

**David Billis**

## Towards a theory of hybrid organizations

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# **Hybrid Organizations and the Third Sector**

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## **Chapter 3**

### **Towards a theory of hybrid organizations**

**David Billis**

#### **Introduction**

Hybrid organizations are ubiquitous. They are international, multi-sector phenomena and their unclear sector accountability often engenders unease and distrust. And in our area of concern we appear to have stumbled into a period of intense organizational hybridity in which we appear to be drifting up the (welfare hybrid) creek not only without a paddle, but also without a reliable map. Expressed in a somewhat more scholarly fashion the first priority in the preliminary agenda of issues laid out in Chapter 1 is the need to develop ‘tentative theories’ (Popper, 1972) of hybrid organizations.

The objective of this chapter is therefore to begin to get to grips with the agenda of questions. It is laid out as a ‘building blocks’ exercise and contains five parts.

1. Any study of hybridity must inevitably begin by establishing the nature of the ‘non-hybrid’ state of the phenomenon. This first part explores the position in the public and private sectors which are more readily understood and well established than the third sector. At the heart of the model is an approach to ‘ownership’ in terms of decision-making accountability that is intended to be applicable to all three main sectors.

2. This part develops a similar model for the third sector. Reflecting on previous research it is suggested that the archetypal characteristics of the Third Sector

Organization (TSO) are most closely found in the associational form of organization. A new approach to membership and ownership leads to a re-evaluation of the role of some paid staff in the association.

3. The third, pivotal level proposes a 'principal sector' hypothesis which is intended to resolve the paradox of strong sectors in the midst of the growth of hybrid types. The centrepiece of this part is a model of sectors and their hybrid zones.

4. The final level of analysis considers the nature of hybridity in the third sector. In order to do this, the concepts of 'shallow', 'entrenched', 'organic' and 'enacted' hybrids are introduced.

5. The chapter concludes with a summary and a few thoughts as to how this approach to hybridity might prove helpful in thinking about the agenda of issues from Chapter 1.

## **Part one: Building an ideal model: The public and private sectors**

This part constructs an ideal type model of the public and private sectors. It opens by explaining how both 'sector' and 'ideal type' will be employed and follows this with a brief review of some of the previous research and a reconsideration of the nature of ownership. It concludes with a table which compares what are called the elements and principles of both sectors.

### *Sectors and ideal types*

Sectors, in this chapter, are treated as collections of (non-hybrid) organizations. It is suggested that (a) all organizations have broad generic structural features or *elements* (such as the need for resources) but that (b) their nature and logic or *principles* are distinctly different in *each sector*. These principles have a logical interdependence and provide a coherent explanation for meeting objectives and solving problems. Together they represent the 'rules of the game' of the ideal model for each sector.

For my purposes the model or 'type' must draw sufficiently from empirical reality so that it can be used in both practice and in policy-making. Following this broad (Weberian) approach, the 'pure' ideal type very rarely exists (Weber and Parsons, 1964). But, notwithstanding the wide variations in structures, organizations within each sector appear to derive their strength and legitimacy (Suchman, 1995) from the characteristics and rules of the game of their own distinctive ideal type. In reality, organizations within any sector, whilst adhering to the core principles, will

vary in the degree to which they fully match the ideal model (Chapter 4). And individuals, particularly those in powerful roles or organizational positions, who can contribute to shaping hybridity, will encounter the tensions between the ideal type and organizational reality (Chapter 11).

