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THE PARADOX OF  
INSTITUTIONAL BEHAVIOURAL  
ADDITIONALITY AND  
BEHAVIOURAL NEGATIVITY IN  
HYBRID ORGANISATIONS

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Doctor of Philosophy

ASTON UNIVERSITY

September 2018

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ASTON UNIVERSITY

**THE PARADOX OF INSTITUTIONAL BEHAVIOURAL ADDITONALITY  
AND BEHAVIOURAL NEGATIVITY IN HYBRID ORGANISATION**

Michael Gregson  
Doctor of Philosophy, Aston University  
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**Abstract**

The research explores how the impact of UK Government policy impacts change in a hybrid organisation created out of a public-sector organisation, it shows how this type of policy change is characterise by the paradox of Behavioural Additionality and Behavioural Negativity that relates to the context specific success or failure of commercialisation. The research initially explores the concept of Behavioural Additionality through organisational routines, and utilises Neo-Institutional Theory to understand and explain the impact. This key finding informs New Public Management literature as this new hybrid organisation seeks to establish a commercial focus with a public sector ethos. The context of the research is characterised by UK austerity policy change and a reduction in public sector funding. A key contribution introduces the concept of Behavioural Negativity to this debate. In terms of a practical contribution the thesis justifies why UK austerity policy needs to consider the impact of both Behavioural Additionality and Behavioural Negativity on the implementation of public sector hybrid organisations.

To establish the importance of the historical context the literature review considers debates from the areas of New Public Management and New Public Governance. Hybrid organisations are created to address public needs and to produce services that are public in character, at the same time resembling private corporations in the way they are organised and managed as a commercial business. The research is a case study. focused on understanding how a hybrid organization is set up and governed through a large public-sector organisation. The key principle of operating as a competitive commercial organisation runs in parallel with delivering the established public-sector work. A qualitative methodological approach was selected to gain insight and depth of a hybrid organisation which includes ethnographic work for a period of 15 months. The study adapts the coding framework of a modified Grounded Theory approach to analyse the data and develop results that explain the changes within the hybrid organisation. This includes the creation of a new concept, Behavioural Negativity, which informs the paradox of Behavioural Additionality.

Implications for theory and practice are discussed in relation to the theoretical contributions of the research include the following;

- Behavioural Negativity and Behavioural Additionality are shown as a paradox in a context specific model, and a model that has been designed to be generalised
- Management of the conflict between commerciality and public value is mediated through the concepts of governance, risk and relationships.
- Behaviour Negativity is institutionalised through legacy, legislation, culture, resources of power, control, risk and change in relationships between the hybrid organisation and the parent organisation.

- Changing social structures within hybrid organisations are characterised by the governance of positive and negative behaviours, changes in power, governance, culture and relationships.
- Public sector policy, austerity and ethos creates constraints and opportunities that influenced the hybrid organisation to become more commercial.

There is a shortfall of research regarding hybrid organisations in terms of how they are formed from a public sector organisation and established as a hybrid model of private-public sector organisation. This research contributes towards an understanding of this gap.

**Keywords:** Behavioural Additionality, Behavioural Negativity, Organisational Routines, Hybrid, New Public Management, New Public Governance, Institutional Theory

## **Dedication**

This thesis is dedicated to my parents Janet and Eric Gregson, and in particular my mother for their everlasting belief, support and pride in my journey and commitment to the doctoral research programme and continued journey.

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It has been an epic journey undertaking the PhD and there are many people I would like to thank for supporting me throughout this challenging but immensely enjoyable time.

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## **1. Introduction**

The research explores the impact of policy change in a hybrid organisation, created out of a public-sector organisation, and shows how this type of policy change is characterised by the paradox of Behavioural Additionality and Behavioural Negativity. The research initially explores the concept of Behavioural Additionality through organisational routines, and utilised Neo-Institutional Theory to understand and explain the impact. A key finding shows how Behavioural Negativity, emerges as a paradox with Behavioural Additionality as this new hybrid organisation seeks to establish a commercial focus with a public sector. There is a shortfall of research regarding hybrid organisations in terms of how they are formed from a public sector organisation and established as a hybrid model of private-public sector organisation. This research contributes towards an understanding of this gap. To gain insight into this phenomenon qualitative research was selected to provide meaning and understanding of the hybrid mix of public sector ethos and values, and how that influences commercial management practice. The findings are illustrated through two models: a paradoxical situational context specific model and a paradoxical model that can be generalised. The following section details the policy context in which the hybrid organisation was developed.

### **1.1 Research aims, questions and objectives**

The research explores the effect of change on a hybrid organisation that has been created by a Public sector organisation facing continued pressure as result of UK austerity policies. The research aims to explore how the hybrid transitions from a public sector department to a commercial organisation, whilst maintain a Public sector ethos and values understanding the behavioural change within the firm. The objectives of this research are to:

- To utilise the concept of Behavioural Additionality and organisational routines to understand the participants views from the position of employees, governance, leadership and external agents.
- To examine the relationship between the newly formed hybrid organisation and the parent public sector organisation, including the effects of austerity on both organisations through the lens of Institutional Theory
- To consider the influence of New Public Management, New Public Governance, Public ethos and value within a hybrid organisation transitioning to commerciality and the impact on behaviour, routines and culture.

- To contribute to theory and practice in the area of hybrid organisations

This research explores the impact of austerity policy change in the Wholly Owned Company (WOC) and shows how this type of policy change is characterised by the paradox of Behavioural Additionality and Behavioural Negativity. The research initially explored the concept of Behavioural Additionality through organisational routines, and utilised Neo-Institutional Theory to understand and explain the impact.

The key research questions to be answered by the research are;

- To understand how a hybrid organisation is formed from a public sector organisation and how it operates as commercial organisation
- To understand the extent to which relationships and behaviours influence the newly formed hybrid organisations and their success

A key finding shows how Behavioural Negativity, emerges as a paradox with Behavioural Additionality as this new hybrid organisation seeks to establish a commercial focus with a public sector ethos. There is a shortfall of research regarding hybrid organisations in terms of how they are formed, and how they change from a public sector to a hybrid model of private-public sector organisation. This research contributes towards an understanding of this gap by conducting qualitative research to explore this issue and provide meaning and understanding of the hybrid mix of public sector ethos and values, and how that operates in commercial management practices.

The key findings are discussed in relation to theory and practice. These include:

- Behavioural Negativity and Behavioural Additionality are shown as a paradox which creates opportunities and constraints. Evidenced through the lens of organisational routines and Neo-Institutional Theory the paradox influences the establishment of the hybrid organisation
- Public sector austerity policy influences the paradox of Behavioural Additionality and Behavioural Negativity, impacting the hybrid organisation in the quest to become more commercial, legitimate and independent
- The hybrid organisation is constrained from exerting independence from the parent organisation by the management of conflict between commerciality, legislation and public value, which is mediated through the concepts of governance, risk and relationships

- Behavioural Negativity is institutionalised through legislation, culture, resources of power, control, risk and the relationships between the hybrid organisation and the parent organisation.
- Behavioural Additionality is evident in the changing structures of Governance over a two-year period. This period is characterised by an oscillating shift between negative and positive behaviours, changes in power, and working relationships.
- Changes in the leadership of the hybrid organisation influence Behavioural Additionality and Behavioural Negativity, in relation to commerciality and how public value is mediated through risk.
- Behavioural Additionality and Behavioural Negativity are institutionalised through legislation, culture and change in power relationships between the hybrid organisation and the Local Authority 'parent' organisation
- The thesis adds to the established conceptual and the theoretical debates that characterise New Public Management and Behavioural Additionality

## **1.2 Researcher**

The researcher is cautiously aware that his own career, which has extensive experience in a mix of Private sector and Public sector organisations, including holding senior leadership roles, may influence this research, and has been aware of the ethical implications of his own cultural baggage throughout the research process.

The practicalities and limitations of being both researcher and practitioner is an important aspect of the research as the researcher spent time in both the Local Authority 'parent' organisation and the hybrid organisation as a researcher and practitioner. This spanned a period of two and a half years during which time the researcher was based in the parent organisation for a period of six months. The researcher observed the emergence of the hybrid organisational from the perspective of the Local Authority. The researcher then moved to the hybrid organisation as a change agent operating outside of the Local Authority leadership and management structure. The role changed to support the strategic aims of the hybrid organisation and enable the two organisations to work together. The researcher observed how the two organisations interrelated with one another and how austerity policy was impacting both organisations at a strategic and practical level. Working in both organisations has provided a rich and unique ability to observe changes and strategic impact, however, it has also raised ethical issues, which are addressed in the thesis.

At a theoretical level the researcher sought to understand and explain the philosophical, organisational and behavioural aspects of this phenomena. In relation to practice the findings provide insight and empirical evidence about how organisations manage the procedural constraints and opportunities, behavioural and cultural changes and the influence of values between public and private sector management practices. The findings contribute towards understanding how austerity policy influences governance, leadership, management techniques as well as organisational and cultural environment.

### **1.3 Overview of Key Literature**

Below is an overview of the literature used in exploring the research aims of the hybrid organisation transitioning from a public sector department to a commercial organisation, whilst maintaining a Public sector ethos and values understanding the behavioural change within the firm.

The overview of the literature provides the reader the reasons rationale for the selection of the literature and shows how each element relates to each aspect and the research.

#### **1.3.1 Behavioural Additionality and Organisational Routines**

In 2003, The Organisation for Economic Co-operation and Development (OECD, 2003, p 5) 'suggested that future work attempt to investigate how governments can improve the effectiveness of individual instruments and the mix of policies used to support R&D and innovation'. This led to commissioning pilot research to understanding the effectiveness by measuring Behavioural Additionality (BA) and involved several countries including the following: Australia; Austria; Belgium; Finland; German; Japan; Korea; Norway; United Kingdom and United States. Using the concept of Behavioural Additionality, the early work measured how a policy has affected the behavioural change of an organisation, influenced innovation and related behaviours related to it Wolman (1986, p 175) regarding Rogers (1983, Ch 7) discusses the lack of information regarding behaviour, and suggests 'innovativeness yields little usefulness about organisational behaviour in general or local government behaviour specifically'.

Behavioural Additionality as a concept appeared in 1995 as part of the evaluation logic regarding technology and innovation policies (Buisseret et al., 1995). It is used as a concept of evaluation for innovation programme and is considered particularly important with a wide-ranging audience such

as policy makers and evaluators. Buisseret et al., (1995) defined Behavioural Additionality as, 'the change in the company's way of undertaking R&D which can be attributed to policy actions.' Gok (2010) suggested that the concept was coined as a reaction to input-output based logic of evaluation of technology and innovation policies, Buisseret et al, (1995) called for an evaluation framework in which policy analysis focuses on the firm itself as opposed to mainstream understanding, thereby taking the firm as a black-box. They proposed that just understanding the input investment and output production was not enough to understand the success of policy, hence they proposed a study to understand what happens inside the firm because of the government intervention and ask the question 'what difference does policy make in the behaviour of the firms it supports?' (Buisseret et al., 1995) To evidence this they use the example of collaboration to explain the concept, arguing that collaborative behaviours of the firms attributable to the public support are Behavioural Additionality. Hartwich and Negro (2010) discuss the aspect of co-production within innovation whereby actors along value chain or domain of interest, co-operate, and co-ordinate their activities to generate new knowledge, technologies and practices designed for change.

Furthermore Gok (2010) describes organisational routines as central to understanding the behaviour of organisations by providing coherent, stable units of analysis to understand change within organisations. Gok (2010) draws on the work of Nelson and Winter (1982), who claimed that there should be a better explanation for firm behaviour than the naïve assumption that they are fundamentally homogenous in terms of their goals, orientations and accomplishments. Their quest was to understand the dynamics of this behaviour and thus its continuity and change. As such Nelson and Winter (1982) introduce organisational routines as the unit of analysis that shapes the firm behaviour and the radical idea and thus gained powerful allies since. The selection of Behavioural Additionality as a concept is used in the research design to understand the change of behaviours within the organisation because of the removal of funding due to the austerity measures that are impacting Public Sector organisations. As discussed above the concept has been used to understand the impact on R&D and innovation in relation to funding interventions or contributions within organisations. Organisational Routines will be used as a methodological lens to explore any change within routines in the organisation to understand the relationship and changes regarding innovative behaviour within the organisation and thus understanding any behavioural changes.



### 1.3.2 Public Value and Public Ethos

The public value and public ethos literature inform us how the hybrid organisation being created from a public-sector organisation manages behaviour, culture the value system inherited from the public sector organisation as it shifts to include commercial values. Regarding the public-sector ethos there is a significant shift in context in the changing relationship, which marks a shift in different terminology in public sector ethos (Carr, 1999; Horton, 2003), public service ethic (Chapman, 1994), public service ethos (Pratchett & Wingfield, 1994) and public service motivation (Perry & Wise, 1990). Collectively these are referenced as behaviours and inform the research when considering the changes within the hybrid organisation and the journey of change to achieve a balance between commerciality and delivery of services for the public good. Within the research the aspect of beliefs, values and visions was important to the participants and the values and attitudes beyond self-interest and organisational interest (House of Commons, 2002; Vandenabeele et al, 2006).

Public Value is referred to as the creation, or extent to which, public values criteria are met and where these are some combination of input, process, output, and outcome measures and political processes. It is suggested that social cohesion should be sufficient to ensure effective communication and processing of public values, and sufficient transparency exists to permit citizens to make informed judgements (Bozeman, 2002, 2007; Kalambokidis, 2014). This is an important aspect when understanding the aspect of behavioural change within the hybrid organisation and the aspect of the behavioural change of an entity from the input and delivery of the output (Gok, 2010). The literature and relationship to the operationalisation and measures of public value are subject to debate, and this research will provide depth insight into how the influence of public value and ethos influence the changes of behaviours within the hybrid organisation t (Gok, 2010). This will be explored to understand the role of management, governance, leadership and employees in relation to public value, individualism and changing market forces, along with changes in the public domain (Moore, 1995; Bennington and Moore, 2011).

The combining factor between hybrid organisations, public value and ethos is the body of literature on New Public Management, which represents the movement beyond traditional public administration and the challenges to networked, multi-sector, and shortcomings of previous public administration approaches (Bryson, Crosby, Bloomberg; 2014).

### **1.3.3 New Public Management and New Public Governance**

New Public Management literature is extensive and covers many areas cited in the field of Public Administration (Andrews, 2011; Andrews and Van de Walle, 2013; Politt and Bouckaert, 2004a). In practice it relates to Local government concern with providing services directly to citizens. There is reference to government being subject to the financial and budgetary constraints, and resource management efficiency is a prime area of concern (Geys and Moesen, 2009; Perez-Lopez, Prios, Zafra-Gomez, 2014). For this study the key features of New Public Management discussed within the literature is the adoption of organisational structures and management techniques evidenced in the private sector (Christensen and Laegreid, 2011). Literature shows that the main purpose is to improve the efficiency of local government (Gregory et al, 2012; Hood, 1991, 1995), which is frequently interpreted as cost reduction (Hood and Dixon, 2013). The research looks at the influence of New Public Management, with links to Public Value Ethos, as the context and environment changes in relation to how these hybrid Organisation operates.

Osborne (2010) summarises the key elements of NPM as (1) An attention to lessons from private-sector management (2) the growth both of hands-on “management” – in its own right and not as an offshoot of professionalism – and of “arm’s length” organisations where policy implementation was organisationally distanced from the policy-makers (as opposed to the “interpersonal” distancing of the policy-administration split within PA. (3) A focus upon entrepreneurial leadership with public service organisations (4) An emphasis on inputs and output control and evaluation, and upon performance management and audit (5) The disaggregation of public services to their most basic unit and a focus on their cost management and (6) within Anglo-American and Australia/New Zealand regions at least, the growth of use of markets, competition and contracts for resource allocation and service delivery with public services. The links with management techniques, changes within routines and behaviours are linked with NPM and Behavioural Additionality. The research looks at an organisational level to understand how the influence of NPM change within the hybrid organisation and legacy from the Public sector organisation impacts a commercial organisation, whilst maintaining a Public Ethos and public value.

New Public Governance (NPG) (Osborne (2006) is explained as NPM as transitory between the bureaucratic tradition of PA and the embryonic plural and pluralist tradition of NPG. Osborne (2006) suggests that there is a pressing need for more holistic theory of Public Administration Management

(PAM), that moves beyond the dichotomy of administration versus management and is more comprehensive and integrated in approach to PAM in practice. Within this research, the hybrid organisation represents the commerciality of public services and the changing shape of public services. Osborne (2006) argues that NPG can tap into a more contemporary stream of management theory concerned with the 'relational organisation' that the output and intra-organisational focus of NPM (Osborne, 2006). This is relevant to the research in relation to understanding of the relationships between the hybrid organisation and the public sector organisation, and how this influence behavioural change of both. NPG argues for a plural state where multiple inter-dependent actors contribute to the delivery of public services and a pluralist state, whereby multiple processes inform the policy making systems (Osborne, 2006). The consequence of the two forms of plurality focuses on inter-organisational relationship, governance of processes and stresses service effectiveness and outcomes. It also includes and emphasises design and evaluation of enduring and continuing inter-organisational relationships which are focused on trust, relational capital and relational contracts as the core governance mechanisms (Bovaird, 2006; Teicher et al., 2006)

### **1.3.3 Institutional Theory**

In the literature, Institutional Theory is described as focusing on understanding the main social structures and highlights the role of norms, rules and typifications. It deals with how individuals, groups and larger entities construct social structures including modes of interacting and pursuing organisational objectives. The early theoretical concepts include the identification of sources of power, forced behaviours, and organisational procedures (Meyer & Rowan, 1977; Powell & DiMaggio, 1991; Scott, 1987). In relation to the research this helps to understand the need to understand the different types of power relationships that exist between the organisations. As such operationalising organisational routines as a lens enables us to understand the impact of this on the hybrid organisation. The institutional aspect from the literature is the understanding of the concept of legitimacy, a key factor when linking the aspects of Public Value, ethos and NPM and NPG as a background to the existence and identification of a hybrid organisation when establishing itself from the Public sector organisation, and the challenges the parental organisation has with that legitimacy. Internally legitimacy justifies who has the power of control and co-ordination. Externally legitimacy influences which organisations can gain access to resource. It does not refer to what is desirable, appropriate, good, and valid (Dehordy & Jones, 2008). Dimaggio & Powell (1983) refer to legitimacy as the connection between institutional arrangement and the shape of organisational and individual

practices and routines. The literature also discusses the aspect of survivability, and from the research focus this means survivability in relation to becoming a more commercial organisation.

