

## 2 Presenting the topics of the volume

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### Abstract

This chapter highlights the individual contributions of the authors in the volume. The structure of the findings is framed under three important concepts of value creation in hybrid settings: mixing, compromising and legitimising value. Mixing forms of value creation covers empirical cases of state-owned enterprises, higher education institutions, public transit and project organisations. Compromises on value creation include chapters on performance measurement, value creation through boundary objects and the complexities of hybrid systems. Legitimation problems of value are illustrated by the hybrid systems of pension governance, performance measurement in public universities and the exploration of balance between opportunities and risks in hybrid organisations.

This volume builds conceptual foundations to understand hybrids' value creation in their institutional contexts, offering insights into the dynamics of hybrid action and providing descriptions of the multiple levels and rationalities of their survival and productive capacities.

This volume's chapters offer a variety of contexts, conditions and processes for hybrid activity and settings that address several types of value "content," for example, financial, social and public value, further characterised by multiple "forms" of doing value. The myriad of value-creation concepts introduced in Chapter 1 gives rise to the analytic distinction into mixing, compromising and legitimising value. This edited volume is organised thematically based on these conceptualisations (Figure 2.1).

The book covers a variety of geographical locations, such as Europe, Asia and South America. In terms of hybrid contexts, the chapters deal with state-owned enterprises, universities, health care services, urban development, pension policies, social services, voluntary action, boundary-crossing activities and project work. Some of the research subjects, such as state-owned enterprises and universities, are more or less hybrid in nature in incorporating parallel, and sometimes incongruent, goals. Other institutional contexts, such as social service production and voluntary action, have developed hybridity to generate new forms of value and find ways to

adapt to changing environmental conditions. Hybrids need tools to create mutual understanding of their motives, actions and goals. For them, strategic goals and performance measurement can work as boundary objects in building common points of comprehension.

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

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## **Chapter descriptions**

### **Mixing value forms in the context of hybridity**

*Value has a mixed and, therefore, ambiguous character. As hybrids should be able to provide several distinct categories of value simultaneously, mixing as a value-creation mechanism becomes important and, to some extent, necessary for institutional survival. Mixing refers to the process of combining previously created or existing value categories. The aim is to contribute to novel variants, blends and layers of value, the characteristics of which are addressed eloquently in the chapters of this section.*

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

The combination of hybridity, value creation and the university context resembles a Russian nesting doll, with multiple internal layers that each decrease in size. The nature of hybridity changes in moving from the university system level to the analysis of academics and professionals in performing their day-to-day duties. Pekkola et al. study the impact of nested characteristics of hybridity on value creation at universities. Nestedness manifests itself broadly in value regimes. Within the system level, competition exists between preferred types of public values, whereas among academics and professionals, a rivalry exists over professional values. Nested hybridity portrays a battlefield with multiple frontiers and uncertain results. While higher

education systems are tools for economic progress and political control, they also reflect professional groups' relative power positions. The outcome of these struggles is highly indeterminate and extends any simplistic notions of managerialism, as the value of knowledge production depends on the type of production regime. Nested hybridity enables us to view the highly sophisticated system of institutional mechanisms that shapes both internal and external dynamics in higher education. Furthermore, the multiple levels of hybridity elicit the idea that higher education institutions are robust in their constitution not because of their influence or strengths but due to their fundamentally fragmented constellations, which evade straightforward implementation of any single-minded policy goals.

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

consequences. Societal contexts instigate highly diversified bases for value creation in important policy settings, such as urban sustainability.

Godenhjelm and Sjöblom portray projects as octopus-like arrangements that incorporate mixed ownership, goal ambiguity, varied forms of finance and different sources of social control.

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

### **Compromises in value creation in hybrid settings**

*Due to the importance of governing and managing competing, in many cases, contradictory and even conflictual, value-creation logics, compromised value-creation mechanisms are deeply embedded in hybrid settings. Actors and organisations are incentivised to reconcile competing value-creation logics by establishing different types of compromises between them. In this part of*

*the book, the authors seek to understand the richness of compromising processes in hybrid activities and the respective impacts of such compromises on hybrid value creation.*

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

An enduring dilemma facing value creation among hybrids concerns the problem of boundaries. Value is created, produced and facilitated by different sectors, professions and institutional cultures, making boundary-crossing activities particularly important among hybrid settings.

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

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

### **Creating value through legitimisations**

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

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

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

Philip Karré discusses opportunities and risks regarding value creation among two types of hybrid organisations: those operating at the nexus of the public and private sectors, such as state-owned enterprises and quangos, as well as those seeking to combine value-creation logics of public, private and third sectors, such as social enterprises. Karré elaborates on the complicated problem of value creation in hybrid settings, in which opportunities and risks may be two sides

of the same coin. For instance, hybridity may provide room for innovation and experimentation through the multifaceted characteristics of organisational missions, but the very same characteristics may facilitate excessive goal ambiguity and mission drift, thereby detrimentally impacting hybrid organisations' legitimacy. Such a heads-and-tails situation helps us understand the tricky problems of legitimisation in hybrid settings. The chapter proposes that opportunities with value creation associated with hybridity features should be balanced with accompanying risks. Perhaps the intelligence of hybrid organisations lies in finding such a balance, and that hybrid organisations' performance compared with other hybrid organisations should be assessed based on that principle. Furthermore, the chapter convincingly argues in favour of more fully understanding the characteristics, clashes and complications of value-creation logics in hybrid settings. This is important for scientific research on hybrid governance and organisations, as well as policy practices worldwide.

### **Value creation and beyond**

The final section of the book includes two chapters, the first by Johanson and Vakkuri and the postscript by Barry Bozeman. Johanson and Vakkuri discuss the levels of interaction in hybrid value creation by demonstrating the need to go beyond organisationally constituted notions of value and, even more importantly, to understand the roles and sources of value creation throughout different societal levels. In essence, hybrids can unite public, private and voluntary actions, but motivating forces and activity-building engines are attuned to value creation differently. Within the public sphere, the political decision-making arena is the main engine of the government, and individual firms and their collective aggregations are able actors, as are local community groups. Top-down government value-creation efforts are contrasted with the value-capturing endeavours of private enterprises and with the restrictions on beneficiaries in

local communities. The bottom-up developments in hybridity originating from voluntary actions or business endeavours not only require diffusion of adaptation to make a significant contribution but also need to gain approval for their continuous activity.

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

Figure 2.1 Exploring value creation perspectives in hybrid governance.