of hybridity. Hybrid vigour refers to the betterment of animals and plants in natural life. Often, hybrids have increased strength or capacity to grow compared with their parent species. Hybrid corn's superior growing capacity and a mule's stamina and strength exemplify this phenomenon. Another dynamic development relates to the hybridity cycle. It is often the case that when hybrids can adapt to their environments, they acquire a position as a new type of pure species that can continue the cycle by parenting new hybrid forms (Stross 1999).

Biological analogies do not always work in cultural and social life. The examination of hybrids in this book has shown that hybrids are by no means automatic improvements to previous conditions and problems. However, it is fair to say that they aim to solve problems with pure species even though these attempts' success cannot be guaranteed in advance. However, the biological world's organisations do not procreate sexually, nor do they possess genetic codes that can be passed on to future generations. However, unlike biological organisms, organisations can inhere acquired capabilities from previous practices. In this sense, hybridity might be a learning practice in the cycle of institutional evolution that may have hidden, yet unexplored, rationalities in terms of value creation. Moreover, ample evidence exists to suggest that an organisation's ageing tends to produce rigidities in action and problems adapting to changing circumstances. Here, hybrids' role is that of a rejuvenating factor that offers one option in regenerating well-established, but outdated, modes of operation. With highly complicated global problems to solve, future societies should facilitate an in-depth understanding of hybrids and hybridity for their more intelligible value-creation efforts.

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14 Postscript

Barry Bozeman

In a paper (Bozeman 2009) that much of the scholarly world duly managed to overlook, I posed “big questions” in public values research and theory, questions that had in my judgement been addressed, but not entirely adequately. These simple but crucial questions included:

- 1 What is “public value?”
- 2 Is public value different from the aggregation of private values?
- 3 Is it possible to identify and evaluate public values?

During the more than a decade that has elapsed since I posed these questions, researchers have made a good deal of headway on each question (e.g., Van der Wal et al. 2015; Nabatchi 2017), and, more to the point, this excellent book has both solidified and pushed forward on many of these questions, providing rich and thoughtful answers. More important, the book addresses a “big question” that should have been on my list but, remarkably, was omitted. More about that later.

A consensus is beginning to emerge about each of the three questions I raised in the “big questions” paper. For most of us, public values are those values that citizens hold in common, the fundamental agreements about the rights, privileges and duties pertaining to us all. The identification of public values provides a *de facto* answer to the second question – public values *must* be more than the simple aggregation of private values. Public values necessarily entail more than classical Benthamite utilitarianism.

The third “big question” is the one that has only recently received a good deal of attention, including, but not limited to, this volume. This third “big question” is actually a two-part question – identifying and evaluating public values, while related, are certainly not the same. Moreover, we have made more progress with the former than the latter. One of the early identification efforts was undertaken by my colleague Torben Beck Jørgensen and myself (2007). This and most identification efforts have focused on identifying public values of public officials and public managers or comparing government elites with business elites (e.g., Van der Wal and Huberts 2008; Van der Wal 2014; Wang and Wang 2019), only recently turning to

public values expressed by citizens (Bozeman 2019) and to demographic comparisons, including differences between majority and minority managers (Stazyk et al. 2017).

Evaluating public values is a topic that still requires a good deal of attention, but, again, a topic moved forward by the contributions in this book. Particularly valuable is bringing together public values assessment in connection with practical issues of public management such as performance measurement (Campanali et al. in this volume) or programme evaluation (Slade 2011; Joly et al. 2015; Molas-Gallart 2015).

Now let us turn to the “big question” not heretofore asked, one that is remarkably important, one which deserved attention at the inception of public values research but is only recently being explored in the scholarly literature and, particularly, in this book. The question: “How do public values issues play out differently when comparing public, private and hybrid organisations?” Let me say in passing that I am a little embarrassed not to have myself paid attention to this question given my long-standing and enduring interest not only in public values research but also in dimensional publicness and hybrid organisations (e.g., Bozeman 1987; Bozeman and Bretschneider 1994; Bozeman 2013).

While a few followed in the footsteps of Emmert and Crow (1988) in examining hybrid organisations in public administration (e.g., Kickert 2001; Christensen and Lægred 2011; Denis et al. 2015), not much previous work connected also to public values. Perhaps more than any volume yet appearing, the current one extends our knowledge of the relationship between organisational type (public, private, hybrid, dimensional publicness) and public values, shedding considerable light on the common points and the distinctive differences between organisations’ public value approaches according to their sector or their institution.

The organisation types examined here are many and include some that have been given little attention in the literature. Thus, for example, the Fones-Fiho and Carris de Almeida’s contribution is one of the few I have seen on how the distinctive features of state-owned enterprises contribute to value creation. While studies of public values in higher education are a little more common (e.g., Crow and Dabars 2015; Anderson and Taggart 2016; Broucker et al. 2018), a focus on “nested hybridity” gives insights into the role of different forms of higher education institutions. Likewise, Habersam and colleagues’ contribution on hybridity of public universities in Austria provides detailed and rich knowledge that will likely be new to anyone not already familiar with the intricacies of Austrian higher education.

A particularly welcome aspect of this book is the movement away from a U.S.- or Euro-centric concept and analysis of public values to other nations. Thus, Katoh’s analysis of public values in the context of Japanese hybrid organisations is the first such study I have seen. While China-based studies of public value are becoming more common (Bai 2013; Liang et al. 2019;

Yu et al. 2019), Xu and Lu provide the first study that focuses both on China and the public transport sector.

What is missing from this volume? Not much. One interested in some combination of public values, hybrid organisations, national and cultural comparisons and distinctive features of institutions will find something to like here. In an ideal world, one where research resources are more plentiful, it would be extremely interesting to see new work providing systematic comparison according to these various features examined here and developing knowledge on the ways in which diverse settings affect the creation and achievement of public values – but such work likely requires not only a remarkable degree of cooperation but also more resources than anyone has yet provided to public administration research. For the present, this volume is as good as it gets on hybrids, sectors and public values.

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