The conflict and challenge between the two organisations are an important aspect and relates to the concept of Behaviour negativity. Institutional structural forces can be both enabling and constraining relative to the efforts of change agents who undertake institutional work (Jones & Messa, 2013; Lawrence & Suddaby, 2006; Lawrence, Suddaby & Leca, 2009; Suddaby, 2010), thus institutions seek to bring stability and order. Institutional theory attends to both consensus and conformity as well as conflict and change in social structures. These aspects are evident in the hybrid organisation. Institutional Theory offers a lens to understand the systemisation of the concepts of Behavioural Additionality and Behavioural Negativity relative to the complexities of an organisation being created from a public sector organisation.

#### **1.3.5 Justification for the research on Behavioural Additionality and Negativity within Hybrid Organisations**

The researcher was aware that the literature regarding Behavioural Additionality, Public Value and Ethos along with New Public Management and New Public Governance has already a gap in micro level studies that provide insight of the impact of the concepts and theories at this level (Gok, 2010; Osborne, 2006, 2010; Moore 2013). This research contributes towards this gap by taking a case study approach and considering the black box of a hybrid organisation to understand the changes because of moving from a public sector organisation.

Organisational routines are used as a method for observing behavioural change and Becker (2004) concludes the literature gap between a behavioural and cognitive definition of routines appears to be aligned with a gap between the empirical studies of routines in organisations. Feildman (2000, 2003) have extended the literature by looking at how cognitive regularities and behaviour regularities relate to each other.

Utilising different streams of literature and different aspects of routines between behavioural and cognitive regularities through qualitative research extends the earlier research of Nelson & Winter (1982) and Becker (2004). The work of Gok (2010) builds on the quantitative research by developing a measurement concept of Behavioural Additionality.

### **1.3.6 Methodological limitations in the Behavioural Additionality Literature**

The methodological design of previous studies has been based at a macro level, with the literature recommending studies at a micro level. In Behavioural Additionality, the studies have used quantitative data collection methods, and the literature recommends more qualitative case studies to understand behavioural change at the firm level (Gok, 2010).

## **1.4 Introduction to the Background and context in which the Hybrid was formed**

This section provides a policy background description of the context in which the Hybrid was formed. It details why the local authority is acknowledged as the parent organisation, explains the governance of the hybrid organisation, and its early stages of development. This illustrates the nature of both organisations, and justification of the research investigation

### **1.4.1 Policy Austerity and the impact on the Public Sector**

The global financial crisis of 2007 – 2008 was one of the most severe since the Great Depression of the 1930's. Some of the world's best-known financial institutions collapsed or were nationalized, whilst others didn't survive or were supported by massive state support. The financial meltdown crisis affected major financial centres across the entire world. In addition, it also generated a collapse of international trade more severe than any since the 1930's, and a broader economic downturn that involved all regions of the globe. Many countries went into recession as a result.

In response to the global financial crisis the UK government have centrally imposed public sector cuts on local government, which have been proportionately more than in other Public Sector areas hitting parts of Local Government in ways they have never experienced before (Murray et al., 2011). This has led to English Local Government facing a 28 per cent reduction in central government funding over a four-year period, which has been front loaded meaning a projected shortfall of £6.5bn during 2011/2012 alone (Conrad, 2011). The reductions are claimed by Ministers, discussed on the Gov. UK Web Page (<https://www.gov.uk/government/news/can-do-councils-come-to-fore>, 2011), to be achieved without deterioration in frontline services by reducing senior staff pay, improved procurement, back-office shared services, and removal of non-value adding jobs (Murray

et al., 2011). This strategy has been criticized as lacking empirical basis (Conrad, 2011). However, the National Endowment for Science, Technology and the Arts (NESTA, 2011) advised, 'that the combination of straightened public finances with major social challenges mean that public services need to become more productive and new ways of working. Innovation in the Public sector is therefore a pressing task, hindered, not least by the lack of available data on activity and performance' (Hughes, Moore and Kataria: Innovation in Public Sector Organisations, Nesta, 2011). NESTA have also referred to the work of the Office for National Statistics and the Organisation for Economic Cooperation and Development (OECD) regarding this area.

The austerity measures have continued throughout the period of the research and have continued to add further pressure on the finances for the parent of organisation and in turn on the hybrid organisation as its main client as well as the sole shareholder.

#### **1.4.2 Local Authority Parent and Hybrid Organisation**

The hybrid organisation was designed to deliver pre-agreed levels of surplus income to the public sector organisation. The hybrid organisation takes advantage of the 'Teckal Exemption' legislation, which means that even if the organisation is owned by Public sector it has the ability to trade currently up to 20% of its turnover with external clients (private and third sector). However, it must also conform to the rule that the *'local authority must exercise no less control over the company than it exercises over internal departments'*. It is this requirement that underpins the governance relationship between the two organisations and influences the behavioural changes that are required when developing a commercial organisation from a public-sector organisation. This also means that the local authority is a 'parent' organisation to the hybrid organisation, and this term will be used in the thesis, and explored in terms of the power that the parent organisation holds over the WOC. The financial model of how the hybrid has been established means that if it delivers above the surplus target it can bid for what is called 'super surplus'. The local authority must agree to this and has the power to turn down the request. This is the only way that the WOC is allowed to gain additional profit to re-invest back into the organisation.

To summarise the WOC is owned by a large public sector organisation in the UK. The workforce numbers had reduced employees from 2009 onwards because of the Government austerity policy measures (Conservative and Liberal Coalition Government, 2010; George Osborne, 2011). A further reduction in employee numbers was planned due to the continued Government austerity measures

and the requirements to ensure reduced budget measures were met. From 2010 onwards this included flattening management structures, introducing new ways of working, consultation with the public regarding new ways of delivering services, and the removal of services. In addition, the consultation process included the outsourcing of services from the local authority, which resulted in the agreement that the Wholly Owned Company (WOC) should be established.

At the time of the research the WOC two services had been transferred from the public sector organisation. The two services involve 200 employees, including the management teams and employees. Service 1 incorporates the architectural services and facilities management and Service 2 administers the statutory building regulation function. Both services deliver on behalf of the public sector organisation, which is simultaneously their main client, and owner. The services were transferred into Special Purpose Vehicles (SPV) as Ltd companies to enable the organisations to trade with private sector, as well as public sector organisations. Termed as a hybrid organisation, providing professional services, they also perform a managing agent service for the local authority and third-party customers related to the delivery of building services through the local authority construction frameworks.

The hybrid organisation structure includes a board of directors consisting of elected members of the main political parties, together with two strategic directors from the local authority. The managing director was appointed at the time the organisation was established in April 2012. In 2014 most of the senior management team was changed as part of a re-structure. In April 2014, there was a change to the governance of the Board to include elected members and three non-executive directors. This has removed local authority strategic directors as Board Directors.

The hybrid organisation senior management team manages all WOC services, including new services, which were transferred over from the public sector organisation in April 2015. The role of the management team is to drive change through the organisational change and move from a public sector organisation to a commercial organisation whilst maintaining a public sector ethos.

## 1.5 The Thesis Structure

The thesis consists of seven chapters.

Chapter 2 reviews existing literature drawing on different areas that influence hybrid organisations. The literature covers several areas. It starts with a policy background explanation of the historical context in which the WOC was established. It then details the development of the literature regarding Behavioural Additionality and the evolution of the concept as a measure of analysis explaining the change within a firm due to policy government intervention. The chapter discusses the concept of organisational routines and how the concept is used with the concept of Behavioural Additionality to understand the change and influence of behavioural change. An understanding of hybrid organisations and how they are created and work within different organisations including their relationship with the public sector organisations from which they have been created is also explored within the chapter. The literature introduces New Public Management, New Public Governance, Public Ethos and Public Value to provide contextual background to the environment in which hybrid organisations operate. Neo-Institutional theory is explored as a way of understanding the relationship between the hybrid organisation and the parent public sector organisation, however there is limited reference to leadership literature. Given the wide range of leadership literature it was not possible to cover all theoretical debates and concepts thoroughly in this thesis.

Chapter 3 justifies the methodological approach in answering the research propositions, introduces the philosophical debates, including the use of pragmatism and justifies how the qualitative methodological approach of Ethnography Research was selected. There is an introduction to the use of modified Grounded Theory for analysis, combined with case study research. The chapter justifies why qualitative case study research design was most appropriate. Justification of the sampling procedures is followed by discussion of the focus groups, and the ethnographical work, including formal and informal interviews, field notes and observations. The chapter also discusses the role of the researcher including the duality of the role as researcher and a change agent. The limitations of the research and the ethical issues of conducting a qualitative research process will also be addressed. The chapter outlines the techniques used to analyse and interpret the data and justify the findings that are discussed in Chapters 6 and 7 including the modified grounded theory coding process as part of the qualitative research design.



Chapter 4 presents the first findings chapter of the research. The themes presented include the paradox of Behavioural Additionality and the introduction of a new concept of Behavioural Negativity, which together explain the dependent working interrelationship between the parent organisation and hybrid organisation. It will also include the systemisation of the concepts using Institutional theory. The chapter highlights the challenges and tensions between the WOC and the public sector organisation from which it was created. The chapter also explores the journey of a hybrid organisation moving from a public sector organisation to a commercial organisation.

Chapter 5 provides further findings discussing the themes of the changing routines within the organisation and the changes within processes, procedures and governance because of behavioural change within the hybrid organisation. It will also discuss findings in relation to these behavioural changes because of the Inter-organisational relationship with the parent public-sector organisation. The issues of power, control and legitimacy themes are also discussed through the findings and how these impact between the two organisations. Public value and public ethos are also discussed through the chapter in relation to how that influences the hybrid organisation managing both the conflicts and collaboration that are characteristic being both a public and private sector organisation. The findings in chapters 4 and 5 inform the development of two models. The study illustrated a situational model that is specific to the historically and contextually specific circumstances of the research and context free model that is generalised to other hybrid organisations. For this study it is important to understand the paradoxical relationship between the two organisations and the creation of the relationship is evidenced through Behavioural Additionality and Negativity. The context of austerity, New Public Management and New Public Governance contextually frame the creation of the hybrid organisation by the Public sector organisation.

Chapter 6 discusses the findings in relation to the research questions, theory, concepts and established literature. The chapter summarises the evidence to propose that the concept of Behavioural Negativity creates a paradox with Behavioural Additionality, which simultaneously drives change within hybrid organisation. Other areas discussed include the changes of behaviour in the hybrid organisation and the influence of NPM on Behavioural Additionality in hybrid organisations alongside the benefits of Public value in such organisations. The conflicts of public value between the parent public sector organisation and hybrid organisation are discussed including; political influence; mediation of governance in managing conflict between commerciality and public

value; Institutional relationships; and positive and negative impacts on culture, governance and behaviours. Legitimacy and the influence on power and culture between the hybrid organisation and the public sector organisation is explored through the research questions alongside the changing influence of leadership. Two models are introduced to explain the findings. First a context specific paradoxical institutional model is introduced to evidence the interdependencies between the hybrid organisation and the Public sector organisation. A second generalisable model is introduced to show the potential impact of the institutional relationship between the hybrid and the parent PSO through Behavioural Additionality and Behavioural Negativity.

The thesis concludes with Chapter 7 which outlines the contributions that this research has made to theory, policy and practice. Chapter 7 also examines the strengths and limitations of the research and outlines opportunities for further research. The appendix contains more background description on the establishment of the hybrid organisation.

## **2. Literature Review**

This chapter reviews the established academic literature in relation to the policy context and the conceptual and theoretical debates that characterize the thesis. The chapter begins by a review of Public Ethos, New Public Management, Public Governance, and Public Value literature, providing the historical and contextually specific context. The chapter then introduces the literature on hybrid organisations to show where they fit into the historical and contextually specific concept.

Conceptually and theoretically the chapter reviews the concepts of Behavioural Additionality, Organisational Routines and Neo-Institutional Theory, which are shown to provide a range of tools to understand the black box of the hybrid organisation and understand the organizational and behavioural changes as they occur over time, and the shifts in relations of power over time.

Finally, there is reference to leadership literature, which is not the main focus of the research but is important to reflect due the aspects of leadership change during the research and the impact of these changes. The leadership aspect would be a recommendation for further research with regard to hybrid organisations.

Together, the distinct policy literatures of Public Sector Ethos, New Public Management and New Public Governance, Public Value and hybrid organisations, and the conceptual and theoretical literature debates of Behavioural Additionality, Organisational Routines and Neo-Institutional Theory are interwoven to identify the gaps and justify the propositions in the introduction. The literature review also justifies why organisational change theories are not included as a theoretical lens to explain the paradox of a hybrid organisation in practice.

### **2.1 Public Sector Ethos**

It is important to understand the context in which the hybrid organisation was established. The essence of public sector ethos is the idea that the employees or managers working within the public sector differ in behaviour and attitudes that those demonstrated in the private sector (Lyons, Duxbury & Higgins, 2006). The concept of the Public Sector ethos has been described in different terminology in the literature, public sector ethos (Carr, 1999; Horton, 2003), public service ethic (Chapman, 1994), public service ethos (Pratchett & Wingfield, 1994) and public service motivation (Perry & Wise, 1990). All of which refer to the collective behaviours, views and attitudes that make up the ethos. The public sector ethos is evident in the Northcote and Trevelyan Report of the

organisation of the Permanent Civil Service (1854). Government views tend to favour the use of 'public service ethos' rather than 'sector', which is a focus on the aspect of service, with the public being considered customers rather than users (Brereton & Temple, 1999). This is also reflective of the change from Public Administration to New Public Management through the 1980's and 1990's (Osborne, 2006).

Common threads that constitute the public-sector ethos include 'impartiality, accountability, trust, equity, probity and service' (House of Commons, 2002). Vandenabeele, et al (2006 21:1, p 13-31) describe traits such as *'belief, values and attitudes beyond self-interest and organisational interest, that concern the interest of a larger political entity, which induce public interaction motivation for targeted action'*. John & Johnson (2008, p 105 - 123) describe public sector ethos as doing *'socially useful job's'*. Motivation for the role is often linked to aspects of social reward as opposed to monetary reward in private sector (John & Johnson, 2008; Crewson, 1995; Houston, 2000). The choice to work in the public sector and the notion of public sector ethos has been muted as a commitment to the role even if there is a lack of commitment to the employer (Guest & Conway, 2001). Local Government studies identified that length of tenure, experience and age are of high importance to explaining public sector ethos (Pratchett & Wingfield, 1996) with employees exceeding 20 years of service to the sector being attributed this finding. Research also shows that workers exposed to, and experiencing, higher levels of competition were less likely to report strong feelings of the characteristics believed to make up the public sector ethos, including accountability, bureaucratic behaviour, public interest, motivation and loyalty (Carr, 1999; Horton, 2003).

Challenges to the features of public sector ethos include the new business models in public sector, which describes the logic and principles that a firm uses to generate revenues and outlines architecture of revenues, costs, and profits (Hummel et al, 2010; Chesbrough & Rosenbloom, 2002). A business model in the private sector defines both the organisational and financial structure of business (Hummel et al. 2010). In practice this means the emergence of new business models, which influence the way private sector organisations engage with the public sector, reflects how the public sector is changing (Micheli, Schoeman, Baxeter and Goffin, 2012). It follows that the behaviours of those involved in public sector organisations will need to change and move alignment with the new business models embodied in New Public Management. The importance of New Public Governance and New Public Management is discussed in the sections below and signify the emergent debates in ideology and public sector ethos that relate to creating public value.

## 2.3 New Public Management

New Public Management (NPM) literature covers many areas, including performance management, accountability, decentralisation, contracting out, public-private partnerships, e-government, and collaborative networks (Andrews, 2011; Andrews and Van de Walle, 2013; Politt and Bouckaert, 2004a). NPM is cited in the literature in the field of Public Administration (Andrews, 2011; Andrews and Van de Walle, 2013; Politt and Bouckaert, 2004a) with Local Government practically concerned with providing services directly to citizens. Hence Government is subject to the financial and budgetary constraints, and so the efficient management of resources is a prime area of concern (Geys and Moesen, 2009; Perez-Lopez, Prios, Zafra-Gomez, 2014). Key features of NPM is the adoption of organisational structures and management techniques evidence in the private sector (Christensen and Laegreid, 2011), with the main purpose to improve the efficiency of local government (Gregory, 2012; Hood, 1991, 1995), and frequently interpreted as cost reduction (Hood and Dixon, 2013).

The growth of NPM took effect from the late 1970's onward and influenced a new discourse of public policy implementation and public services delivery. This was accompanied with the assertion of superiority of private-sector managerial techniques over those of Public Administration (PA), with the assumption that it would lead to efficiency and effectiveness of these services (Thatcher, 1995; Osborne 2010). Osborne (2010) summarises the key elements of NPM as (1) an attention to lessons from private-sector management; (2) the growth of hands-on "management" – in its own right and not as an offshoot of professionalism – and of "arm's length" organisations where policy implementation is organisationally distanced from the policy-makers (as opposed to the "interpersonal" distancing of the policy-administration split); (3) a focus upon entrepreneurial leadership with public service organisations; (4) an emphasis on inputs and output control and evaluation, and upon performance management and audit; (5) the disaggregation of public services to their most basic unit and a focus on their cost management; and (6) the growth of use of markets, competition and contracts for resource allocation and service delivery with public services within Anglo-American and Australia/New Zealand regions at least.