### *Core structural elements in the public and private sector*

My choice is selective and based on the search for the predominant structural features of organizations. Of particular importance is ‘the political economy’ approach of Wamsley and Zald (1976) who emphasise the role of ownership and funding in a comparative analysis of the public and private sectors. More than a decade later Bozeman reviewed the literature and concluded that studies comparing the structures in the two sectors ‘are uncommon’ (Bozeman, 1987, p. 24). In the same period, however, an extensive critique of the distinction between the sectors (Perry and Rainey, 1988) concluded by developing a typology of organizations based on (a) ownership, (b) funding and (c) mode of social control. The pioneering work of Perry and Rainey was extended by Koppell (Koppell, 2003) who in his exploration of quasi-government hybrid organizations produces a ‘simplified typology of institutions’ which leaves only ‘ownership’ and ‘funding’ as the key variables (p. 11). A succinct but comprehensive review and analysis of management in the public and private sectors can be found in (Rainey and Chun, 2005).

Summarising this selective dip into the literature and my own research (Billis, 1991), it can be seen that the following five core *elements* persistently appear:

- (1) ownership
- (2) governance
- (3) operational priorities
- (4) human resources
- (5) other resources

Clarifying the nature of ownership is essential if any model building that includes the third sector is not to be scuppered at the onset. The reason for this is, as Grønbjerg points out in her summary of the literature, that the third sector is usually regarded as not possessing ‘owners’ as usually defined (Grønbjerg, 2001). This is discussed in the following section.

### *Revisiting the definition of ownership*

Economists have been energetic in defining ownership. An extensive study by Milgrom and Roberts claims that ‘the economic analyses of ownership have concentrated on two issues: the possession of a residual decision rights and the allocation of residual returns’ (Milgrom and Roberts, 1992, pp. 289–293). Their analysis is overwhelmingly focused – as are much of the other economic writings – on the for-profit firm. Consequently, it has been helpful to look at authors who have also taken a rather wider perspective including consideration of the third sector.

Prominent amongst these authors is Hansmann who has approached the issue of ownership in nonprofits by raising the question of ‘ultimate control’, defined as ‘the power to elect the board of directors’ (Hansmann, 1987, p. 28). In a later work he suggests that because of the ‘nondistribution constraint, a nonprofit firm, by definition, has no owners – that is, no persons who have a share in both control and residual earnings’ (Hansmann, 1996, p. 228). An important distinction is made between ‘formal control’ which is different from ‘effective control’ (p. 11).

When faced by this distinctive problem of ownership in nonprofits Speckbacher introduces the idea of ‘key stakeholders who play the role of the “firm’s owners” [and] ... should have the right to interpret the mission in controversial situations’ (Speckbacher, 2003, pp. 275–276). Ben-Ner and Jones link ownership and control more closely and extensively with organizational features which range from ‘determination of the objectives of the organization’ through to how people ‘are induced to carry out their functions’ (Ben-Ner and Jones, 1995, pp. 532–534). Chew and Osborne, in their analysis of strategic positioning in charities, also emphasise the influential role of stakeholders, particularly key organizational decision makers (Chew and Osborne, 2009, pp. 42–43).

The following analysis picks up these threads of different layers of ownership, organizational decisions and stakeholders/members. The approach abandons residual returns as an essential feature of ownership that in any case does not seem persuasive for the public sector (Wamsley and Zald, 1976). Consequently, in this chapter, ownership is defined according to different levels of decision-making accountability (formal, active and principal) *within* the broad category of ownership. For the moment, the discussion is confined to the private and the public sectors. Here can be identified groups of people who have the ‘formal rights’ to elect the board of directors and political representatives respectively known as shareholders and the electorate.

Nevertheless a sizeable percentage of this *formal/legal ownership* can be inactive. In reality they may have little interest or motivation to participate in any of the decision-making activities of business or government.

In both sectors people can be found within the formal ownership who (at least) *do* exercise their votes at the annual board meeting and who *do* vote in government elections. These can be regarded as *active owners* even if their influence on Hansmann's small set of fundamental issues is slight.

The third group are the *principal owners*: those who *in effect* can close the organization down and transfer it to another sector – what Weisbrod (1998) refers to as 'conversion' – or change the fundamental boundary and mission of the organization through mergers or other actions (Gray, 1997). In the private sector it may be large pension funds or other major investors. In the public sector it likely to be the elected representatives or a caucus of those representatives.

