THEORIES AND PRACTICES OF PERFORMANCE MEASUREMENT IN HYBRID ORGANIZATIONS

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Background

- **Hybridization**: combining different principles (managerial and bureaucratic principles) for organizing public services often leads to hybrid structures, and roles, and also creates tensions and contradictions (Aucin, 1990; Dunsire, 1995)

- Pressures for **Hybridization** have become more intense cross many sectors:
  - *Social policies* (Christensen and Laegreid, 2011)
  - *Higher Education (Boiter and Review, 2013)*
  - *Health System* (Tuochy, 2012)
  - Secondary Education (Fredriksson and Persson, 2012)
Hybrid organizations

- Emergence of hybrid organizations operating in the intersection between public and private sector, providing public services under the market conditions
  - Fragmented ownership and diverging interests
  - Unclear and dispersed responsibility
  - Diffusion of roles: government is owner/purchaser/contractor, external providers, citizens become custumers, etc.

Existing literature on Hybridity

- Public administration scholars have already explored long-term organizational shifts in public services which create hybrid organizational forms (Hood, 1991)

- Sociological accounting research critically examined multi-sectoral public-private partnerships for large projects and the introduction of private capital in public infrastructures (Broadbent et al., 2003)

- The Network Governance tradition draws attention to a more plural and pluralistic State (Osborne, 2010) with governments and private and non-state actors operating in complex policy networks (Rhodes, 2007)
Theoretical perspectives on hybridity
Denis et al., 2015

- **Governance Theories**: How shifts in *structures* and *governance* (hierarchy, network and market) affect organizational hybridity (Rhodes, 1997)

- **Institutional Theory**: *Institutional dynamics* of hybrids (using organizational archetype theory and institutional logics) (Hinings and Greenwood, 1998)

- **Actor Network Theory**: *Hybrid agency* and *practices* coming from sociological accounting theory (Miller et al., 2008)

- **Identity Perspective**: Hybrid roles and identities (professional vs. managerial roles) (Llewellyn, 2001; Fitzgerald et al., 2006)

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### Theoretical perspectives on hybridity

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Purpose of our study

• Accountability gap due to absence of mechanisms which ensure accountability when government is doing business (horizontal relationship)

→ Need for new ways to secure accountability

Purpose: To explore the question of whom is accountable to whom and for what in hybrid organizations

Accountability in the Public Sector

• Accountability Theory with a focus on the creation of accountability in the Public Sector

• Accountability system in public sector is built upon vertical relationships: citizens have delegated responsibility for the provision of public services to the government

• By handing over the responsibility for the production of public services to hybrid organizations, the relationships between elected politicians, the government and citizens have changed

• Horizontal relationships: performance is based on market mechanisms and judged by financial performance (Hodges, 2012; Shaoul et al., 2012)
Accountability in Hybrid Organizations

• "Who is accountable to whom"?
  much information on performance depends on the willingness of hybrid organizations to report back and to be accountable to government and citizens

• "Accountable for what"?
  Hybrid organizations provide public services & are politically governed + are expected to behave in a business-like manner
  → “for what” are they to be held accountable
  - Is it the way they live up to democratic (social) values?
  - Is it the way they perform financially?
  - Or is it both of these things?
Method

Copenhagen-Malmö Port (CMP) case study:
- Publicly owned company combining a public mission with profit oriented services
- Joint venture between two cities and private corporations
- Preliminary documents’ analyses (i.e. agreement between owners, directives, and annual reports)
- Semi-structured interviews in 2011 with board members, CEO and representatives of the owners
- Focus on the creation of horizontal accountability through how the corporation is governed, managed and organised

Findings

Owners and influence
- Copenhagen and Malmö organized their ownership in CMP differently
- Danish side: ‘City and Port Development’ owns 50% of the shares
- Swedish side: city of Malmö owns 27% of CMP
  + various private corporations which own 23%
- Agreement between owners and between owners and CMP is an instrument for long range city planning, for securing port activities and return on investments
- Tensions not only between public and private owners’ interests, as could be expected, but also between the two public owners
Findings

Board of directors

• 12 members (8 elected by owners; 4 employee representatives)
• Danish owner appoints politicians & non politicians to the Board

  Directors from Copenhagen do not focus on protecting political interests
• Closer connection between the Board and the elected politicians in Malmö than in Copenhagen
• Owner Directives contain the mission of CMP as well as criteria for performance evaluation (main focus on financial performance)
• Formal and informal work and decisions

Discussion

• Horizontal relationship rests upon a corporate governance system based on market mechanisms more than the demands of public sector accountability (citizens and government relationships)
• Owners have the ability to decrease the gap through how they organize the ownership, how they elect directors to the Board and what they write in their directives
• Owners can also ensure that the hybrid organization is going to be evaluated on not only financial criteria, but also how they fulfil the public purpose. In this case, the public owners did not take advantage of this possibility
Conclusions

• It is not necessary that a totally new accountability system for hybrid forms needs to be developed in order to bridge the gap, as suggested in previous studies (Deleon, 1998; Sands, 2006; Shaoul et al., 2012)

• If the market oriented system on which the horizontal relationship is based is adjusted to the needs of hybrid organizations and the public sector, the flow of information and the transparency can be improved

• The size of the gap can be influenced by how elected politicians decide to use the system that already exists

References


More information:
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