The aspects of the NPM is therefore seen as a focus on the management of public services and of public service organisations. To summarise it can be suggested at a pragmatic level that public management, as opposed to public administration, has influenced the evolution of management as a coherent and legitimised role and function within public service organisations. This position

contrasts with and is often in conflict with the traditional professional groupings within public service organisations (Osborne, 2010).

NPM is based on various theories, including Managerialism (Enteman, 1993), Public Choice Theory (Buchanan & Tullock, 1962; Downs, 1957; Gwartney, 1988), Neo-liberalism (Rustow, 1938), Agency Theory (Jensen & Meckling, 1976; Ross, 1973), and Transactional Cost Theory (Christensen & Laegreif, 2011). These theories favour the decentralisation of government (Hood, 1991, 1995; Osborne & Gaebler 1992) and participation of the private sector in the provision of the public services, through co-operation agreements with local authorities (Greve & Hodge, 2011) contracting out of local services (Hood, 1995; Niskanen, 1971; Osborne & Gaebler, 1992; Savas, 1987) and 'arm's length organisations' (Osborne, 2010).

NPM has been critiqued as a range of issues (McLaughlin et al, 2002, Osborne, 2010). (1) The NPM is not one phenomenon or paradigm, but a cluster of several (Ferlie et al, 1996) – and has a number of distinct personae, dependent upon the audience, including ideological, managerial and research orientate personae, as discussed by Dawson & Dargie (1999). (2) NPM is geographically limited to the Anglo-American; Australasian and (some) Scandinavian arenas, whilst Public Administration continues to remain dominant elsewhere (Kickert, 1997; Hood, 1995). (3) The characteristics of the NPM is geographically variegated with, for example, the British and American variants actually being quite distinct from each other in their focus and locus (Borins, 2002). (4) In reality, the NPM is simply a sub school of PA that has been limited in its impact by the lack of a real theoretical base and conceptual rigour (Frederickson & Smith, 2003). (5) The benefits of the NPM are at best partial and contested (Politt and Bouckaert, 2004). (6) That the NPM was a "disaster waiting to happen" (Hood & Jackson, 1992) and was a failed paradigm (Farnham & Horton, 1996). Other critics of NPM relate to its intra-organisational focus in an increasingly plural world and for its adherence to the application of out-dated private sector techniques to public policy implementation and public service delivery, and in the face of evidence about their inapplicability (Metcalf & Richards, 1991).

Hood (2001) advises that many doctrines commonly associated with NPM are not new, citing Jeremy Bentham's (1789) philosophy of public administration developed in the late eighteenth and early nineteenth century. Bentham's doctrine has common aspects with NPM such as transparent management, pay for performance, public service provision by private organisations. Hood (2001) references ideas by Downs & Larkey (1986), Taylor (1916) and Demitriadi (1921) that suggest public services can be improved by autonomy to managers operating at arm's length from political

standard-setters and can lead towards the hybridisation of organisations (Ferlie et al, 1996; Butler, 2003; Butler & Allen, 2008).

Maor (1999) discussed 'managerial paradoxes' observing the development of more managerial approach to public service, which produced more, not less, politicisation of the senior public service in six countries. Hood (2001) refers to Gregory's (1950) controversial claim that orthodox managerial approaches foster a 'production' approach to public services that leads to several unintended effects, including downgrading of responsibility and what he termed 'careful incompetence'. A third claim referred to by Hood (2001) is Tocqueville's paradox of administrative development (1949) in post-revolutionary France. This critique suggests that contemporary public management may have involved more rather than less 'rules-based, process-driven' bureaucracy, because of increasing oversight and regulation and continuing stress on compliance-based rather than result-based evaluation (Light, 1993; Jones & Thompson, 1999; Hood et al, 1999; Politt et al, 1999).

NPM recommends various reform measures regarding service delivery (Christensen & Lægreid, 2011), the most frequently recommended being agencification, contracting out, mixed firms, and inter-municipal cooperation (Greve & Hodge, 2011; Hefetz & Warner, 2013; Hood, 1991, 1995; Mohr, Deller & Halstead, 2010; Osborne & Gaebler, 1992). Notably NPM favours the decentralisation and flexibilisation of public administration (Osborne & Gaebler, 1992), as well as improving efficiency (Andrews, 2011; Hood, 1991). There are advocates for agencies being created for specific activities to enable the executive management to have more freedom to make the organisation more effective and efficient (Gregory, 2009). Boyne (1996) describes this as services with better results and more personalised and accessible services for citizens. Smoke (2003), however argues that agencification is a complex and multidimensional process and does not guarantee that higher efficiency will be attained, and unintended effects may occur (Hood & Peters, 2004). In addition, it is suggested that the decentralisation of services through creation of agencies face worst levels of financial performance (Zafra-Gomez, Rodriguez Bolivar, & Alcaide Munoz, 2012) and lack appropriate mechanisms to ensure accountability. This means that they become instruments through which local governments can channel their rising levels of debt (Christensen & Lægreid, 2014). Schachter (2013) discusses the changing meaning of public sector accountability inherent in NPM and suggests less politics and more entrepreneurship in public sector management. He discusses the aspect of shareholders, which links to the participation of the needs of the citizen. Bickerton & Peters (2013) refer to Graham Allison (1987, 425) concludes that, *'the notion that there*

*is any significant body of private management practices...that can be transferred directly to public management tasks in a way that produces significant improvements is wrong'.*

The issue of contracting out services is increasing service efficiency of public services from the management perspective (Andrews & Entwistle, 2011). Responsibility remains with the public service organisation, but service delivery is provided by a private sector body (Warner 2012). The desired effect is to raise efficiency levels due to potentially lower production costs and more flexible and innovative structures of the private sector (Bel & Fageda, 2006; Hood, 1995; Osborne & Gaebler, 1992), in addition it also introduces competition or a degree of competition into the provision of public services (Osborne & Gaebler, 1992; Tiebout, 1956; Warner, 2012). Private sector involvement advocated by NPM is implemented through private-public collaboration (Greve & Hodge, 2011), this is an alternative to both direct public provision and the contracting out of local services (Bel & Fageda, 2010; Brown, Potoski and Van Slyke 2012; Marra, 2007; Warner & Hefetz, 2008). A mixed firm approach is joint participation between the public sector service and a private operator, which can be carried out by a joint venture to manage a public service (Da Cruz & Marques, 2012). In the UK, the structure is designed to enable local government to maintain a certain degree of control over the private operator and the service (Da Cruz & Marques, 2012; Warner & Bel, 2008). Hence part of the attraction is the enablement of access to capital funds, gaining management experience, developing more flexible services and sharing operational risk (Andrews & Entwistle, 2011). In addition, there can be some reduction in costs and established experience in service delivery by working with a private operator (Dijkgraf & Graduc, 2008). Another model is linking or co-operation of different public sector organisations to deliver a service, an option which is sometimes selected if a small public sector organisation does not have the capability to deliver a service. It can lead to delivery services at a lower cost base and can be seen as an alternative to contracting out (Bel & Fageda, 2006; Bel, Fageda, & Mur, 2014; Hefetz, Warner & Vigoda-Gadot, 2012a; Mohr, Deller, & Halstead, 2010; Warner, 2006; Warner & Hefetz, 2003). Examples of this in local authorities includes the combining of back office services such as Human Resources and Legal and Procurement (House of Commons Library; 2016 no. 05950).

Whilst the above are examples of positive steps forward in the context of NPM there is a critique of delivery of NPM models, including the efficiency of agencies, which has been challenged in relation to the real delivery of efficiencies and the conflicts of goal setting (Hood et al. 1999; James & Van Thiel, 2011; Bilodeu, Laurin & Vining, 2007; Andrews, 2011). There is a view that the cost savings obtained through contracting out could be cancelled out by the high transactional costs, which are



impossible to estimate in the negotiation of the contracts, and thereby reducing efficiency level of the public services (Brown, Potoski, & Van Slyke, 2007, 2010). There is a recognition of limitations of a mixed companies' model, and literature suggests the existence of goal conflict between owners of mixed firms because the private sector aims is to maximise profits, whereas the public sector aims to maximise social benefits (Vining, Boardman, & Moore, 2014). Furthermore, compared to combining public services to obtain savings and efficiencies, there is a view that in single services there are savings which are different dependent on economy of scale (Bel & Warner, 2014; Simoes, De Witte, & Marques, 2010).

The new public administration movement emerging beyond traditional public administration and New Public Management, being the challenges to a networked, multi-sector, no-one-wholly-in-charge world and short comings of previous public administration approaches (Bryson, Crosby & Bloomberg, 2014). The literature debates related to creating public value is influencing both public administration practitioners and scholars (Shearer & Williams 2011; Van der Wal et al., 2013; Bennington, 2011; Moore, 1995; De Graaf, 2013). In this 'creating public value' debate, Government has a special role in playing the guarantor of public values as well as citizens, businesses and non-profit organisations, all of which are cited as active stakeholder of public problem solvers (Bryson, Crosby, & Bloomberg, 2014).

## **2.4 New Public Governance**

### **2.3.1 Governance**

This research addresses the changing shape within the public sector environment and focuses on the aspects of change rather than looking at public sector ethos as a separate construct. Exploration of the environment and context of operation of the organisation is of interest and the aspects of the impact of New Public Management (Osborne, 2010) and Public Value (Bennington and Moore; 1995, 2011) are explored to provide an understanding to the evolution of the organisation and the role with the changing environment of public administration and the new movement which is emerging (Bryson, Crosby, Bloomberg; 2014).

### 2.3.2 Evolution of New Public Governance

The codification of New Public Management (NPM) (Hood, 1991) has evolved over two decades. In Anglo-American literature NPM indicated the new paradigm for Public Administration and Management (PAM) (Osborne, 2006). Osborne suggests that PAM has passed through three dominant modes, longer, pre-eminent from the late nineteenth century through to the late 1970's/80's; the second mode, of the NPM, through to the start of the twenty-first century; and finally, the emergent of New Public Governance (NPG) (Osborne, 2006). Osborne argues that NPM is transitory between the bureaucratic tradition of PA and the embryonic plural and pluralist tradition of NPG.

PA reached its high point in the UK in the post 1945 era of the welfare state and was expected to meet all the social and economic needs of the citizenry from 'cradle to grave' (Osborne, 2006). The common aspects of PA included dominance of the 'rule of law'; focus on administering set rules and guidelines; central role of *the bureaucracy* in policy making and implementation; 'politics – administration' split within public organisations; commitment to incremental budgeting and hegemony of the professional in the service delivery system. (Andrews, 2011; Andrews & Van de Walle, 2013; Politt & Bouckaert, 2004a). Critics of PA argued that PA had entered a terminal decline as a discipline and as such paved the way for NPM (Ostrom & Ostrom, 1971; Dunleavy, 1985; Mischra, 1984; Chandler, 1991; Rhodes, 1997).

NPM escalated from the late 1970's, and in its most extreme form asserted the superiority of private sector managerial techniques over those of PA, particularly to public services leading to improvement in the efficiency and effectiveness of services (Thatcher, 1995). This phase informed the focus upon public management as an academic discipline. The success of NPM has been questioned on a range of grounds (Farnham & Horton, 1996; Ferlie et al., 1996; McLaughlin et al. 2002). Some of the key areas of criticism have included how; NPM is not one phenomenon or paradigm, but a cluster of several including the movement towards hybridisation (Ferlie et al, 1996; Butler, 2003; Butler & Allen, 2008); NPM has number of distinct personae, dependent upon the audience including ideological, managerial and research orientated personae (Dawson & Dargie, 1999); Geographically NPM is limited to the Anglo-American, Australasian and some Scandinavian arenas. Whilst PA is dominant elsewhere (Kikert, 1997); NPM has been limited in its impact by the lack of real theoretical base and conceptual rigour (Frederickson & Smith, 2003) It is suggested that benefits of NPM are at best partial and congested (Politt & Bouckaert, 2004), and that NPM is a

failed paradigm (Farnham and Horton, 1996). Other critics of NPM have criticised it for intra-governmental focus in a plural world and its adherence to the application of outdated private-sector techniques to PAM and its inapplicability (Metcalf & Richards, 1991).

### **2.3.3 The Black Box lens of PA, NPM and NPG**

The concept of PA as unpacking public policy as simple denies the complex sub processes of the management of the outputs of public services (Scholfield, 2001; Hill and Hupe 2003). Public managers and management are allegedly portrayed as the villains of the piece and thwarting the resolve of their political masters and often subverting the intentions of new policy to meet their own ends (Osborne, 2006).

NPM has been interpreted as questioning the legitimacy of public policy as context of public management, arguing it places democratic constraints onto the management and provisions of public services (Meier, 1997). It is argued that NPM has become perceived as limited and one dimensional in its ability to capture and contribute to the management and governance of public services and of Public Service Organisations (PSO's). This critique crosses sector boundaries and applies to the public, private or voluntary sector in an increasingly plural and pluralist world (Rhodes, 1997; Osborne, 2006, 2010).

Osborne (2010) argues on the back of criticism of both paradigms that there is a pressing need for more holistic theory of PAM, that moves beyond the dichotomy of administration versus management and is more comprehensive and integrated approach to practice of PAM and suggests New Public Governance (NPG)

### **2.3.4 Aspects of New Public Governance**

The term of 'governance' and 'public governance' are not new terms in the PAM literature, however it is argued that the term and capacity is more than a support or surrogate to the approaches of PAM (Kickert, 1993; Kooiman, 1999; Marsh & Rhodes, 1992). Osborne (2006) argues that NPG has a distinctive niche that both has capacity and is intellectually coherent and rigorous with the capacity to capture the realities of PAM with the plural and pluralist complexities in the twenty first century. The definitions of public governance of Kickert (1993) and Rhodes (1997) and the insights of Peters

& Pierre (1998) are used by Osborne (2006) to develop the theory of NPG and is based upon the existence of a plural state and a pluralist state and an alternative discourse to NPM and PA.

NPG is rooted firmly within organisational and network theory and acknowledges the increasingly fragmented and uncertain nature of public management in the twenty first century (Haveri, 2006). In addition, PA is also situated within the political studies discipline (Woodrow Wilson, 1887; William Robson, 1928) and NPM is identified as being born out of neo-classical economics and rational/public choice theory (Tiebout, 1956; Niskanen, 1971). PA is concerned with the unitary state and NPM is concerned with disaggregated state (Osborne, 2006). Osborne argues that NPG can tap into a more contemporary stream of management theory concerned with the 'relational organisation' aligned to the output and intra-organisational focus of NPM (Osborne, 2006). He draws this from the influential work of Ouchi (1979) and Powell (1990) work on networks from the substantial organisational social capital literature with organisational strategy, which also includes the work of Tsai (2000) as well as marketing literature (Gronroos, 1994). NPG posits both plural states, where multiple inter-dependent actors contribute to the delivery of public services and a pluralist state, multiple processes inform the policy making systems (Osborne, 2006). The consequence of the two forms of plurality focuses on inter-organisational relationship, governance of processes and stresses service effectiveness and outcomes. It also includes and emphasises design and evaluation of enduring and continuing inter-organisational relationships which are focused on trust, relational capital and relational contracts as the core governance mechanisms (Bovaird, 2006; Teicher et al., 2006).

Osborne (2006, 2010) argues that NPG has potential to prove frameworks for both fuelling the generation of PAM theory and to support analysis and evaluation of public policy evaluation. It also included the combination of strengths of PA and NPM, which recognises legitimacy and interrelatedness of both the policy making and implementation/service delivery processes (Klijn & Koppenhjan, 2000, 2004). Work regarding the development of key management skills in an inter-organisational context (McLaughlin & Osborne, 2006) and the governance of inter-organisational relationships (Hudson, 2004; Huxham & Vangen, 2005) have started to explore this work, albeit further work is required at micro and macro level regarding the development of NPG paradigm (Osborne, 2006).

## 2.4 Public Value

When reviewing the Public Value literature it distinguishes among: (1) *public values*, (Van Wart 1998; Bozeman 2002, 2007; Jorgenson & Bozeman, 2007; Meynhardt 2009; Andersen et al. 2012); (2) *creating public value*, which is defined as producing value that is either valued by the public, is good for the public and add value to the public sphere, or both, and can be assessed against various public value criteria (Benington & Moore, 2011; Stoker, 2006; Alford, 2008; Alford and O'Flynn, 2009); (3) the *public sphere* or *public realm* with which public values and value are developed and played out (Benington, 2011).

Moore & Benington (2010) discuss the managerial public value approach (Bozeman, 2007), and introduce three concepts related to creating public value: (1) the role of government in society, namely that government is potentially a creator (not only implementer) of public value; (2) a view of public managers as not merely 'passive servants' to their political masters, but as stewards of public assets with 'restless value-seeking imaginations' (Donahue and Moore, 2012, P 96); (3) public management approaches and techniques, which include assuring consistency and predictability, as well as governance approaches helping agencies to become adaptable to change in social, technological and political imperatives. A major feature of the approach is the focus on partnerships and policy development, aimed at ensuring that 'good choices are made in the public interest' (Benington & Moore, 2010 p 4; Bozeman, 2007).

Bozeman (2007, 13) focuses on the policy or society level of public value and discuss how society's public values include providing normative consensus concerning: (1) the rights, benefits, and prerogatives to which citizens should lead (and should not) be entitled; (2) the obligations of citizens to society, the state and one another; and (3) the principles that should permeate governments, and on which policies should be based. Bozeman (2007) also describes public values failure and explains how this occurs when neither the market nor the public sector provides goods and services required to achieve public values. There are eight criteria that these fall into when considered from an operational point which include: mechanisms for values articulation and aggregation; legitimate monopolies; imperfect public information; distribution of benefits; provider availability; time horizon; substitutability vs conservation of resources; ensure subsistence and human dignity; political processes and social cohesion sufficiency to ensure effective communication and processing of public values; and sufficient transparency exists to permit citizens to make informed judgements (Bozeman 2002, 2007, P 17; Bryson, Crosby, & Bloomberg, 2014, P 5, Kalambokidis, 2014). The

impact of Public Value creation is the extent to which public values criteria are met and where these are some combination of input, process, output, and outcome measures. Notably the concept of Behavioural Additionality, which is discussed later in the conceptual and theoretical section of the literature review, relates the impact of the behavioural change of an entity from the input and delivery of the output (Gok, 2010). From this aspect, Bozeman (2007) considers public values as measurable, however, how this is operationalised is subject to debate. Others advise that institutions and processes are necessary to forge agreement in order to achieve public values in practice, and suggest variation in how analysts, citizens and policy makers should focus (Davis & West, 2009; Moulton, 2009; Jacobs, 2014; Kalambokidis 2014).