With these definitions in mind, it is now possible to return to the main objective of this part: building an ideal type of the public and private sectors.

### *Building the foundations: A model of the public and private sectors*

So far, five *elements* which might serve as a basis for building a model of the public and private sectors have been identified. *Each element comes with a distinctive set of principles for each sector.* In summarising these principles I can draw attention only to a few particularly relevant studies, for example, the works of Stewart and Ranson (Ranson and Stewart, 1994; Stewart and Ranson, 1988) which compare the rationale for management in the public domain to that in the private domain. They both discuss the elements and principles in the two sectors and contrast collective choice in the polity with individual choice in the market.

What emerge are tentative models of

A *private sector* which is (a) owned by shareholders and (b) governed according to the principle of size of share ownership, working according to (c) operational priorities driven by principles of market forces in individual choice, with typical (d) human resources consisting of paid employees in a managerially controlled *firm* and (e) other resources primarily from sales and fees.

A *public sector* which is (a) owned by the citizens and (b) governed according to principles of public elections with work driven (c) by principles of public services and collective choice and as its typical (d) human resources consisting of paid public servants in legally backed bureaux and (f) resourced by taxation.

The following part of the chapter will explore how the complexities of the third sector could be similarly developed into an ideal type.

## **Part two: Developing a model for the third sector**

The objective of this part is to utilise the same five structural elements, discussed above, and to identify *principles* which are distinctly applicable to the third sector.

### *The search for distinctive principles*

There is an impressive list of authors who have sought to uncover the sector's general distinctive features (for example, Kramer, 1981; Young, 1983; Mason, 1984; Van Til, 1988; O'Neill, 1989; Lohmann, 1992; Smith, 2000). (For an important comparative discussion of the public, private and what is called the 'commons' see Lohmann, 1992 Chapter 2). Much of this literature has been summarised and analysed by Grønbjerg who identified five major attributes (1) private auspices (2) absence of formal ownership rights (3) volunteerism (4) particular missions and substantive goals and (5) the challenge of changing people (Grønbjerg, 2001). The extensive international mapping exercise undertaken by Johns Hopkins University (Salamon and Anheier 1992) identified the key 'common features' as self-governing, nonprofit distribution, private and nongovernmental in basic structure and voluntary to 'some meaningful extent' (Salamon et al., 2000).

Interestingly, a European analysis of social enterprises, despite the attempt to distance these 'new entrepreneurial forms' from the 'more traditional' third sector, is also compelled to rely on a similar set of characteristics (Bacchiega and Borzaga, 2001, pp. 273–274).

In sum, the literature highlights a number of principles which are seen to be distinctive. These include independence, use of voluntary labour, sensitivity and closeness to users and being mission driven.

However, much of the research, as Smith (2000) points out, ignores the vast number of small grass roots organizations, a similar point made in a comprehensive review of community movements and local organizations (Cnaan and Milofsky, 2008). Also, rather neglected in current third sector research are social movements (Davis, 2005) and, at the other end of the scale, many huge membership organizations such as the National Trust (which has 3.5 million members and 52,000 volunteers) let

alone political parties. It is likely therefore that a more balanced overview of the third sector would give increased emphasis to the role of volunteers and the distinctive type of resources of these organizations.

All this, in addition to the actual history of many organizations, indicates that an ideal type of the third sector is best typified by the association. In this model people establish a formal organization in order to resolve their own or other people's problems. These members, through a process of private elections, elect committees and officers to guide the work of the organization. The organization may need additional volunteer labour to forward its policies. Other resources may also be sought and these are typically membership dues, donations and legacies. Work is driven neither by the need to make a profit nor by public policies but primarily by the association's own agenda. This approach differs from most prevailing theoretical approaches to the sector. The association, rather than being a rather peripheral component (as in the Johns Hopkins research), is now seen as the 'ideal model' and source of the distinctive sector attributes (Rothschild-Whitt, 1979).

