Part I

1 Value creation among hybrids

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Abstract

The valuation of economic and social action is by no means a straightforward task. Furthermore, it is particularly complicated to link value creation mechanisms to the institutional contexts where value is enacted. This chapter fills this research gap by exploring the dissonance of value creation in the context of hybridity. By hybridity, we refer to the interface of public, private and civil society forms of institutional action through distinct modes of ownership, parallel but competing institutional logics, a diverse funding base and various forms of social control. We associate the plethora of value concepts and value creation mechanisms with the settings of hybridity, where value has a polysemic character and where institutions and actors should be able to provide several categories of value simultaneously: value for society, taxpayers and the public, as well as value for customers and shareholders. We provide a broad overview of value creation mechanisms as forms of "doing value." The chapter concludes with three essential forms of value creation in hybrid settings, namely, mixing, compromising and legitimising, which are inextricably intertwined with the fundamental characteristics of hybridity and hybrid organisations. It also discusses the ways in which value creation efforts in those contexts can be explored.

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.

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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.

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, microfinance 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).

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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).

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. Legitimisation 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.

<COMP: Place Table 1.2 Here>

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.

Figure 1.1 Linking hybrid governance with value creation mechanisms

Table 1.1 Value creation in prior research: the doing perspective

	Why is it relevant in hybrid settings?	How does it work in hybrid settings?	What examples could illustrate the value creation form?
Mixing	Multiple actors concur with multiple values	Combinations of previous or existing value	National innovation and triple helix systems

	and the multiplicity of value creation logics. Innovative combinations are required and designed due to the incompatibility of value forms and categories.	categories are created with the aim of generating novel variants of value. These combinations may evolve “by design” or “by default.”	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.
Compromising	Multiple, competing, sometimes conflicting logics and aims coalesce with the need to seek compromises. Compromises are	Reconciliation of the different, competing value creation logics through compromises. This concerns solving explicit or implicit	State-owned enterprises compromising values of society and social goals with those of business interests and global financial markets

	required for institutional survival and choice.	grievances among the interacting parties.	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.
Legitimising	Different audiences and accountability demands constitute a particular request for legitimising activities as well as creating legitimisation strategies in hybrid organisations and	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	In societal systems with fragmented interests and large public and private conglomerates, hybrid organisations can be conducive to increased social capital by bridging communities.

	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.	hybrids and opportunities for hybrid organisations and systems to benefit from the multiplicity of legitimisation audiences.	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.

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

Form of doing value	**Definition**	**Examples of studies**

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;	Teece (1986)

	sometimes used interchangeably with “value capture”	
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	Johanson and Vakkuri (2017)

	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	
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)

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