Moore (1995) differs from Bozeman (2007), who focuses at the policy level and shifts to the public manager and their role with the aspect of public value. Moore's main concern is the devaluing of government and public managers in an era of economic individualism and changing market forces, however, there is recognition of the changing aspect of austerity post 2008 and the changes within the public realm (Benington & Moore, 2011). Moore (1995) interprets the conception of public value as the public management equivalent of shareholder value and champions the aspect of creating public value. The focus of the public value is based on results of government performance; an issue that is broadened in later literature (Benington & Moore, 2011). Three aspects that citizens require from their governments are; (1) high-performing service-orientated public bureaucracies, (2) public organisations that are efficient and effective in achieving desired social outcomes, and (3) public organisations that operate justly and fairly, and lead to just and fair conditions in the society at large (Benington & Moore, 2011).

In recognition of the changing environment post 2008, Moore (1995) extends his philosophical approach to that of a 'public value account (Moore, 2014). There are three points to this philosophy shift. First, public collectively is defined through democratic processes, and deemed the appropriate arbiter of public value when collectively owned assets of government are being deployed. Second, collectively owned assets include not only government money, but also state authority. Thirdly, he suggests that assessing the value of government production relies on an aggregation of costs and benefits broadly conceived; but also, on collective determinations concerning the welfare of other duties to others, and conceptions of a good and just society (Moore, 2013, 2014). The model that Moore (1995) argues is for public managers to use the strategic triangle (1995, 22-23). The key features of the model relate to strategy, which must be aimed at achieving something that is (1) substantively valuable; (2) legitimate and politically sustainable; (3) operationally and

administratively feasible. Moore describes the managerial success of this as 'initiating and reshaping public sector enterprises in ways that increase their value to the public in both the short and long run' (Moore, 1995 p 10). Bennington & Moore (2011) refer to the 'restless value-seeking imagination'.

The commonality between Bozeman (2007) and Moore (1995) is an assumption of a healthy democracy with supporting institutions and the processes to agree and develop the achievement of public values in practice. The other common elements between the two is the view that public value is both extrinsic and intrinsic to the functioning of an effective democratic polity, and something being evaluated may be deemed to hold inherent value. Where they differ is Moore's (1995) view, or assumption, that there is a hierarchy of values in which public organisational effectiveness, efficiency, accountability, justness and fairness, positioned in the context of democratic governance, are prime values. This involves valuing citizens and elected officials, and with public managers playing an important role (Bryson, Crosby, & Bloomberg, 2014).

There are simultaneously challenging and supportive views of Moore's (1995) work. Those that challenge refer to Moore downplaying the importance of politics and elected officials, overly emphasising the role of Public Managers, placing much trust in public organisations, private sector experience, and the virtues of public servants (Rhodes & Wanna, 2007). In contrast Alford and O'Flynn (2009) support Moore (1995) and challenge Rhodes & Wanna's (2007) points. Citing Moore's (1995: 22) strategic triangle as the authorising environment that places 'legitimate limit on the public manager's autonomy to shape what is meant by public value'. They further suggest that Rhodes & Wanna (2007) operate out of an 'old' public administration paradigm that draws comparisons between politics and administration, ignoring that political appointees and civil servants have leeway to influence policy and decisions. Dahl & Soss (2014) and Crenson & Ginsberg (2002), challenge Moore (1995) on the basis of positioning public managers as the agents of 'downsizing democracy'.

There is a view that Moore's (1995) view of public management is divisive (Jacobs, 2014), with public opinion divided on many issues, intense partisan politics, the power of organised interests, and many veto points built into governance arrangements. Bryson, Crosby & Bloomberg (2014) discuss the aspect of public managers constrained in a democratic society. They also provide examples of enterprising, public value producing, activities that demonstrate public managers as active agents in creating value.

### 2.4.1 Governance in Public Value

When considering aspects of governance and public value, Anderson et al. (2012) look to archetypal forms, which include hierarchy, clans of professions, networks and markets. Studies seek to provide evidence of public values through, literature reviews, legislation, rules and regulation and opinion polls (Beck, Jorgensen and Bozeman, 2007; Bozeman, 2007; Jacobs, 2014). In this account public value links to ends and means of government and broader public action provides evidence. Features include public interest, associated with the State (Gunn, 1969) and relates to consequences and actions of government (Alexander 2002, p226 -27). Public goods refer to production of non-rival, non-excludable goods and services. The difference to public value is explained in three different ways. First it includes remedies to market failures beyond inadequate provision of public goods, along with the institutional arrangements that make the remedies possible. These are concepts that mirror Bozeman's (2007) view. Second, and similar to Moore's (1995) view, is the view of public goods as outputs and public value including the outcomes made possible by the public goods. A final view of value is for the valuer (individual or organisation receiving the service) or service recipient, an argument that compliments the concept and approach by Meynhardt (2009).

The paradigm of creating public value has been manipulated regarding rhetoric, narrative, and performance (Alford and O'Flynn, 2009). A different paradigm is offered by Stoker (2006) who sees 'public value management' better suited to networked governance than traditional administration or the New Public Management. This paradigm moves beyond Moore (1995) to focus on the public manager at the most senior level of the public bureaucracy delivering services. Stoker (2006) argues that traditional public administration and New Public Management are not proficient to manage networked government, however, there is little reference to how leaders and managers would deal with efficiency, accountability, equality and broader democratic values or other aspects such as competing organised interest, competing conceptions and divided government (Davis & West, 2009; Jacobs 2014). Critics of the Public Value paradigm challenge the way in which the paradigm has been used as a rhetorical strategy to protect and advance interests of bureaucrats and their organisations (Roberts, 1995; 291-307). NPM literature refers to debates regarding values, institutions, systems, processes and people, analytics regarding perspectives including public policy, management, economics and political (Andrews 2011; Andrews & Van de Walle 2013; Da Cruz & Marques 2011; Hood & Dixon, 2013).



One of the key features of public value is a measure of performance and management framework, however, this is a contested issue given that there is no single bottom line (Kalambokidis, 2014; Moore, 2013, 2014a, 2014b). Examples include managers looking at costs and benefits, but also fewer tangible aspects when they assess public value criteria. Fisher (2014) looks at the focus on public value stimulating attention to the long-term viability and reliability of public investments. Also, Bozeman (2002) and Talbot (2010) point to public value criteria to discern how much public value has been created or diminished. Williams & Shearer (2011, p 8) have observed 'the most striking feature is the relative absence of empirical investigation of either the normative propositions of public value or its efficacy as a framework of understanding public management'. Bryson, Crosby & Bloomberg (2014: 452) suggest that:

'Scholars and public professionals are making important theoretical, practical, and operational strides in developing a new approach to public administration as an alternative to approaches that preceded it. They need to do more, however, before the new approach is widely understood, appreciated, and used to advance important public values underplayed by traditional public administration and New Public Management.'

The following section explores New Public Management and New Public Governance (Osborne, 2010). It shows the changing environment within public administration. This section identifies the role of managers and employees, a group that will be researched through the conceptual lens of Behavioural Additionality (BA) and Organisational Routines (OR) in order to understand the changes and the behavioural aspects of the managers and the employees in the hybrid organisation.

## **2.5 Hybrid Organisations**

With the introduction of these organisational forms and management techniques from private sector and the marketisation of the public sector, and the different models that have evolved as a result of NPM there has been a blurring of the boundaries between sectors (Antonsen & Jorgensen, 1997; Bozeman, 2002; Torres & Pina, 2002). As such a further model, has emerged, a new type of organisation, so-called hybrid organisations (Broadbent a& Guthrie, 1992; Kickert, 2001; Koppell, 2003; and Kurunmaki & Miller, 2006). The literature defines in general terms hybrid organisations as organisations created to address public needs and to produce services that are public in character, at the same time resembling private cooperation's in the way they are organised and managed (Kickert, 2001; Koppell, 2003). However, the definition is vague and does not pinpoint the extent to which hybrid organisations resemble private organisations, and their aim for profit. Kickert (2001) defines hybrid organisations as all types of organisations that can be found in the range between

government agencies and commercial firms. Vining, Boardman & Moore (2014) discuss the different elements of mixed enterprises defining them as organisations with some combination of public-sector and private-sector share ownership. It can be argued that the concept of hybrid organisation does not apply to a specific type of organisation but describes a phenomenon that has emerged in the wake of NPM (Thomasson, 2009). One advantage of hybrid organisations is that they are autonomous and often exempted from normal private sector procurement processes, which gives them a flexibility in terms of methods from providing services that cannot be achieved in public agencies (Koppell, 2003).

Hybridity may also refer to the creation of dynamically mixed cultures (Cohen & Kennedy, 2000). Demil & Lecog (2006: 3) refer to hybridity as a *'cultural phenomenon and organisational form that operate in the border area between state and market and which have to combine conflicting cultural orientations.'* Hybrid organisations must combine conflicting values due to multiple external relations and usually operate in the order area between different worlds. According to Ciesielska (2010) this does not mean that a mixture of cultures is still recognisable, which is why hybrid organisations must deal with powerful tensions that arise from the combination of conflicting sense-making pattern, which means a continuous struggle to keep all tensions under control.

Puff (2000) discusses the characteristic of hybrid organisations as a paradox structure having competing identities, mainly around the aspect of identity and alterity at the same time, with identity inhabited by the other and by many voices. When considering the hybrid form (organisational identity) Albert & Adams (2002: 35) define three characteristics: it is inviolate (no element of a culture can be compromised), incompatible (the different orientation cannot melt into a single culture) and indispensable (is not possible to get rid of one of the identities). Managers can redesign new organisational constructs (i.e. corporate social responsibility) by translating it into their corporate or field contexts (Ciesielska, 2010).

Boxenbaum (2006) refers to hybrids as institutional building blocks that can be taken from foreign or local institutions or re-combine different logics based on perceived superiority in solving problems. This means that Institutional hybrids can be easily rebuilt to fit new fields or contexts as actors (Boxenbaum, 2006).

In the literature, there is no consensus on how to define organisational hybrids, Minkoff (2002) refers to key elements for their definition and to recognise that they are combinations of disparate

elements that represent modes of adaptation that contribute towards environmental uncertainty. Kraatz & Bloc (2008:243) describe hybrids as *'organisation confronting institutional pluralism plays in two or more games at the same time. Such an organisation is subject to multiple normative orders, and/or constituted by more than one cultural logic'*.

### **2.5.1 External and internal hybrid organisations**

Hybrid organisations are explained as reflecting institutional heterogeneity at the mezzo level, combining different approaches rather than a simple mix of them whereby, the main typology divides hybrids into two categories: external and internal (Karre & Riberio, 2005). Distinction between the two depends on where boundaries are drawn in the organisational field. External hybrids indicate two or more legal entities decide to co-operate based on the idea that neither fall into the pure market or pure hierarchy structures (Martin, 2002). Internal hybrids come into existence as a single legal entity to deal with at least two contradictory governmental mechanisms or organisational arrangements.

Martin (2002) describes external hybrids as being created when two companies remain legally separate but closely co-operate and co-ordinate their activities over the long term and can be referred to as "strange forms" (Menard, 1996) or "quasi firms" (Blois, 1972). Example of such organisations are equity joint ventures, long-term collaborative procurement arrangements. Powell (1987) suggests diffusion of external hybrid organisational forms are better fit/adaptability to: changing markets; organisational limits of large organisations; growing importance of speed and information, and 'generalised reciprocity' resource allocation model. At the same time, they can lead to restricted market access for newcomers, fears about partners performing according to expectations and benefitting accordingly, and possibilities of misperception of partner's actions (Powell, 1987).

From this perspective internal hybrid organisations are defined as having a mixed governance mechanism (i.e. originally, hierarchies infused with elements of markets) (Zenger, 2004). Powell (1987) advises two traditional organisational arrangements – the formal organisation ruled by authority relations (hierarchy, state) and markets (contractual, non-bureaucratic relations), and a hybrid one: a network form (partnerships, joint-ventures, outsourcing). However, Powell (1991) advise that networks are no longer considered to be hybrids; they are one of the types to be mixed with the other governance forms. Internal hybrids are cited as being managed with overlapping

governance mechanisms (broader performance control, well-organised hierarchical structure with support bodies and good exchange of information, regular development discussions, and specified official rules and unofficial norms) (Hasenfeld & Girdon, 2005).

### **2.5.2 Hybrid Realm**

When considering the aspect of hybrid organisations, it is important to identify dominate structural features of organisations (Bills, 2010). Writing in the 1970's Walmsley & Zald (1976) emphasise the role of ownership and funding in a comparative analysis of public and private sectors. Bozeman (1987:24) conclude that studies comparing structures of private and public sectors 'are uncommon'. At a similar period in time Perry & Rainey (1988) suggest developing a typology of organisations based on (a) ownership, (b) funding and (c) mode of social control. Van de Donk (2001) adding to the society triangle (Evers, 1990; Pestoff, 1992; Zijdervel, 1999) adds three dimensions to the existing three sectors of state, community and market. Van de Donk (2001) adds comparators of characteristics of organisations by comparing publicness, their profit-orientation and their formality. His models state organisations are defined as public, formal and non-profit; market orientations as private, formal and for profit; and community organisations as private, informal and non-profit.

Koppell (2003) extended this further with the exploration of quasi-government hybrid organisations producing a "simplified typology of institutions" which leaves only 'ownership' and 'funding' as the key variables. Bills (2010: 49) describes five core elements (1) ownership, (2) governance (3) operational priorities, (4) human resources and (5) other resources. Karre (2011:2) refers to the reality of the distinctions which are hard to make and can 'get fuzzy'. He continues that this is where hybrid organisations can be found and are broadly defined as 'heterogeneous arrangements, characterised by mixtures of pure and incongruous origins types, 'cultures'', 'coordination mechanisms', 'rationalities', or 'action logics' (Bransden, Van de donk, & Putters, 2005: 750). Karre (2011) references Bills (2010a: 57) visualisation of three societal sectors and their nine hybrid ones being the reference of the hybrid realm. Bills (2010a: 57) are (1) public and third sector hybrid organisations, (2) public, private and Third sector hybrid organisations, (3) public and private sector hybrid organisations, (4) third and public sector hybrid organisations, (5) third, public and private sector hybrid organisations, (6) third and private sector hybrid organisations, (7) private and public sector hybrid organisations, (8) private, public, and third sector hybrid organisations, (9) private and third sector hybrid organisations.



*Figure 2.2 The three sectors and their hybrid zones (Billis, 2010a, p, 57)*

There are some combinations that are more common than others, but examples of hybrid organisations can be found in each of the zones (Karre, 2011). For the purposes of this research the

WOC would be referenced in Zone 3 regarding this aspect of hybrid organisation on the background and context of NPM is explored from the setting of the organisation from public sector departments into a more commercial organisation. The WOC fits within the broad contextual descriptors of a hybrid organisation, however, the literature regarding such organisations is limited and from an NPM perspective there is little empirical research regarding such organisations at a micro level or understanding the governance of such organisations and the goals or development of the innovation, efficiencies that are created within the context of NPM. The strength of NPM is the ability to address complexities of the 'black box' and recodify management of change and innovation (Osborne and Brown, 2006). One of the most sustained arguments is that NPM is limited and one-dimensional in its ability to capture and contribute to the management and governance of public services and of public service organisations in an increasingly fragmented and Inter-organisational environment (Rhodes, 1997). This dissertation will contribute to this debate and introduce the importance of the conceptual debates of Behavioural Additionality and organisational routines in relation to real world practice of a hybrid case study.

## **2.6 The Challenges of Organisational Change Theories**

There are several kinds of definition concerning the concept of organisational change within the literature. They are divided into different kinds of change which include planned change, which is deliberate and a conscious reasoning and actions and emergent change, which is spontaneous and unplanned way of change. Episodic change is defined by Weick & Quinn (1999) as infrequent, discontinuous and intentional and sometimes termed as 'radical', and continuous change which is ongoing, evolving and cumulative and known as incremental change. Ackerman (1997) refers to three types of change known as developmental change, transitional change and transformational change. Developmental change is described as either planned or emergent, which enhances or corrects existing aspects of the organisation normally focusing on improvement of skills or process. Transitional change is described as seeking a desired state which is different from the existing one, normally episodic, planned or radical. Transformational change is radical in its nature, which is a shift in assumptions made by the organisation and results in significant change in terms of structure, processes, culture and strategy. Lewin (1951) refers to change through the force field analysis, containing variable that are involved in determining whether organisational change will occur. He discusses the aspect of two opposing forces at work: forces that resist the change, which are called restraining factors and forces that drive towards the newly desired organisation, called the driving forces. The change occurs when the driving forces are stronger than the resisting forces. The second

theory Lewin discusses is a three-stage process of change known as unfreezing, movement and then freezing.

Considering the creation of the WOC from a public sector department and the contextual environment in which the organisation operates both as a hybrid organisation and becoming commercial to operate within a competitive environment, several organisational change theories would be relevant and suitable. However, the number of changes taking place at the same time make it difficult to select the most relevant about the change and most suitable to the behavioural, power and control factors in relation to the research. Pettigrew & Whipp (1991) discuss the model of change as content, context and process model and Butler & Allen discuss the aspect of organisations being receptive to change (Butler & Allen, 2008). Some elements of the model or theory would be relevant in relation to the study, but not all and not relevant to the aspect of behavioural change, all be it shows insight to how private sector organisations manage strategic change and improve competitive performance.