Nevertheless, in the development of a model comparable to the private and public sectors, one stumbling block still remains: the place of members and 'owners' in the third sector model.

### *Ownership in membership associations*

A recent analysis notes that previous indictments regarding the absence of a compelling theory (Gordon and Babchuk, 1959; Knoke, 1986) 'still hold today ... empirical research on governance and structure of non-profit membership association is thin' (Tschirhart, 2006, pp. 534–535). Consequently, this section of the chapter explores whether the preceding analysis of different layers of owners helps in the model building of the sector.

In the association, the gap between *formal*, *active* and *principal* owners may be small. However, even in small, tightly knit groups, it is possible to differentiate between those (formal members) who stay in the shadows (see Putnam (2000) for a seminal study); those who play an active part in committee and other activities; and a core group of those (principal owners) 'who everybody knows' will really be the key players in the defining moments of the group's history.




The distinctive characteristics of associations are the linkage and logical flow between its ownership by members, principles of governance, reliance on volunteer resources for its operational work and principles of membership accountability which together enable it to function as a robust and effective organization. Critically, although there may be clear differentiation in the roles of governing body, committees and volunteer workers, all will usually be part of the active and membership/ownership groups as defined. In addition, those receiving services may be past or present members, or have close links through family, neighbourhood, friendship and other groups. Active members will be dedicated to the cause which may be expressed tangibly both through financial contributions and through a preparedness to take on unpopular and sometimes unpleasant work, readiness to recruit others into the organization and, if necessary, advocacy – the determination to persuade those outside the group of the rightness of the mission.

According to this approach, *formal*, *active* and *principal* member/owners can also be identified according to their different levels of accountability for decision-making.

### *The model of the three sectors*

Employing a decision-making approach to the issue of membership/ownership enables their core elements and principles to be laid out together with those of the private and public sectors in the form of a table (Table 3.1).

**Table 3.1 Ideal type sectors and accountability**

CORE ELEMENTS	 PRIVATE SECTOR PRINCIPLES	PUBLIC SECTOR PRINCIPLES	THIRD SECTOR PRINCIPLES
1. Ownership	Shareholders	Citizens	Members
2. Governance	Share ownership size	Public elections	Private elections
3. Operational Priorities	Market forces and individual choice	Public service and collective choice	Commitment about distinctive mission

4. Distinctive human resources	Paid employees in managerially controlled <i>Firm</i>	Paid public servants in legally backed <i>Bureau</i>	Members and volunteers in <i>Association</i>
5. Distinctive other resources	Sales, fees	Taxes	Dues, donations and legacies

According to this model, the ideal type ‘work doing’ operational units of the sectors are the firm, bureau and association.<sup>1</sup>

Underpinning the model of sectors is the notion of accountability and the role of principal owners. By organizational accountability, I am referring to those individuals and groups (governing bodies of all sorts, and individuals) who have the *authority* to carry out their designated duties and can be held to account to higher level individuals and institutions if they fail to carry out those duties.

### **Part three: Building a model of hybrid organizations**

#### *Approaches to the study of hybridity*

Despite recent increased interest in hybrid organizations, the literature remains sparsely spread across many academic disciplines over several decades. In the absence of a systematic body of research, I have restricted myself to outline a few of the broad approaches that are particularly germane for this chapter. Many of the numerous studies of hybridity defy easy classification (see for example, Langton, 1987; Powell, 1987; Hasenfeld and Gidron, 2005; Cooney, 2006). However, for ease of analysis, much of the disparate literature might be loosely grouped into three approaches.

<list>

1. A popular approach regards hybrid organizations as occupying points on a *continuum* between sectors (for example, Dahl and Lindblom, 1953; Demone and Gibelman, 1989).

2. Other writers have adopted what might be called a *single sector emphasis*. Here, their main concern is either with the public or private sector, and organizations on their boundary are usually studied from the perspective of the implications for one particular sector (Gray, 1990; Courpasson and Dany, 2003; Koppell, 2003; Skelcher et al., 2005).

3. A few writers, mainly from continental Europe, appear to have gone one step further in a *separate sector* approach. For them, hybridization and hybrid organizations have replaced the sector metaphor and are now *the* permanent features in the welfare system (Brandsen et al., 2005; Evers, 2005). In an earlier paper, James (1983), although focusing on US nonprofits, seems to be arguing an almost similar case.

</list>

Reflecting on this emerging body of literature reinforces the contention made in Chapter 1 and the introduction to this chapter: any theory will need to (a) handle the paradox of a strong sector concept in a period of increased hybridity (b) cover all three sectors and (c) address the issue of accountability.

The following section attempts to address these issues.

## **The model of hybridity: The prime sector approach**

In this chapter, I shall take a different approach to those outlined in the previous section drawing on research that goes back some 30 years. Initially using the work of Edmund Leach on ambiguity (Leach, 1976), this early work can be tracked in Billis (1979; 1984a; 1984b).

My working hypothesis is that organizations will have 'roots' and have primary adherence to the principles of one sector (Billis, 1991; 1993; 2003). This is based on the inherent contradictory distinctive and conflicting *principles* (rules of the game) for each sector outlined in Table 3.1.

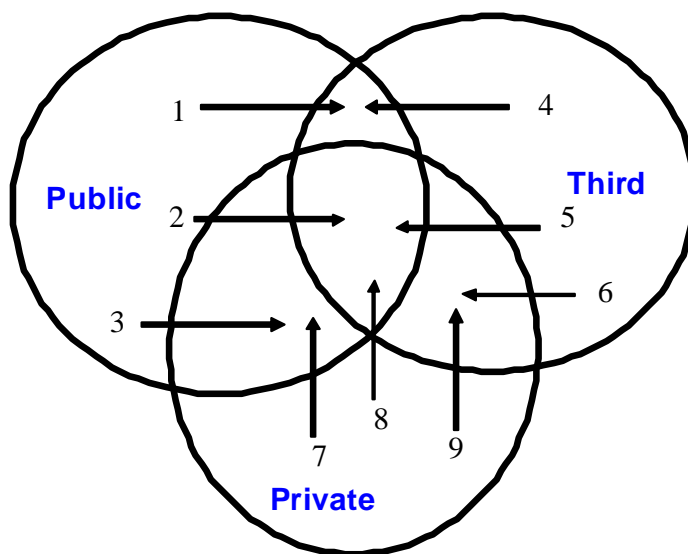
According to a prime sector approach, stakeholders and public policy makers need to be clear whether the organizations they are working with, and in, fundamentally adhere to the principles of accountability inherent in either the public, private or third sector. Thus, hybrids are not on a continuum but have a clear cut off point evident when principal owners take the boundary-shaping decisions (closures, conversions mergers etc.) according to the principles of the different sectors.

But neither are hybrids a separate sector since there is no evidence that they have distinctive and explicit *principles* of management and operation which set them apart from other sectors.

Figure 3.1 depicts the three sectors and their hybrid zones

**Figure 3.1**

**The three sectors and their hybrid zones**



**Key:** *The hybrid zones*

- |                         |                          |                         |
|-------------------------|--------------------------|-------------------------|
| 1. Public/Third         | 4. Third/Public          | 7. Private/Public       |
| 2. Public/Private/Third | 5. Third/Public/Private. | 8. Private/Public/Third |
| 3. Public/Private       | 6. Third/Private         | 9. Private/Third        |

The model of the three sectors requires a few words of explanation.

Firstly, the circles which represent sectors are not intended to reflect the size of resources or impact of these sectors in different countries. These clearly vary from country to country.

Secondly, it can be seen that each sector may have three forms or zones of hybridity.