Several existing theories of change including systems theory and organisational development are provided as an overview by Rydgerch, Elwyn, Marshall & Grol (2004) in the literature. Systems theory being the interrelatedness of parts of the organisation and organisational development being defined as a discrete episode of planned change in organisations through the application of behavioural sciences and therefore is an emphasis of human processes with the organisation. The latter would be relevant to the WOC, but planned and unplanned change is evident within the organisation and outside the organisation with the relevant external forces and policies. Other theories described include complexity theory where change emerges between agents at a local level and social worlds theory which suggests change emerges as a function of negotiation and renegotiation between two or more social worlds. Both, again, would be relevant to the WOC and the environment to which it operates, but does not focus on the elements of behavioural and power change/exchange to which the hybrid organisation operates. Elements of problems with change are also relevant about this study and the literature provides some links to changes within organisations such as resistance, control and power (Nadler, 1981). These elements are again relevant within this research, but aspects of process change and behavioural change, all be it aspects of resistance to change are relevant. Hede (2001) explore individual resistance in relation to behavioural intention and adaptive defence mechanisms. The challenge to use of the theories is the specific nature at either individual or organisational level in relation to the research.

When considering implementation of organisational change Coram & Burnes (2001) discuss implementation of change in the form of privatisation of public sector. They refer to there being no one best way to manage organisational change but public sector organisations need to adopt an approach to change which matches their needs and situations. The necessity to adopt an approach to change incorporating both structural and cultural aspects of change and recognises the need to appreciate and respond to staff fears and concerns. The elements would be relevant to these studies, but the aspect of the interrelationship between the parent organisation and the hybrid organisation challenge the assumption that one changes process or theory would be suitable to undertake change within one or both organisations, and not focus on the complexity of interplay, behaviour and power control challenges between the two organisations.

Institutional theory (Scott, 2001) has been used as part of the organisational change theories due to the focus being on cultural aspects of the environment. The theory suggests that organisations that are isomorphic with their institutional environments are more likely to receive key resources necessary for survival because institutional isomorphism conveys legitimacy of the organisation to external actors (Meyers & Rowan, 1977). This means that organisational structures reflect external legitimated myths and rules, and organisations focus on external criteria in evaluation. Institutional Theory analytical concepts which gain insight to why, how and where particular social actors deploy power to influence and legitimise changes in policy and practice the key concepts central to the field are cultural-cognitive, normative and regulative elements (Scott, 2008). The institutional interplay between the parent organisation and the hybrid organisation created are also demonstrated through the theory and the legitimisation the hybrid organisation seeks through both conscious implemented change and unplanned change. The theory explains social process through which people accept shared definitions of reality; policy and social influences that alter it and their consequences for decision making (Dacin, et al., 2002; Scott, 1995). One of the central features of the theory is recognising the forces of power that influence behaviours (Scott, 1987). In addition, the theory also offers a conceptual lens through which the power interplay of organisational processes of continuity and change can be understood (Ashworth, et al., 2009). It is these key features of the theory that relate to the change of the organisation and the interplay of power between both organisations through behavioural and organisational processes/routines.



## **2.7 The Conceptual Debates of Behavioural Additionality and Organisational Routines, and Theoretical Implications of Neo-Institutional Theory**

The studies on Behavioural Additionality and organisational routines have tended to be published in the field of work of economics, econometrics and behavioural economics (Gok, 2010) and to a lesser extent in business literature studies (Becker, 2001). New Public Management (Hood, 1989; Politt, 1993) and New Public Governance literature (Osborne, 2010; Alfred & Hughes, 2008) has featured in Public Policy and Management studies, as has the field of Neo-Institutional Theory (Scott, 1991), which is utilised across a range of business management disciplines. This literature review integrates these streams of knowledge to explain the conceptual and theoretical implications that underpinned the study design. Hence the literature review incorporates studies from the fields of organisational management, behavioural economics, organizational psychology, public policy and business management.

## **2.8 Behavioural Additionality**

Behavioural Additionality is a key concept for this study because it has been muted to explain policymaking analysis (Gok, 2010). Behavioural Additionality (BA) as a concept appeared in 1995 as part of the evaluation logic regarding technology and innovation policies (Buisseret et al, 1995). The concept features in evaluation of policy driven innovation programmes and contributes towards policymaking analysis (Gok, 2006; Georghiou, 2007; Falk, 2007). The evolution of the BA (Gok, 2010, 2008) literature between 1995 and 2006 has subsequently developed BA and has been utilised to evaluate innovation policy programmes. OECD studies (2006) developed BA to understand the impact of government intervention in relation R&D and innovation. BA has undergone three phases in its lifetime. The original idea in 1995 (Buisseret et al., 1995) was adapted by quantitative studies in the early 2000's (Gok, 2006; Georghiou, 2007; Falk, 2007; Busom & Fernandez-Ribas's, 2008; Hsu et al., 2009; Hsu and Hsueh, 2009; Clarysse, 2009 and Clarysse et al., 2009). In the second phase, the OECD studies contributed to the operationalisation of the concept. The outcome is evidenced in The Working Group on Innovation and Technology Policy (TIP) working party OECD (2003:2). 'TIP delegates suggested that future work attempt to investigate how governments can improve the effectiveness of individual instruments and the mix of policies used to support business' (OECD, 2006a).

The third phase has involved studies that inform the theoretical and methodological development of the concept. Gok (2010) introduced methodology through an analysis framework of Behavioural Additionality together. *'Behavioural Additionality is the hallmark of technology and innovation policy, any policy action that does not change the persistent behaviour of agents by improving cognitive capacities is creating institutions ultimately would be unsuccessful and or irrelevant to the E/S approach'* (Gok, 2010).

Gok (2010) refers to the methodology that Georgiou and Clarysse (2006a) developed. Georgiou and Clarysse (2006a) identified layers of Behavioural Additionality which categorised the behavioural changes 'during the project implementation' and 'after the project implementation' to explain the behavioural changes within the firm, these are detailed below;

*Behavioural Changes during Project implementation* (Georgiou & Clarysse, 2006:31)

- *Project Additionality* – Decisions regarding project launch
- *Acceleration Additionality* – refers to the increase in the pace of the project that would not be the case in the absence of the support
- *Scope and Scale* – refers to the extent of scope and scale of the project that would not be the case in the absence of support

*Behavioural Changes after project completion* (Georgiou & Clarysse, 2006:31)

- *Network Additionality* – refers to the collaboration that the public funding created
- *Follow-Up Additionality* –related to the spin-off projects that are created by the funded project and that would not have been the case in the absence of support
- *Management Additionality* – related to the management routines that the firm adopted because of the public funding.

Buisseret et al. (1995) defined the concept of BA through input and output additionality, linking the importance of measurement to the relationship between the two. This defined Behavioural Additionality as *'the change in the company's way of undertaking R&D which can be attributed to policy actions'* (1995: 589-590). The study used the example of collaboration to explain the concept, arguing that collaborative behaviours of the firms attributable to the public support are BA. The early stages of the concept are based on very clear linear processes, in terms of input, processes creating and output. This stage was innovative in the sense that it linked back to evaluation

introduced by Nelson & Winter (1982). A practical application of BA by Davenport, et al. (1998) was applied to the Australian Technology Business Growth programmes evaluation.

Fahrenkrog et al. (2002), Bach & Matt (2002) in Georghiou et al. (2002) apply BA as a measure of cost-benefit analysis evaluation. The first large-scale application of BA to evaluate public support was the IWT-Flanders (Clarysse et al., 2004; Georgiou, 2004; Larosse, 2004). Georghiou (2004) defines Behavioural Additionality as a more analytical and systemic way of analysis, *'the difference in the firm behaviour resulting from the intervention'*. Georghiou (2004) identifies the dimensions that policy can affect as *'knowledge acquisition'*, *'human resources'*, *'capital investment'*, *'market position'*, *'manufacturing or service provision'* and *'corporate responsibility and sustainability'*. Clarysse et al. (2004) similarly develops a pilot study by using the framework that Georghiou (2004) developed. A paper from Larosse (2004) using analysis from Bach & Matt (2002) and Lipsey & Carlaw (1998b) makes the distinction between input additionality and Behavioural Additionality.

### **2.8.1 Evolution of Behavioural Additionality**

The concepts developed by Georghiou (2004) and Clarysse et al. (2004) form the idea of policy being related to the additionality of behaviour within the concept of the firm as an entity. The development of a theory to support the concept of BA or a unit of measurement framework, (measuring the 7 forms of Behavioural Additionality identified; Project, Acceleration, Scope and Scale, Network, Follow Up and Management) was introduced by Gok (2010). The initial phase shows the development of the concept being linked to evaluation, policy and innovation.

The second phase of BA evolution (Gok, 2010, P 44), was premised by an *'attempt to investigate how governments can improve the effectiveness of individual instruments and the mix of policies used to support business R&D and innovation'*. Countries participating included Australia, Austria, Belgium, Finland, Germany, Japan, Korea, Norway, United Kingdom, United States and the EU. This informed the strategic management literature establishing a *'resource-based view'* and *'value innovation perspective'*. Georghiou & Clarysse (2006) cite Barney (2001) who states that among the resources a firm acquires, a subset of them provides the firms with the competitive advantage and thus another subset leads to superior long-term performance over many years. The link with BA being the R&D funding to create the additionality that will lead to greater competitive advantage. This can be defined in many aspects such as increased market share, greater profits, delivery of new innovative

products or services. It is this aspect of BA that is explored further, the concept linked with the analysis framework that Gok (2010) has developed, but from a qualitative perspective.

Georghiou & Clarysse (2006) use the dynamic model, defined as the ability to integrate, build and reconfigure internal and external competencies to address rapidly changing environments. (Teece et al., 1997) as a complement to the resource-based view. The model is used by Gok (2010) in developing the evaluation framework and theory for Behavioural Additionality. Georghiou & Clarysse (2006) includes seven layers of Behavioural Additionality, which have been referenced in later studies.

In short OECD drew attention to BA as a concept to a theoretical as well as a methodological concept (Gok, 2006; Georghiou, 2007; Falk, 2007; Busom & Fernandez-Ribas, 2008; Hsu et al., 2009; Hsu & Hsueh, 2009; Clarysse, 2009 and Clarysse et al., 2009).

As the concept of Behavioural Additionality has evolved from a quantitative methodological design it has not incorporated a qualitative methodological component to explore the meanings in terms of how the recipients experience the policy, and how they feel or behave. Yet the link with the literature to other social sciences such as Business management, Human Resource Management studies, Organisational Systems, Learning Organisations and Systems Thinking, can be established through qualitative enquiry. There at least four categories of definition, some of which overlap and some of which contradict. They are as follows:

- A. Behavioural Additionality as an Extension of Input Additionality (Luukkonen, 2000: 713; Hsu et al., 2009; Hsu & Hsueh, 2009)
- B. Behavioural Additionality as the change in the non-persistent behaviour related to Research and Development (R&D) and innovation activities (Buisseret et al, 1995:590; Georghiou, 2002b:59, Georghiou, 2004:7)
- C. Behavioural Additionality as the change in the persistent behaviour related to R&D and innovation activities (Aslesen et al., 2001:5-6; Licht, 2003; OECD, 2006a:187-189; Fier et al., 2006: 127; Busom & Fernandez-Ribas, 2008)
- D. Behavioural Additionality as the change in the general conduct of the firm, often meaning value based and associated with intentionality and voluntary actions. (Georghiou & Clarysse, 2006:12-13; Bach & Matt, 2005:37; Hyarinen & Rautianien, 2007: 206; Georghiou, 2007; Georghiou & Keenan, 2006; Clarysse, 2009)

Most of the studies relating to the above apply the black-box analogy and introduce BA as the change in its contents (Hall & Maffoli, 2008: 173). Gok (2010) uses the concept of organisational routines as a unit of analysis, and in doing so references the black-box logic. Gok (2010) references the original work of Nelson & Winter (1982). The research programme has been iconoclast of the black-box logic of orthodox, mainstream and neo-classical economics (Lipsey & Carlaw, 1998) that considers organisations as perfectly rational and symmetrically informed agents, who in the case of firms, are programmed to maximise their profits. One of the main objectives is to understand the dynamics of this behaviour and thus its stability, change and continuity. Nelson & Winter (1982) advise that cognitive capacities of the agents, which are essential to create, and organisational routines are particularly important.

### **2.8.2 Analysis Framework of Behavioural Additionality**

Gok (2010) attempts to bring theory and an analysis framework to Behavioural Additionality by arguing that an Evolutionary/Structuralist approach is the best method as opposed to neoclassical theory approach. The neo-classical (NC) economic theory being the dominant paradigm in economics and associated with input and output additionality being associated with the characteristics of maximisation (Lipsey & Carlaw, 1998a, 1998b, 2002; Robbins, 1945). The Evolutionary/Structuralist approach, which is a constellation of several different thoughts (Bach & Matt, 2002, 2005; Lipsey, 2002; Lipsey & Carlaw, 1998a, 1998b, 2002; Lipsey et al., 2005; Metcalfe & Georghiou, 1998) is associated with BA due to its characteristics which concentrates on the difference between agents and their response to often-similar stimuli. Gok (2010, p 97) rationale being *'Behavioural Additionality is the hallmark of technology and innovation policy, any policy action that does not change the persistent behaviour of agents by improving cognitive capacities is creating institutions ultimately would be unsuccessful and or irrelevant to the E/S approach'*. Gok (2010) also challenges the neoclassical theory on the premise that maximisation is based on having perfect information, which he suggests nobody has and thus firms must act on what information is available and use judgement.

### **2.9 Organisational Routines**

The concept of Organisational Routines (OR) is relatively as Becker (2008: 3) quotes March (1965), *'no editor, and least of all a sympathetic one, should attempt to summarise that state. It is what it is;*

*and what it is can be best discovered by reading the detailed chapter'*. Developed as a concept by Gok (2010) the concept is muted in similar concepts of behaviour such as habits and customs, which have been subject to scientific inquiry. Bourdieu (1986) discusses 'habitus' or socialised norms or tendencies that guide behaviour and thinking. Habitus is 'the way society becomes deposited in persons in the form of lasting dispositions, or trained capacities and structured propensities to think, feel and act in determinant ways, which then guide them' (Wacquant 2005: 316, cited in Navarro 2006: 16).

Bourdieu (1977, 1984, 1986) argues that culture is the ground for human interaction, but also the terrain of domination. He continues that all symbolic systems are anchored in culture and determine understanding of reality. They both ensure communication and interaction and create and maintain social hierarchies. The culture, in the form of dispositions, objects, institutions, language, mediates social practices by connecting people and groups to institutionalised hierarchies. Navarro (2006:15) citing Bourdieu (1984) argues this embodies power relations and cultural capital in some specific concrete situations may be of immense value to perpetuate social differences and hierarchies. Bourdieu (1984:101) offered a formula to highlight the main concept of relationships with habitus:

$$[(\text{habitus}) (\text{capital})] + \text{field} = \text{practices (Navarro, 2006)}$$

Bourdieu (1984) discusses how unstable social domains may produce unstable systems of disposition that generate irregular patterns of action; however they do reinforce cohesion and stimulates change and innovation.

The concept of organisational routines can be traced back to the original work of Nelson & Winter (1982), where the utilisation of the concept of organisational routines is used as a unit of analysis in their evolutionary explanation of economic change. Nelson & Winter (1982) build their understanding using the Carnegie School Tradition (March & Simon (1953) and Cyert & March (1964) economic use of organisational routines which describe it as an enhanced way of conceptualising firm behaviour dynamics due to stability and evidence of change. Examples are evident in the evolutionary economics and strategic management literatures (Gok, 2010). Nelson & Winter (1982, pp 16-19) identified three categories of routines. Lower level routines relate to daily processes with the firm and refer to short-run characteristics known as operational. Middle order routines defined as the longer-term investment decisions of the firm and ability of the firm to grow in the future.

Higher order routines influence the strategic behaviour of the firm and ability to 'search' out ways to improve lower order routines (Keneley, 2009, 249).

### **2.9.1 Structures of Organisational Routines**

Routines are embedded in an organisation and its structures and are specific to the context (Teece & Pisano, 1994; Cohen et al., 1996; Madhok, 1997; Cohendet & Llerena, 2003). Clark (1997) argues that context matters because of complementarities between routines and their context, the notions of 'scaffolded action' and 'situation action' (Suchman, 1987) illustrate how action relies on external support. External structures (artefacts) help control, prompt and coordinate individual actions. Interpretation and judgement skills are required for completing general rules, such as know what routines to perform when (Nelson and Winter, 1982; hill et al., 1990). Cohendet & Llerena (2003) argue that context matters because it leads to routines that strongly differ in terms of power of replication, degree of inertia and search potential. Routines are also argued to be outcomes of local learning processes (Egidi, 1992; Malerba & Orsenigo, 1996; Foster, 1981) and cultural differences limits generalisation arising from them (cf. Simon, 1976). There are limits to the transfer of routines to other contexts, Elam (1993) argues that routines are largely meaningless and productivity declines (Grant, 1991) when removed from their original context. It is argued that there are problems with transferability because of the lack of clarity as to what is essential and peripheral and the routine may be incompatible with the new context (Lippman & Rumelt, 1982; Nelson, 1994; Winter & Szulanski, 2001a, b; Szulanski & Winter, 2002; Madhok, 1997) or the ability to transfer tacit knowledge (Hillet, et al., 1990; Grant, 1991; Langlois and Robertson, 1995; Nonaka and Takeuchi, 1995).