Thirdly, the figure is unable to capture an important aspect of my argument: that is – whereas the move across sectors is a fundamental organizational decision – it is possible to slide into one or more of the nine hybrid zones. (See the later discussion on shallow and entrenched, and organic and enacted hybridity).

Finally, just a few tentative examples (without explanation) from the public and private sectors may help a very modest fleshing out of the model and perhaps stimulate debate. Third sector examples can be found in other chapters of the book.

Public/Third	NHS Foundation Trusts
Public/Private/Third	The BBC
Public/Private	Nationalised industries, Fannie Mae
Private/Public	Partnership UK (51 per cent private equity)
Private/Public/Third	The National Lottery
Private/Third	The John Lewis Partnership

## **Part four: The case of hybrid TSOs**

Although the issues discussed in this part of the chapter are likely to have counterparts in other sectors, the following discussion is restricted to some key theoretical and practical issues for the third sector raised by the prime sector approach to hybridity. It opens by distinguishing firstly between ‘shallow’ and ‘entrenched’ hybridity and secondly between ‘organic’ and ‘enacted’ hybrids. These sections are followed by a consideration of one of the chronic dilemmas of third sector theory: the role of paid staff.

### *Shallow hybridity*

Hybridity in the third sector is not a new phenomenon. For many years, some organizations have moved into hybridity in a rather gentle fashion, causing minor disturbances, but not necessarily calling into question their basic third sector identity.

The introduction of a modest form of hybridity often arises from the desire to maintain or perhaps extend the range of activities. Board members with a business background might be keen for more commercial approaches. For example, in one case study, the appointment of an NHS consultant led to pressure to work more closely with the health service. Resources and grants from government or business might be received to support the general purposes of the organization.

Field work over several decades indicates that taking on the first paid staff (the typical human resources of the public and private sectors) can be felt as an important step into shallow hybridity for TSOs (Billis, 1984a). This can be uncomfortable but most TSOs appear to have survived this early discomfort and have preserved the integrity of their core missions. Initially, they may employ staff to handle their supporting non-operational activities.

At some point, the organization may decide that it needs one, or even a few, paid staff to undertake operational work to meet the needs of its users. A special grant might be sought, or an appeal launched, and workers are recruited. Often, the first paid staff may themselves have been committed members, perhaps founders of the organization. Even where tensions arise between volunteer workers and those who get paid for the same work, this may still be regarded as belonging to the shallow form of hybridity.

### *Entrenched hybridity in the third sector*

Whether planned at all or not, entrenched hybridity can arrive both at the (a) governance and (b) operational levels of organizations in all sectors.

At the governance level, the board or other form of governing body may find itself compelled to, or under pressure to, accept permanent government or private sector representatives in return for resources and influence.

More usually, entrenched hybridity in the third sector begins as a result of receiving private and public sector resources through grants, contracts and sales. These resources will increase and decrease according to political preferences and

market forces but they may become sufficiently reliable that, together with third sector sources, they represent a flow of income adequate to maintain a structure of management. (But entrenched hybridity need not take this ‘organic’ route; it can arrive immediately through ‘enactment’ – see the following section).

At the operational level, entrenchment arises when paid staff become dominant in the delivery of the operational work of the organization and a management structure with several hierarchical levels is established. Then the organization can be considered to have embedded into its structure core features of the firm and bureau. The rules of the game begin to change and associational principles have to coexist with alien principles drawn from the private and public sectors (see Table 3.1). This is because maintaining a structure of staff leads to increased pressure towards considerations of individual and organizational survival. Significant resources have increasingly to be secured often through the political process (that they meet public policy needs), and/or through the market principles of cost and price.

Entrenched paid staff structures bring with them a different language and way of operation. People are then dependent on the organization for their livelihood and – quite naturally – hours and conditions of service, promotion and career development have to be accommodated. Formal job descriptions, managerial accountability, sanctions and reward systems all become daily features and replace the ‘group’ and ‘committee’ as the prime ways of organizing and solving problems. It becomes increasingly likely that such structures are influenced by political and commercial priorities and activities. There are other possible consequences. Volunteers might wonder why others should receive payment, whilst they give their labour freely on the basis of belief and commitment (see Chapter 5).