### **2.9.2 The Nature of Routines and Organisations**

Links to the Black Box analogy including the association with the firm, Gok (2010) uses Organisational Routines as a unit of analysis. According to Becker, et al. (2005) Organisational Routines are not easy to study. This is due to three reasons: (i) because routines have both technological and social aspects and they are hard to isolate; (ii) similarly cognitive and motivational dimensions of routines are entangles; (iii) and finally ostensive/abstract and performative/concrete levels of observation make things complicated. However, Gok (2010) has taken Organisational Routines as the main unit of analysis arguing they are coherent, stable and reflect change within organisations. Other features reflected in Organisational Routines include, regular behaviour

patterns (Becker, 2001, 2008b; Dosi, et al., 2002; Winter, 1964), behavioural propensities (Hodgson, 2008: 21; Hodgson, 2003, 2008; Hodgson & Knusden, 2004), rules and procedures (Becker, 2004; Becker, et al., 2005; Cohen, 1991; Cyert & March, 1964; March & Simon, 1953) and generative systems (Pentland & Feldman, 2005, 2008) evidencing relationships with learning, creativity, knowledge creation and management.

Becker (2004) breaks Organisational Routines aspects into two key areas, the characteristics of routines (Patterns, Recurrence, Collective Nature, Mindlessness vs Effortful Accomplishments, Processual Nature, Context, Embeddedness, Specificity, Path Dependence, Triggers) and the effects of routines on organisations (Coordination, Control, Truce, Economising on Cognitive Resources, Reducing Uncertainty, Stability, Storing Knowledge). He argues that there are two interpretations of the term 'routines' the first being behavioural regularities and the latter being cognitive regularities. The first point being described as 'recurrent interaction patterns' (Winter, 1990; Cohen, et al., 1996; Pentland & Rueter, 1994; Knott & McKelvey, 1999; Costello, 2000; Karim & Mitchell, 2000) and the second seen as rules, standard operating procedures (Stene, 1940; Nelson and Winter, 1982; March & Olsen, 1989; Gersick & Hackman, 1990; Dosi, et al., 2000).

Routines allow organisations to do four things as argued by Becker (2004). These are described initially as how routines enable coordination and builds the basis of balance between the interest in participants in the routines, also known as Truce (Nelson & Winter, 1982:107; Coriat & Dosi, 1998; Barnard, 1938; Mangolte, 1997, Becker, 2004). The relationship between Truce and triggers is important in relation to coordination and the effects (Becker, 2004; Nelson & Winter, 1982; Weiss & Ilgenn, 1985; Winter, 1986; March & Olsen, 1989; Gersick & Hackman, 1990; Cohen, 1991; McKern, 1993; Nelson & Nelson, 2002). Secondly, routines provide a certain degree of stability to behaviour, but consideration to the term of 'stability' is a relative term, which means that there is the potential change that is endogenous to the routine due to the agency of its participants (Feldman, 2000, 2003; Becker, 2004;). Stability of behaviour allows expectations about the behaviour that others can be formed (Hodgson, 1993a; Langlois, 1992; Nelson, 1994; Coombs & Metcalfe, 2000; Amit & Belcourt, 1999, Hutchins, 1991, 1995; Petland & Rueter, 1994). Thirdly, when tasks are routinised they become part of the sub-conscious which then become economised on limited cognitive resources (Simon, 1947, 1955; March & Olsen, 1976, 1989; Becker, 2004). Fourthly, routines bind knowledge, including tacit knowledge. They carve an important aspect of knowledge at the joints, the application of knowledge, this means that routines are the building blocks of capabilities (Dosi, et al, 2000; Winter, 2003; Nelson & Winter, 1982:99; Levitt & March, 1988; Miner 1994; Teece & Pisano,



1994; Hodgson, 1998; Phillips, 2002; Zollo and Winter, 2002; Lillrank, 2003; Grant 1991, 1996; March, et al., 1996, Becker, 2004).

Nelson & Winter (1982) invigorated research on organisational routines by fitting the concept into the evolutionary framework, but there is still ambiguity in the literature around 1) distinction of individual and collective recurrent activity patterns; 2) different authors refer to 'routines' to cognitive regularities (rules) and for others, to behavioural patterns (recurrent interaction patterns); 3) neglect of the agency in the executing of behaviour patterns, or in the process of expressing rules into actions. (Becker, 2004).

Becker (2004) referencing Dosi, et al (2000) suggested that we should look to eliminate the source of ambiguity between distinguishing individual and collective activity patterns (habits and routines). His view regarding the term 'routines' in the literature is often associated with behaviour patterns (Jones & Craven, 2001; Karim & Mitchell, 2000; Bessant et al, 2001; Bessant et al., 2001; Edmondson et al., 2001; Emery, 2002; Jarzabkowski & Wilson, 2002; Becker 2004). This position however has been challenged from the supporters of economics evolutionary theory who argue, if understood as behaviour patterns, it does not fit in the evolutionary framework (Hodgson, 2003; Knusden, 2002a, 2004; Hodgson & Knusden, 2003a, b).

### **2.9.3 Measurement of Behavioural Additionality using Organisational Routines**

Gok (2010) links the paradigm of Evolutionary/Structuralist (ES) approach with the theory of Organisational Routines along with Dopfer & Potts (2004, 2008, 2009) micro-meso–macro framework to assess the existence of Behavioural Additionality as a measurement. The key characteristics for using the Dopfer & Potts (2004, 2008, 2009) framework is down to persistence and stability being the main characteristics of Behavioural Additionality, and the use of concept of routine and subsequent changes from stability. Gok (2010) uses Organisational Routines as the new unit of analysis and the Dopfer & Potts (2009) framework as the framework of analysis to offer the new understanding of BA. The framework is used in the thesis as a theory-orientated piece rather than a practice-orientated research, answering 2 questions.

- How Behavioural Additionality is currently understood and used

- How Behavioural Additionality is an imperative to understanding changes within an organisation because of policy change.

The theory is based on Behavioural Additionality being tested at the Micro, Meso and Macro level in accordance with the Dopfer & Potts (2009) framework using Organisational Routines as the unit of analysis. In addition, Gok (2010) also uses the framework as part of case study to provide an example of the theory being used at the Micro level using the framework he has developed.

Gok (2010) provides a theoretical basis to the concept and the ability to measure the phenomenon of Behavioural Additionality with positive results by way of case study tests using the measurement framework he has developed within his thesis. The development of Behavioural Additionality has had strong links to the other concepts of additionality namely input and output additionality with a strong link to input additionality (Luukkonen, 2000: 713), as such the early thoughts of Behavioural Additionality have been strongly linked with econometrics explaining the dominance of quantitative research due to the priority of measurement of the concept. Luukkonen (2000) argues 'input additionality and Behavioural Additionality are usually merged together in a question that lists different degrees of additionality, whether the R&D would not have been carried out at all with public support, or alternatively whether the public funding changed the scale and scope of the R&D or R&D would be done differently'. By linking with the concept of organisational routines, Gok (2010) informs organisational behaviour, change and theory development of the concept of Behavioural Additionality.

Becker (2004) discusses contributions to evolutionary theory in economics arguing that routines, if understood as behaviour patterns, do not fit in the evolutionary framework (Hodgson, 2003; Knudsen, 2002a, 2004; Hodgson & Knudsen, 2003a,b) thus Becker (2004) concludes the literature gap between a behavioural and cognitive definition of routines appears to be aligned with a gap between the empirical studies of routines in organisations on the one hand, and the literature focusing on developing evolutionary theory on the other. Feildman (2000, 2003) has extended the literature by looking at how cognitive regularities and behaviour regularities relate to each other.

Closing the double gap between different streams of literature and between the different aspects of routines between behavioural and cognitive regularities is seen as potential advance on Nelson & Winter (1982) work by Becker (2004). The work of Gok (2010) extends this aspect by developing a measurement concept of Behavioural Additionality.

Gok (2010) provides a theory-based approach to BA and OR which can inform a practical and operational basis. The research is also related to the technology aspect of innovation. Ellul (1990; vi) argues that technique or tech '*means far more than machine technology. Technique refers to any complex of standardised means for attaining a predetermined result. Thus, it converts spontaneous and unreflective behaviour into behaviour that is deliberate and rationalised*'. In contrast research in this thesis is focused on a public-sector organisation, where technology features as a service driver. Also, the concept will be deployed in a practical application in relation to the aspect of the Government austerity policy and its impact on a hybrid and public sector organisation.

## **2.10 Neo-Institutional Theory**

The generation of a new organisation creates several challenges both for the organisation that has been created, and the organisation that has created it. There are a few considerations and aspects at play covering culture, governance, organisational structure, purpose, objectives, values, power, control, behaviours and governance. Neo-institutional theory has been used by researchers to understand why organisations with different goals and origins look so alike. Empirical observations have suggested that organisations set up similar administrative positions, build similar management and reporting systems, and hire management consultants, and tend to develop increasingly complex organisational structures (Fredriksson, Pallas & Wehmeir, 2013).

Answers offered by Neo-institutional theorists' state that formal structures first and foremost reflect public understanding and interpretation of social reality. Structural aspects are formed of institutional rules, norms and ideas that function as rationalised myths meaning that they are implemented for legitimacy reason rather than efficiency (Meyer & Rowan, 1977). The aspects of organisational quest for legitimacy becomes one of the corner arguments in the neo-institutional theory (Tolbert & Zucker, 1983; Suchman, 1995). Decision making in organisations is defined by two conflicting logics by neo-institutionalists, which is the logic of consequence and the logic of appropriateness (March & Olsen, 1984; Sevon, 1996). Logic of consequence describes a search for the most rational and technically efficient behaviour. The logic of appropriateness, on the other hand, refers to decision making as reflection social and moral standards as they are expressed by the surrounding environment (March & Olsen, 1984; Sevon, 1996) thus appropriate and legitimate decisions in organisations are institutionally defined rather than purely based on rational and technical arguments.

Relative to the power interplay between organisations (Scott, 2008) is the aspect of myth creation through the actors by way of their involvements in shaping the regulative (legal rules etc.), normative (norms and practices) and cognitive (ideas and models) aspects of the social reality (Scott, 2001). The quest for legitimacy by the hybrid organisation is often supported by the force to differentiate themselves from others and connecting myths to a process of isomorphism (DiMaggio & Powell, 1983) an example being constraining and enabling process. It is here that neo-institutional theory offers understanding of the enabling and conflicting relationship between the hybrid organisation and the parent organisations within the social constructs and understanding the differing and changing behaviours of the actors within both organisations and principles that interfere with each other (Dacin, 1997). The aspect of deployment of power and the aspect of influence in line with legitimacy is offered through the analytical concepts to gain insight to how, why and where particular social actors and the organisations legitimise both through myths and governance (Scott, 2001).

#### **2.10.1 Institutions – Logic, Conformity and Conflict**

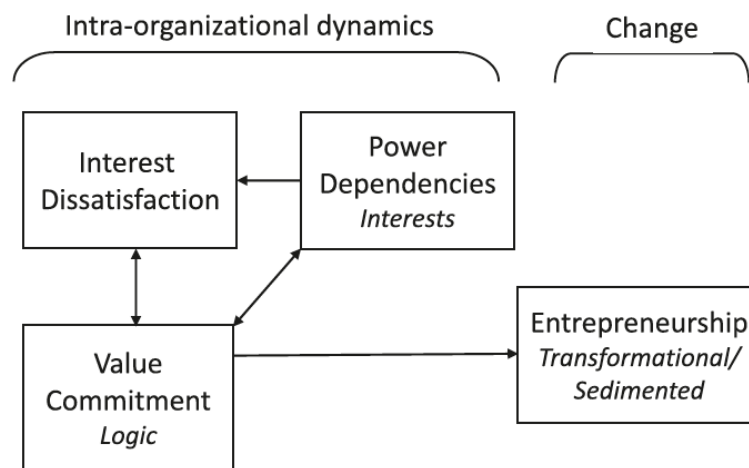
Neo-Institutional theory focuses on understanding the main social structures and highlights the role of norms, rules and typifications (Scott, 2001, 2008). It deals with how individuals, groups and larger entities construct social structures including modes of interacting and pursuing organisational objectives. Earlier contributions explained how institutions secure stability by shaping organisations, fields, identities as well as with the effect of institutions on actors. It also examines how institutions are diffused, adopted and function in practice over time and space as well as how they affect society and fall into decline. A key cornerstone of the theory is identification of sources of power and forces that influence behaviours and organisational procedures (Meyer & Rowan, 1977; Powell & DiMaggio, 1991; Scott, 1987), examples being corporate procurement management procedures amongst others. The understanding of institutional dynamics at organisational level also comes from the concept of legitimacy. Internally, legitimacy justifies who has the power of control and co-ordination; externally, it influences which organisations can gain access to resource, it does not refer to what is desirable, appropriate, good, and valid (Dehordy & Jones, 2008). DiMaggio & Powell (1983) refer to legitimacy as the connection between institutional arrangement and the shape of organisational and individual practices and routines. It is also said that for organisations to survive they must conform to prevailing rules and belief systems in the environment, because institutional

isomorphism, both structural and procedural will earn organisational legitimacy (DiMaggio & Powell, 1983; Meyer & Rowan, 1977; DiMaggio & Powell, 1991; Scott, 1987; Suchman, 1995).

The Neo-Institutional theory proposed by Scott (2001) places emphasis on three levels of analysis: societal (global) institutions; governance structures; and actors. At the top of Scott's model are societal and global institutions, which provide a platform, where what is possible, acceptable, and legitimate models and menus of social behaviour are officially proposed and informally passed (Judge et al., 2008, 2010). These higher-level intuitions can shape, impede, and/or spur structures and actions at lower levels. Governance structures occupy the middle level of Scott's model, consisting of organisational fields (corporations in similar fields, reflected in the similarity of goods and services offered) and organisations themselves. Corporations differ in complexity, culture, function and structure, the organisational level of analysis is equally important as it has the capacity to affect, and be affected by, the organisational fields and the general institutional context. At the bottom of Scott's model are actors, consisting of individuals and groups. Drawing from DiMaggio & Powell's (1983, 1991) "coercive/regulative" (i.e., the presence of institutions that can force actors to conform to accepted standards), "cognitive / mimetic" (i.e., the capacity to copy the behaviour of other social actors), and "normative" (i.e., expected and accepted social behaviour) concepts of institutions, Scott (2001) suggest that these institutional pressures can affect the forces of diffusion and /or imposition of institutional norms and practices, whilst inventing new ways of operating and /or negotiation the development of new institutions norms and practices (Judge et al., 2010; North, 1990). The creation of the hybrid organisation from the public sector organisation and then operating and evolving within a competitive market whilst adhering to public sector norms creates challenges for the actors within both organisations regarding competition for resources but also seeking legitimacy and social acceptance within the operating context of public policy, commercial and private sector norms and the business models between the two organisations.

In relation to Scott's model (2001) the conflict of power and control between the two organisations regarding resources and how these are distributed and utilised. The changing shape of structures within the hybrid organisation and requirement to have control of these as an independent organisation from the parent organisation create conflict between the two organisations. The invention of new ways of operating and or negotiating the development of new ways of operating and new institutional norms and practices (Judge et al., 2010; North, 1990) provide challenges regarding power and the control of the resources for these new ways of working and legitimacy.

Neo-institutional theory provides the tools to understand the contextual and intra-organisational dynamics between the two organisations linked with Scott's model (2001), Greenwood & Hinings (2010) model helps with the understanding of the rivalries, conflicts and power challenges between the groups and the intra-organisational dynamics. The model shows the consisting power dependencies, interest dissatisfaction, and value commitments which can lead to radical organisational change.



*Fig 2.3 Neo-institutional dynamics model based on Greenwood and Hinings (2010)*

### 2.10.2 Logic, Conformity and Conflict

It is evidential that firms in different types of operating environments with different institutional arrangements react differently to similar challenges. The different responses are mainly determined by the political, economic, social and legal factors that are part of the institutional structural arrangements (Jackson & Deeg, 2008; Kostova, Kendall & Dacin, 2008). Scott (1995) portrays institutions as exhibiting distinctive properties, which include being multifaceted, durable social structures, made up of symbolic elements, social activities and material resource 'institutions operate at different levels of jurisdiction, from the world system to localised interpersonal relationships...by definition connote stability but are subject to change processes, both incremental and discontinuous (Scott, 2001; 48). Institutional structural forces can be both enabling and constraining as to the efforts of change agents who undertake institutional work (Jones & Messa, 2013; Lawrence & Suddaby, 2006; Lawrence, Suddaby & Leca, 2009; Suddaby, 2010), thus institutions tend to bring stability and order in social life, institutional theory attend to both consensus and conformity as well as conflict and change in social structures. Links between

individual and social institutions have been made as part of investigations into institutional heterogeneity (Delemstri, 2008) with Friedland & Alford (1991) arguing that most institutional theories focus on organisational homogeneity without contesting why the institutional arenas are patterned in a certain way and what conditions shaped the institutional forms they were developing.

Friedland & Alford (1991: 250) continue with institutional changes being both symbolic and material 'institutional transformations are therefore associated with the creation of both new social relationships and new symbolic orders'. What leads to change is the ideas and sense-making of organisational practice new language, new explanations and actions (Cooper et al., 1996). In addition, it is recognised that individuals and organisations can transform the institutional relations by exploiting contradictions and multiple logics, *'when institutions are in conflict, people may mobilise to defend the symbols and practices of one institution from the implications of changes in others. Or they may attempt to export the symbols and practices of one institution to transform another'* (Friedland & Alford 1991:255).

When exploring the observation of institutional contradictions Seo & Creed (2002) propose four sources of contradictions: (1) legitimacy at the expense of efficiency, (2) adaptation lock-in, (3) isomorphism that conflicts with divergent interests, and (4) inter-institutional incompatibilities. Complying with institutional arrangements may remain in contradiction to common sense of technical efficiency (Meyer & Rowan, 1977; Scott & Meyer, 1991). Points of change may be identified in institutional gaps in efficiency and can lead to selective decoupling of formal structures from technical activities (Meyer & Rowan, 1977). Successful adaptation to institutional requirements, increasing legitimacy may cause less abatable organisations in the future, with structure or practise is institutionalised, may be taken for granted and unquestioned (Berger & Luckmann, 1966, 1991; Powell, 1991; Zucker, 1991). Where actors are unhappy with dominant institutional order are potential change agents or institutional entrepreneurs (Battiliana, 2006; Greenwood & Suddaby, 2006). Seo & Creed (2002) assert that institutional phenomena are seen to produce and reproduce in various locations and levels, thus making the co-existence of several institutional logics possible, which can support, or weaken each other (Friedland & Alford, 1991; Thornton, 2002; 2004). As such inconsistencies with behavioural expectations at different levels and sectors of society as individuals and organisations conform to different institutional arrangements at the same time (Seo & Creed, 2002).