Although entrenched hybridity may increase the propensity for mission drift, I am far from arguing that this is inevitable. If third sector resources are themselves adequate, then entrenched hybrids can be established from within the sector itself. It seems reasonable to assume that despite the tensions that arrive with the introduction of employment hierarchies, this type of hybrid TSO will be less susceptible to mission drift. More importantly, paid staff may also be active or principal members/owners: an essential part of this analysis which is discussed shortly.

## **Organic and enacted hybrids**

Much of the third sector literature has been occupied with organizations where hybridity has resulted from the steady accumulation of external resources. Over many years, organizations may have moved from shallow to entrenched hybridity. However, in this new era of frenzied organizational experimentation, there are a growing number of hybrid organizations that are enacted, that are established from day one as hybrids, usually by other organizations.

A full analysis of enacted hybrids lies well beyond the scope of this chapter but we can note that – notwithstanding the recent upsurge – they have been around for many years. We need to think here only of the nationalised industries owned by government but operating in the market.

Enacted hybrids arise for different reasons, in different sectors and under different broad headings. Although they may be seen as part of the broader category of numerous collaborative mechanisms across sectors (including partnerships, networks, project groups, joint ventures and joint operating groups), they are distinguished by the fact that they have an *apparently* independent, often legal, structure. Thus governments can create or sponsor new organizational forms (see Chapters 8 and 9), oil companies can collaborate with national governments in separate legal forms and TSOs can establish trading companies (Chapter 4).

Enacted hybrids may present complex problems of accountability and later chapters will enter this territory. The only point that might be made in this chapter is to question the extent to which these arrangements are time-limited and the extent to which they affect the basic sector identity of individual organizations involved in the collaborations.

### *Paid staff as members/owners?*

Another problem remains unresolved. The theoretical quandary is as follows. Hybrid TSOs are usually and increasingly dependent on paid staff and may have few if any ‘formal members’, so how can these agencies be part of the third sector whose core principles, I have argued, are based on the association? In an attempt to resolve this apparent contradiction the nature of membership/ownership will be revisited.

My argument is that in hybrid TSOs paid staff may also be part of the *active* membership by similarly (to other active members) demonstrating their genuine



commitment to organizational purposes through their freely given and un-coerced contributions to the operations and governance of the organization. Thus, additional to their normal work role, they may undertake voluntary work or provide other resources. They may participate in committees and other governance activities. They may have a more flexible approach to precise hours of work flowing from a belief in the purposes of the organization. 'Voluntary' must mean what it says. As Bacchiega and Borzaga put it in their analysis of social enterprises 'incentives for workers are not based exclusively on monetary rewards; rather, they derive mainly from workers' involvement in shaping and sharing the organization's goals and mission' (Bacchiega and Borzaga, 2001, p. 274).

Being part of the governance process is more than a consultation exercise in which staff opinions are solicited in order to help managers do *their* work. In contrast, in these meetings, the active TSO members combine their work role with a personal commitment to the cause to discuss broader organizational issues informally or perhaps in a more structured fashion. There is a degree of overlap and hybridity in their paid work and membership roles.

From this pool of paid staff of active members, there may be those who are sufficiently committed and influential to be considered a natural part of the ownership of the organization which makes the critical decisions discussed earlier.

## **Part five: Discussion and conclusions**

This chapter presented a tentative theory of hybrid organizations in order to facilitate a later discussion of the list of issues laid out in the introductory chapter. This concluding part summarises that general approach to hybridity and offers just a few thoughts on its relationship to the opening catalogue of issues. I have not attempted to draw conclusions about the possible implications for research, policy and practice. That task seems more appropriately undertaken after taking into account the lessons that emerge from Part II of the book.