### **2.11 Institutional Pillars of Structure**

Institutional characteristics are shaped and reinforced by three pillars, cultural-cognitive, normative and regulative elements that, together with associated resources and activities, provide stability and meaning to social life according to Scott (2001, 2008). These are enabled by various types of carriers, including symbolic systems, relational systems, routines and artefacts. Wolf (2005) describes the regulative pillar as relating to rules, laws and conveyances of power that explains how institutions constrain and regularise behaviour. As such organisational actors are influenced by the plethora of complex public laws, regulations and agency directives and instructions. The regulative pillar conveys carriers such as relational governance and power systems, standard operating procedures and objectivised mandates that serve coercive mechanisms. Legitimacy is supported by coercive mechanisms and rules-based legal sanctions.

The normative pillar refers to systems of values and norms, implying expectations, social obligations, roles, professionalism, duty and moral responsibility. Legitimacy is supported by morally governed characteristics (Parsons, 1951; Selznick, 1957; DiMaggio & Powell, 1983). The final pillar is the cultural-cognitive element and is regarded a key feature of new institutionalism, focusing on creation of shared constructions of social reality. It is influenced by anthropological and psychological perspectives (Berger & Luckmann, 1966; Geertz, 1983, 2001; and Scott & Meyer, 1994, 2010), which focuses on the role of stories, rituals, routines, symbols and scripts as carriers. Participants form identities and create legitimacy in socially constructed reality. The difference opposed to rules and normative expectations, cultural-cognitive pillar is characterised by taken-for granted beliefs and shared conceptions that form the foundation of social order (Scott, 1995, 2004, 2008).

### **2.12 Leadership and the Impact on Hybrid Organisations**

Organisational behaviour is often said to be one of the most important areas regarding leadership and academic research has been concerned with the topic since at least 1869 (Zaccaron, 2007). Hogan & Kaiser (2005) advise that leadership has critical effects on the performance of individuals, teams and organisations, and when performed well has a positive influence on individuals, groups and organisations.



Early leadership research points to personality traits, which are described as enduring patterns of behaviour which manifest in leadership (Zaccaron, 2007). The ability to understand the difference between effective leaders and those that aren't has been explained by Trait theory (Kirkpatrick & Locke, 1991) and was dominate between 1930 and 1950 (House & Aditya, 1997). This was extended further by Stogdill (1948) looking into leadership theory pointing to key skills such as interpersonal, decisiveness, linguistic ability and administrative skills being important qualities found in leaders. Personality has been identified as another leadership trait (Derue, Nahrgang, Wellman & Humphrey, 2011) and described as being a strong hereditary component relying heavily on nurture. Stogdill (1948) compared individual traits of successful and unsuccessful leaders which included (but not limited to) ambition, humour, intelligence and political affiliation. Other consistent traits associated with leadership have been identified by Yukl (2015) which includes high energy levels, tolerance to stress, self-confidence, internal locus of control, emotional stability and maturity, high need for power, motivation to achieve and low need for affiliation. When considering challenges of hybrid organisations and the transitional changes and challenges they face, leadership is important to manage the success of such organisations and the conflicts that are associated with such organisations.

Traits are also considered to be important influence on leadership behaviour but is dependent on the context within which that leadership behaviour occurs (Zaccaro, 2007). Behaviour and leadership effectiveness focus on the behaviour's leaders display more convincing theoretical approach.

### **2.12.1 Senior Leadership**

Senior management leadership has been shown to be important to organisational outcomes (Finkelstein et al., 2009). In this literature review it is merely acknowledged on the basis that it requires new research enquiry in relation to hybrid organisations. Hence to summarise senior leaders are described as being at the apex of the organisation dealing with complex demands to be managing the organisation (Carter & Greer, 2013). The management of internal and external activities which include identification of information (political landscape and current affairs), incorporated into strategy and implementation are described a key activity of top executives (Finkelstein et al., 2009). Implementation of strategy is described as involving allocating resources, setting procedures and policy, and creating an organisation driven by strategic vision as well as increasing organisational productivity, organisational effectiveness and reduction of costs (Galbraith & Kazanjian, 1986; Quinn, 1980; Ansoff, 1965; Porter, 1980). Context creation is related to senior

leadership practices which develop organisational culture and climate, involving reward, measurement and staffing procedures.

Senior management theories focus on strategic leadership, and stem from the upper echelon's theory (Carpenter, Geletkanycz & Sanders, 2004; Donald & Phyllis, 1986; Hambrick & Mason, 1984; Hambrick, 2007). The concept is however relatively recent compared to other leadership theories (Cannella & Monroe, 1997). The effect top executives or leaders can have on their organisation depends on the amount of discretion they are afforded. The organisational direction and structure may be completely dependent on the senior leadership team, completely outside their control, or may be a product of small influences (Finkelstein et al., 1986). Geletkanycz & Hambrick (1997) show that higher strategic conformity of senior management team was associated with higher organisational performance in an uncertain, rapidly changing environment, but not in more stable environments.

Overall research on senior leaders is inconsistent and further research is required in relation to hybrid organisations. Examples being the relationship of leader values and organisational outcomes (Miles, 2007), leadership style and organisational performance (Carter & Greer, 2013), or understanding senior leadership influence across a range of work environments (Finkelstein et al., 2009).

## **2.13 Conclusion**

The review has presented an overview of the different literature across a number of areas in relation to this research. The research is exploring the journey of a hybrid organisation developing its own legitimacy, independence from the parent public sector organisation whilst delivering public value as a commercial organisation. The gap in the literature regarding hybrid organisations is how they set and progress when operating. The different elements of the literature have explored in understanding the behavioural changes in the hybrid organisation. In undertaking the research, the different aspects of the literature have been extended at a practical level and the concepts and theories have been used to better understand the behavioural changes of the organisations.

### **3 Methodology**

This chapter will introduce the research design, including the methodology, philosophical considerations, propositions, research questions, data collection and analysis, as well as any difficulties encountered during the research process. The chapter justifies the selection of a case study, that includes grounded theory, ethnography and a range of qualitative research tools, including focus groups and semi-structured interviews.

The philosophical debates that characterise the selected qualitative methodology is critically discussed. The chapter also positions the situational context of the researcher and explains how this impacted upon the research. Issues include how the data was collected, and the researcher exit from the organisation as well as the ethical considerations, which are explained throughout the research process. The limitation of the qualitative research design is also discussed.

#### **3.1 Method Selection**

When considering the methodology selected for the research design, it was important to identify the appropriate methods for the research question, research propositions, research aims and objectives. An influencing feature of this process concerns the lens that the researcher sees the world through and the philosophical aspect of that worldview. This aspect influences the decision-making process in terms of how knowledge and beliefs influence the choice of multiple research methods that are available to the researcher, and which offer a 'best fit' to answering the research questions. The following sections discuss the philosophical debates regarding the creation of knowledge and the importance of the researcher's beliefs in the methodological choices taken in relation to the research design in seeking that knowledge.

##### **3.1.1 Philosophical debates**

When selecting a broader philosophical position there are two main epistemological approaches to acquiring knowledge, which are positivism and interpretivism (Burrell & Morgan, 1979; Hudson & Ozanne, 1988; Bryman & Tevan, 2005). Choosing an appropriate method of inquiry relies on the philosophical assumptions regarding the research approach, and the nature of the research question, as well as the knowledge and beliefs of the researcher.

Qualitative researchers often refer to an interpretivist stance which in terms of epistemology means a rejection of the view that a scientific model can be applied to the nature of knowledge of the social world (Bryman & Bell, 2015). Webber (1922) defines interpretivist as the ability and desire to achieve an in-depth order, understanding what distinguishes the social from the natural sciences. In contrast to positivist epistemology, interpretivist epistemology is typically interested in the world through the experiences and thoughts of participants, with the understanding of how people apply meaning to phenomena (Burrell & Morgan, 1979; Ritchie & Lewis, 2003). The epistemological view of the interpretivist is, the social world consists of multiple realities (Hudson & Ozanne, 1988). Qualitative researchers reject a positivist epistemology, which traditionally draws on a framework from the natural sciences for the generation of testing hypotheses (Lee & Lings, 2008; Bryman, 2003) with the investigation to causal relationships between predetermined variables from an axiology angle (Bird & McCormick, 1992; Hudson & Ozanne, 1988). Bryman, 2004; Hudson & Ozane (1988: 513). In contrast, interpretivists, 'seek to describe many perceived realities that cannot be known a priori because they are time and context specific. Thus, research is an emergent process' (Hudson & Ozanne, 1988; Hollenbeck & Patrick, 2017, p 146). Constructivism is an ontological position concerning the nature of reality (Bryman, 2011, 2015) that is important to a qualitative researcher (Hudson & Ozanne, 1988). From an ontological stance, constructivism acknowledges that meanings are continually developed and changed by social actors and human interaction and is under constant state of revision. The social and behavioural sciences have debated the superiority of the approaches from quantitative (positivist or post-positivist) and qualitative (Interpretivist) in relation to the belief systems (Guba & Lincoln, 1994).

A third paradigm was initially considered for this research (Johnson, Onwuegbuzie & Turner, 2004; Bryman 2006; Tashakkori and Teddlie 2003a), which is a mixed methods approach using both qualitative and quantitative methods. Dzurec & Abraham, (1993) argue that qualitative and quantitative methods share similar objectives and nature of enquiry to understand and explain behaviour, event, component, antecedents, corollaries and consequences (Webb et al, 1996).

Supporters of mixed methods believe the approach opens aspects of enquiry, which allows researchers to better answer their research questions. Creswell (2003) argues that research requires either qualitative, quantitative or both types of data, which are suitable to answer the questions with the practical relevance of the organization. A mixed methods approach is advocated as compensating for the shortcomings of using qualitative or quantitative approaches alone

(Steckler, et al., 1992, and frequently philosophically explained through critical realism (Bhaskar, 1978)

The philosophy of pragmatism, (Howe, 1988; Tashakkori & Teddlie, 1998) compliments an integrated mixed method approach (Brewer & Hunter, 1989; Patton, 1990). Scholars have pointed out the strengths and weaknesses of both the positivist and interpretivist traditions and point out there is 'no guaranteed methodological path to the promised land' (House, 1994, p20-2). Reichardt & Rallis (1994) argue that there are numerous similarities in the fundamental values and beliefs between both quantitative and qualitative approaches and urges both camps to 'form an enduring partnership' (p. 85). Flyvbjerg (2011, p130-1) also discusses the aspect of validity of a pragmatic approach and suggests it sets forth the basic ground rules for any social or political inquiry, in as much as social science and philosophy have not yet identified criteria by which an ultimate interpretation and a grounding of values and fact can be made. After consideration mixed -methods was rejected on the basis that the research is exploratory in terms of the research questions; however, pragmatism is accepted as an appropriate paradigm for this qualitative research.

Wicks & Freeman (1998) muted pragmatism as a third alternative to interpretivism and positivism. Lee & Nickerson (2010) suggest that pragmatism is a more adequate research paradigm for intervention research compared to positivism. Goldkuhl (2012) states that pragmatism is concerned with action and change and the interplay between knowledge and action. These arguments justify it as appropriate as basis for research approaches that intervene in the social world as opposed to just observing it. This is normally associated with organisational intervention, such as Action Research or Design Research (Goldkuhl, 2012). It is important however to understand the comparatives and differences between the paradigms of interpretivism and pragmatism and the paradigmatic constituents concerning how ontology and epistemology relate to the methodology selection (Orlikowski & Baroudi, 1991; Gole & Hirschheim, 2000; Iivari, 2007, Goldkuhl, 2012).

As discussed above, the purist debate between the paradigms of interpretivism and positivism claim that paradigms should not be mixed. Gole & Hirschheim (2000) state that the introduction of pragmatism 'undercuts the traditional dichotomist warfare between conflicting paradigms by providing a philosophical paradigm'. One of the principles of interpretivism is the relation between researcher and practitioner (Klein & Myers, 1999; P 67 - 94), cited as 'the principle of interaction between the researcher and subjects' and many researchers work close to the practice field, which implies engagement within the studied practice. 'The researcher can never assume a value-neutral

stance' (Orlikowski & Baroudi, 1991; P 1 - 28), albeit the opposite is argued by Schultz (1970) who discussed the researcher role in relation to the empirical practices, 'the researcher is not involved in the observed situation'.

The characteristics and emergence of pragmatism as a research paradigm has emerged from writings of Pierce, James, Dewey and Mead and emanated from American pragmatism (Goldkuhl, 2012). The ontological essence of actions and change; humans acting in a world that is in a constant state of becoming (Blumer, 1969), thus actions are pivotal to pragmatism, and action is the role of the intermediary (Dewey, 1931), and must be guided by purpose and knowledge. Dewey, (1938) referred to the aspect of inquiry and this concept being central to applications of pragmatism. Cronen (2001; P 21 - 54) described inquiry, 'as a natural part of life aimed at improving our condition by adaptation accommodations in the world', meaning that inquiry is part of reality and creating knowledge for controlled change of reality. Pragmatism is described by Rescher (2000) as covering many different areas e.g. knowledge, language, ethics. Goldkul (2008) has described three types of pragmatism, functional pragmatism, referential pragmatism and methodological pragmatism. Functional pragmatism tends to be performed through Action Research (Baskerville & Myers, 2004), Referential pragmatism tends to be based on the idea of actions should be the primary empirical and theoretical focus (Blumner, 1969). From a methodological view pragmatism is concerned with the aspect of how knowledge is created, with emphasis on the active role of the researcher in creating data theories. This position relates to pragmatist ontology based on both realist and idealist metaphysics (Dewey, 1931). Pragmatism is seen as taking the middle or dual position between positivist and interpretivist ontologies (Goles & Hirschheim, 1999). As such the pragmatist position can be labelled constructive realism or symbolic realism.

A summary of the similarities and differences of pragmatism and interpretivism is shown in the table below and support the design and research propositions for this thesis.

*Table 3.1 Comparisons between Pragmatism and Interpretivism*

	<b>Pragmatism</b>	<b>Interpretivism</b>
<b><i>Ontology</i></b>	Symbolic Realism	Constructivism
<b><i>Empirical Focus</i></b>	Actions and changes	Beliefs (socially constructed cognition)
<b><i>Type of Knowledge</i></b>	Constructive knowledge	Understanding
<b><i>Role of Knowledge</i></b>	Useful for action	Interesting
<b><i>Type of Investigation</i></b>	Inquiry	Field study
<b><i>Data Generation</i></b>	Data through assessment and intervention	Data through interpretation
<b><i>Role of researcher</i></b>	Engaged in change	Engaged in understanding

Reference: Goldkuhl (2012)

There are clearly differences between the two paradigms, interpretive knowledge understands, while in pragmatism, constructive knowledge is emphasised. The role of knowledge is useful for action and change (Walsham, 1993). Methodologically pragmatism is associated with inquiry, interpretivism, investigation is in the field of study (Klein and Myers, 1999). Data is generated differently, interpretation being interpretivism and assessment and intervention is part of pragmatism (Goldkul, 2012)

On reviewing the previous paradigms applied through the research and the methodologies used in Behavioural Addictivity, these have been predominantly been aligned with mainly a positivist stance (Gok, 2006, 2010; Georghiou, 2007; Falk, , 2006, 2007; Busom & Fernandez-Ribas, 2008; Hsu et al., 2009; Hsu & Hsuel 2009; Clarysse et al., 2009). Notably a mixed methods approach has recently been used by Gok (2010), to add to the knowledge and explore the phenomenon at a micro level.

This research has selected a micro qualitative approach to explore concepts of Behavioural Addictivity (Gok, 2006, 2010; Georghiou, 2007; Falk, 2007; Busom & Fernandez-Ribas, 2008; Hsu et

al., 2009; Hsu and Hsueh 2009; Clarysse et al, 2009) and organisation routines (Becker, 2001, 2004, 2005a; Dosi, et al., 2002; Hodgson, 2008; Nelson & Winter, 1982). A qualitative approach is the most appropriate course of action with regards to choosing the appropriate methods of data collection for the case study research. It offers a greater depth of understanding at an organisational level, and a pragmatic way of exploring the theoretical work that has been conducted in previous research. The research aims to provide a greater understanding of the organisational behaviour and organisational routines.

As described above there are similarities between pragmatism and interpretivism, but there are also important differences, which have been demonstrated in table 3.1. Research studies have selected both pragmatism and interpretivism. These suggest that they view from the world from the philosophical positions of pragmatism (Worren, Moore & Elliott, 2002) and critical realism (Bhaskar, 1989), Flyvberg (2007, 2011). The underlying principle of this research is both pragmatism and interpretivism. The pragmatism principles will be shown in the interventions and changes in the design of the organisation. Pragmatism is characterised as adopting a pluralist position, meaning that it uses whatever methods are suitable for the research question (Goles & Hirshheim, 1999; Goldkul, 2012). This means it is possible to combine a pragmatist study with interpretive thinking and methods. Several scholars (Goles & Hirshheim, 1999; Goldkul, 2004; 2008b; Marshall et al, 2005) argue that pragmatism can be added to the three research paradigms, interpretive, positivist and critical epistemologies. The pragmatic application creates a greater understanding at an organisational level of how policy changes influence the changes within the organisation. The interpretivist position informs the interpretation of the social constructs between individuals and organisations. There has been a co-constructive conceptual evolution between my role as researcher and practitioner evidenced through being engaged with the change of the organisation through interpretation and data collection.