In view of the contested boundaries of the third sector, the chapter began the process of model building by drawing on research and literature from the private and particularly from the public sectors. The concepts of '*element*' (present in all sectors) and '*principles*' (distinctive sector rules of the game) were used in order to build a comparative model. It rapidly became clear that if a similar model were to be

developed for the third sector, several intellectual challenges would need to be confronted. The first of these was the problem of *ownership*, a core component of these models. Applying the traditional economic definitions of ownership inevitably leads to the familiar conclusion that TSOs have no owners. Rather than abandon the concept in the model building, ownership was revisited and redefined in terms of its accountability for different levels of decision-making. Principal, active and formal owners were defined. Principal owners were seen to be those that take the major boundary shaping or strategic decisions. Approaching ownership in this way enabled the concept to be more realistically employed in the third sector model.

The second challenge was to uncover an ‘ideal type’ of the third sector which possessed an equally robust set of core distinctive principles. After reflecting on the policy and research literature, the conclusion was reached that the positive attributes most frequently claimed for the sector were found in their most pristine form in the archetypal association. This does not mean that such groups are unproblematic utopian communities, or that they are the most significant players in public policy. Placing the association and its claimed virtues at the heart of the third sector is comparable to the powerful ideal models of the public and private sectors under whose own general *principles* can be found equally diverse groups of institutions.

These two threads of argument (ownership and distinctive principles) and the proposition that organizations had *primary accountability* to the principles of one sector, led to the model presented in Table 3.1 and eventually to the depiction of hybrid organizations in Figure 3.1.

In an attempt to get to grips more closely with the nature of hybridity, *shallow* was differentiated from *entrenched states* of hybrid TSOs. It was hypothesised that entrenchment is likely to be associated with the development of hierarchical levels of paid staff and the associated resource demands, usually from public and private sector sources. In the belief that these may prove to have different problems, it was suggested that it might be worth while differentiating *organic* from *enacted types* of hybrid – those established by other organizations.

Finally, the chapter returned to what currently appears to be a central theme of the ‘optimistic–pessimistic’ debate, the position of large paid staff TSOs. I raised the possibility that based on the discussion about principal owners/members, paid staff may under certain circumstances be part of this group.

Where relevant, following chapters will reflect on these concepts and explore their utility in the light of their own specific areas of study. Although the notion of overlapping sectors and zones is based on a long history of personal research, many of the concepts ('the role of principal owners', 'shallow and entrenched hybridity' and 'organic and enacted hybridity') have had more limited testing. Those studies will also therefore present an opportunity to reflect on their potential usefulness in a wide range of third sector settings.

I hope, therefore, that the discussions of 'hybridity in action' in Part II of the book make it possible to respond to most of the questions raised in the introductory chapter. To take just one example: who are the accountable owners of hybrids?

This is one of the most pressing and puzzling questions for policy and practice. The decision-making approach to ownership – which was conceptualised in terms of principal, active and formal owners – was intended to help confront this question and assist in increasing transparency of accountability.

This chapter has primarily concentrated on the organic hybrids with a single accountable ownership body. I think that a strong case can be made that if we can ask more penetrating questions and get closer to an answer about ownership in these forms of hybrid TSOs, this would represent a major step forward. Nevertheless, as noted earlier, there is a growing body of more complex TSOs with interlocking layers of ownership and accountability that remains to be explored. To complicate matters even further, the tendency to enact hybrid organizations appears also to be increasing, with the possibility of another distinctive set of issues and challenges. Some of the following case studies enter this territory, and again this may provide the opportunity to test and possibly further develop the ideas presented in this chapter.

## Notes

1. In earlier publications, I have referred to the third sector as the Association sector. However, this has caused some confusion between the definition of the sector and its core organizational units. Other writers have met the same problem (Warren, M. (2001) *Democracy and Association*, Princeton, N.J.: Princeton University Press).

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