### **3.2 Methods approach**

#### **3.2.1 Grounded Theory**

In line with the philosophical beliefs of the research and the requirements to undertake and answer the research propositions, a modified Grounded Theory (Strauss & Corbin, 1990) approach was chosen as the appropriate methodology for collection and analysis of the data. The inductive approach was selected partly to contribute towards the lack of theory developed from qualitative



research that relates to Behavioural Additionality and organisational routines using only qualitative research techniques. It therefore seeks to explore if new concepts or theories will emerge for a pragmatic application.

Acknowledging that the research is 'theory-orientated rather than practice-orientated', Dul and Hak (2008, p215) advise that the objective of practice-orientated research is 'to contribute to the knowledge of one or more specified practitioners', 'theory-orientated research aspires to contribute to theory development which might or might not be useful for policy-making eventually'. Notably Gok (2010, p225) acknowledges that Behavioural Additionality 'cannot be evaluated only by employing survey based quantitative data collection methods.

Grounded Theory (GT) (Strauss & Corbin, 1990) has been chosen in line with the philosophical stance of the researcher on the basis that it is a methodology for developing theory that is grounded in data and systematically gathered and analysed. The nature of theory evolving during the research through continuous interplay between analysis and data collection aligns with the researcher initially being an observer and later working in the hybrid organisation over a period of 18 months. The method of constant comparative analysis (Glaser & Strauss, 1967; Strauss & Corbin, 1990) compliments the researcher having a high level of access to data across both organisations. However, the researcher is aware that the original design of Grounded Theory (Glaser & Strauss, 1967) cannot be applied to contemporary PhD's given that students develop a literature review prior to data collection.

The Grounded Theory methodology involves 'generating theory and conducting social research as two parts of the same process' (Glaser, 1978, p83) and compliments both epistemologies of interpretivism and pragmatism for the data collection. Other data collection methods selected in conjunction with Grounded Theory (Strauss and Corbin, 1990) include ethnography (Hammersley and Atkinson, 1994), semi-structured interviews (Cohen, et al, 2007), and case study (Yin, 1994). Selecting a case study approach at a micro level because of policy change provides new insight for the organisation.

### 3.3. Case Study Approach

The dominant research design of the PhD was a case study method. Case studies (Yin, 1994) seek to conduct a detailed investigation of phenomena within their context, frequently collecting data over a period of time. The aim is to provide an analysis of the context and processes, which illuminate the theoretical issues being studied (Hartley, 2004). Yin (1994) talks of case studies consisting of a series of interlocking events observed over a period of time in one place focusing on context and dynamics within the contextual environment. Stake (1995) describes a case study as catching the complexity of a single case. From this perspective single case study can be justified when it is of very special interest and captures the detail of interaction with its contexts. Case study is the study of the particularity and complexity of a single case, understanding its activity in context (Yin, 1994).

There is a wealth of evidence justifying the use and value of conducting single case studies.

The key features of case study include the principle of one case being selected, although it is accepted that in some circumstances several cases may be chosen. It is often with a single case study that the study will be detailed and intensive. Other key features include the phenomenon that is being studied is in context and multiple data methods are often used (Ritchie & Lewis, 2003).

In addition, Feagin, et al., (1991) refer to case studies taking a 'holistic approach' and capturing people as they experience their natural, everyday circumstances. Case studies can offer the research empirical and theoretical gains in understanding larger social complexes of actors, actions and motives.

Abercrombie, Hill & Turner (2006) suggest that case studies are unsuitable as a standalone research method. However, Patton (1990) and Yin (1989) argue understanding the critical phenomena of a single case may depend on choosing the case well. Flyvbjerg (2006) has criticised the unsuitability view of case studies being standalone and leading to misunderstanding and advise that academics determine a definition for their 'case study'. Campbell (1975) discusses that case studies can usefully be seen as a small step toward gradual generalisation, but generalisation should not be emphasised in all research (Feagin, Orum, & Sjoberg, 1991; Simmons, 1980). Eisendhardt (1989), Eckstein (1975) and George & Bennet (2005) argue that generalisation is an aspect of expanding knowledge and the use of case studies add to theory development and expansion and should not be dismissed as adding no value. In addition, an in-depth case accompanied by breadth of statistical significance gives weight to phenomenon (Yin, 1994).

### **3.3.1 Case in Context**

Due to the organisation being formed from a large public sector organisation and the complex and challenge of the austerity measures, the case study method is appropriate due to the nature of the new organisation being developed or born from the public sector organisation. In terms of policy it is beneficial to understand the changes, practice and how these are informed especially in relation to the aspects of New Public Management (NPM) and inform policy in practice.

As such, the case study method was chosen as the most appropriate lens to examine how a hybrid organisation changes with regard to the austerity policy and austerity changes placed on a public sector organisation, and how the employees, managers and senior managers deal with those changes. It provides an in-depth understanding to how behaviours and routines change within the organisation, and how those changes inform creativity and innovation. Taking this approach using the Grounded Theory (Strauss & Corbin, 1990) methodology allows the development of new understanding regarding the changing practices.

### **3.3.2 Methods Table**

In line with qualitative research a number of methods were deployed during the research. A summary table shows the different methods used and the data analysis undertaken throughout the research.

Table 3.1.1 Research methods table

Research Method	Description	Type of Data	Data collected and analysed
<b>Interview</b>	Face to face meeting working through semi-structured interviews	Primary	23 Formal interviews 38 informal interviews
<b>Observations</b>	Observing meetings, group discussions, 121 meetings	Ethnographic data	17 Meetings 29 Group discussions 52 Work interactions 4 Governance meetings 7 Board meetings
<b>Focus Group</b>	A group of people that participate/contribute in a discussion	Qualitative data	3 Focus Groups
<b>Document Analysis</b>	Documents assessed using NVivo for key words etc.	Secondary data	15 Board meetings 36 Confidential documents 18 Senior Leader meetings 9 Governance Meetings 59 variant documents
<b>Case Study</b>	Ethnographic research undertaken in Public sector Hybrid organisation	Primary and secondary data collected from hybrid and parental public sector organisation	Methodological design
<b>Participants</b>	The number of individuals participating in the interview and focus groups	Qualitative data collection	26 Female 47 Male

### 3.4 Procedure and Recruitment of Participants

To recruit participants for both focus groups and interviews (both discussed below) a letter was sent to all (220) employees within the organisation, including the board members. I attended several of the organisation's key management meetings and the board meetings to discuss the aspects of the research and the nature of why participation was important and the benefits of the research to individuals and the organisation. It was also important to discuss the ethical aspects of the research and how this is managed. A letter was distributed in each of the meetings outlining and providing

details of the topics for discussion and invitations to the research. The letter also provided a brief for the potential participants so that informed decisions could be made with regard to whether they wished to participate in the research and to explain that the participation was entirely voluntary.

To ensure the smooth arrangements of both focus groups and the formal interviews the establishment of a gatekeeper was required. The gatekeeper helped arrange the participants for the focus groups, ensuring that meeting rooms were available, and bookings placed in participant calendars. The same requirement was also undertaken for the formal interviews, to ensure that numbers, timings and locations were all coordinated, and the logistics undertaken in a smooth way. This was also done to ensure that disruption was kept to a minimum regarding work schedules.

E-mails were sent to participants, the first being sent to confirm date, time and location of either the focus group or the interviews. A reminder was sent nearer the time, with the time being stated and location and copy of the paper work regarding the details of the research. The gatekeeper also helped select the appropriate paper work provided by me to show all the details of the research and to ensure signed consent of the participants who chose to take part in the research. In addition, concerning formal interview, participants were not provided with details of other people that would be interviewed, and a safe and confidential environment was provided with the participants consent.

Interviews and focus groups were recorded and transcribed so that a verbatim written record existed to ensure a thorough appropriate analysis.

### **3.5 Participants**

The sample was of both males and females, and groups were mixed across the services of the organisation and at different levels within the organisation. There was a total of 26 female and 47 male employees. This selection provided for lively and informative debates within the focus groups, which elicited a range of differing opinions it was also evident that availability was subject to individuals' work schedules and willingness to participate in the research.

The sample was a non-probability convenience (George & Bennett, 2005) sample based on who was available to attend interviews and focus groups. The attendees for both interviews and the focus groups were predominately (male =37, Females n=19) and over the age of 40. The work experience

of the group was in excess of 10 years (37) and most of the participants had transferred over from the parent public sector organisation. The workforce number was around 220 at the time of the research, however, by the end of the research the hybrid organisation recruited employees to a total approximately 440. The recruitment occurred after the main part of the data collection had been completed.

### **3.6 Issues with Data Collection**

Rigorous and ethical checks (Becker, 1996) are essential with regard to the research process, and as the researcher is close to both organisations, it was important that participants had confidence in the research and information that had been provided. In addition, it was essential that participants had confidence regarding the ethical aspect of the research and the rigor that is undertaken in the design and analysis. It was also important to ask for confidentiality between the different groups that participated in the research. Senior managers, board members and employees were asked to ensure that information wasn't being passed between groups.

The enablement and empowerment of the gatekeeper (Burgess 1991; Taylor & Bogdan 1998; Glesne, 1999; Patton, 2002; Bogdan & Biklen 2003; Feldman, Bell, & Berger 2003) was key to this, ensuring that I worked closely with the gatekeeper to ensure how the research and data collection was going to be structured.

### **3.7 Focus Group**

Bryman & Teevan (2005) refers to focus groups as a technique involving a group of participants of 6 to 10, while Patton (2002) describes them as taking between one-half and two hours in time. Focus groups have been conducted in a number of studies (Fontana & Frey, 2000; Merton, 1987) and associated predominantly with the qualitative methods of research. Part of the interviewer's role within the focus group being 'flexible, objective, emphatic, persuasive, a good listener' (Fontana & Frey, 2000). For the purposes of this research there were three focus groups held at different levels including leaders and managers. There were twenty-five focus group manager participants who have line management responsibility. Subsequent focus groups were held with front line employees, board members and senior managers. The data collected, and subsequent findings were conducive to further investigation and allowed for adjustment to the research questions. The data highlighted the initial issues and challenges that the WOC faced and generated some initial

theoretical insights. When taking a Grounded Theory approach, it is important to consider the aspects of theoretical sampling (Strauss & Corbin, 1990) in developing and refining the questions in relation to the research.

The line manager focus groups participants explained routines that are currently undertaken to establish relationships with innovation in practice, process, governance and engaging behaviour. The focus groups run with front line employees showed an understanding of organisational routines regarding innovation within the organisation.

The focus group work enabled the researcher to obtain the co-operation of the participants and thus placed trust in the data gathering analysis aspect of the research. It was also important at the early stages of the research as the WOC was undertaking a restructure, which meant that a significant number of employees' roles were under threat of redundancy.

### **3.8 Justification of Methodological Choice**

This initial stage of the research was to establish some basic exploratory data with the pilot sample involved to develop the propositions and develop an understanding of the knowledge of the population being studied. It was also important to identify constructs and the inter-relationships between the different bodies within the two organisations, as well as the nature of the relationships. The aim of this was to understand the differences and similarities between working in the public sector organisation and the WOC. It was also important to understand the nature of progression of the WOC. The data from the focus groups also provided an understanding of the relationship with the public sector organisation and insight of how this changed over the period of the research.

The focus groups informed the theoretical foundations for a deeper understanding. Fontana & Frey (2005) advise that focus groups help individuals recall events and experiences, which may not always occur in the individual interview. In addition, they also help pave the way as a reminder and understanding for when individual interviews are conducted.

It was important to establish a trust relationship between researcher and participants to establish rapport, particularly as the researcher was known to the organisation and also an employee of the parent organisation. A key test was to gain insight to the understanding of the participants and their world view. Kitzinger (1994) states that working with a group to collect data allows the researcher to

personalise the conversation and help provide opportunities to understand and communicate in a similar language. The focus groups also provide the researcher the opportunity for observing interactions within the group. They also give an indication of how interactions are undertaken with outsiders and other stakeholders.

A key disadvantage of the focus groups is participants being less confident in disclosing their views and experiences than they would in individual interviews. In other parts of the literature it is discussed how some focus groups actually encourage others to disclose information they would have kept to themselves (Kitzinger, 1994). For this research the emphasis was on asking the respondents to maintain the confidentiality of the other respondents. Hence the awareness was about how it is impossible to offer confidentiality, and therefore not ethical to probe on sensitive issues.

Other aspects to be considered when undertaking focus groups is that of existing power relationships. As such separate groups with different seniority were organised to engage and manage this issue. Reed & Payton (1997) state that these can be difficult to control. Also, Agar & MacDonald (1995:78) make the point that focus groups are not ideal as a stand-alone research tool in qualitative research.

The size of each group was defined by opportunity, and as stated above, the groups were of a small sample size, typically around 6 to 10. Senior management, being a small number in their peer group. The literature indicates that between 6 to 10 participants tend to engage in a more opinionated debate. Larger groups can be more difficult to manage and require additional support and resource (Morgan, 1998).

### **3.9 Ethnographical approach**

Hammersley & Atkinson (1994) describe ethnography as forms of social research having a substantial number of features. For the design of the research an ethnographic approach, followed on from the focus groups. It allowed the researcher to be embedded within the organisation and explore the nature of particular social phenomena through observation, interviews and documentary analysis. Hammersley & Atkinson (1994) also refer to how data analysis involves explicit interpretation of the meanings and functions of human actions, the product of which mainly takes the form of verbal descriptions and explanations, with quantification and statistical analysis



playing a subordinate role at most. The researcher was able to observe interactions of the managers and staff, behaviours and changes with regard to the organisational routines as the organisation progresses through the time period of the study. The initial aspect of the ethnographic studies as a researcher was the role of observer. This then changed to practitioner as well with the researcher role, also undertaking interventions, and being fully embedded in the WOC.

Together with formal interviews, informal interviews, observations, focus groups and interactions with participants, an ethnographic approach produced a rich body of data

A fourfold typology was considered; complete observer, observer as participant, participant and observer and complete participant (Gold, 1958; Junker, 1960). I moved backwards and forwards through most of these stages. Notably Hammersley & Atkinson (2006) argue that some of these dimensions can run together.

The ethical considerations of ethnographic methods also need to be acknowledged. Lewis & Russell (2011) consider researchers can be 'at risk' in field research, examples of this being the potential risk of physical threat or abuse, psychological trauma, compromising situation or increased exposure to general risk of everyday life in social interactions. There are four ethical principles (Beauchamp & Childress, 1979, 2001) that are frequently considered in research, autonomy, non-maleficence, beneficence and justice. Hence how the data is obtained and confidentiality as well as with anonymity was maintained was important in the initial set up of the research design. It has been argued that in a sense all social research is a form of participant observation, because we cannot study the social world without being part of it (Hammersley & Atkinson, 2004, 2006). As the researcher, I needed to be reflective and reflexive by way of thinking about and periodically revisiting my field notes, recordings and observations. The data required through this process informed the research. Observations identified experiencing real-life occurrences of the changes, processes and observations of the behavioural changes in the organisation. This involved the observations of the actions and relationship dynamics of the respondents in the daily setting. This provided the rich depth of understanding and close observations of the conceptual aspects. Observations included the day to day changing context of the business and its interrelationships with the parental organisation. These company-wide changes provided a unique opportunity for understanding the situational context (O'Reilly, 2005).

The Grounded Theory (Strauss & Corbin, 1990) method enables the constant comparison method with regards to the data. In addition, the use of a variety of methods from the ethnographic

approach helps to ameliorate the effects of each individual methods' limitations. This allows cross-validation, which DeWalt & DeWalt (2002) describe as triangulation and enables using multiple sources to cross-check, challenge and support findings from other methods.

### **3.9.1 Ethics of Ethnography**

It is important to reflect on the aspect of ethnographic research and the fact that it needs to comply with stricter ethical codes of conduct (Johnson, 2008). There are challenges with covert observations being more challenging and less acceptable in the literature (Bulmer, 1980; Bryman, 2006) and this needed to be reflected in the design. Also, as a researcher employed in the organisation it was important to ensure the 'risk' level of ethnographic research was limited (Lewis & Russell, 2011). With regards to the data collection it was important to fulfill the principles of ethics as closely as possible. The main aspects of this included informed consent, managing sensitive issues and, confidentiality of the participants and organisation, commercial or individual, all of which was accommodated. Formal interviews included information sheets with details regarding the research and how data would be used to maintain anonymity and confidentiality. Participants were given the right to withdraw at any time they chose to do so and how to contact the researcher if need be. It required participants to sign and indicate that they understood the demands of the research and their involvement in it. In addition, it was important to provide regular updates to the organisation and participants, including reports as the data from the research progressed (Bryman, 2001, 2006). There was a constant awareness of the issue that the organisation is a political organisation, and as such the research could be used from a political angle. All of these issues needed to be considered within the ethical framework. As such the decision was made at an early point that this PhD would not be made available in the public domain.

### **3.9.2 The Ethnographic Process**

The researcher was relocated into the WOC on a secondment in order to support changes from a HR perspective, but also to start the ethnographic fieldwork. The researcher did not hold a permanent position within the WOC at this point but did work with the participants in supporting commercial change within the WOC. The immersion in the research location offered access to the leadership team, employees and the board. This included observing one to one and individual projects meetings. It was made clear at the outset that the researcher was undertaking research for a PhD, as well as undertaking a supportive role to the organisation regarding the changes. The researcher was

well known to the organisation as a result of the position held in the parent public sector organisation. As such I was seen as friend and supporter of the WOC. It was a concern that not all employees would be fully comfortable in open and transparent discussion with regard to the researcher, but the majority seemed comfortable with this possibly due to prior working relationships which helped gain trust.

The initial period of time for the researcher to work with the WOC was six months, however this morphed into a period of 18 months. Goffman (1989) discusses that sufficient time for ethnographic research to be based in an organisation is for a period of at least a year. This period was extended due to the researcher being offered a permanent leadership position within the WOC. From an ethnographic perspective this provided a great opportunity to be immersed in the WOC and experience the context of change, and transition. As the weeks passed there was more trust and rapport established between the researcher and respondents, some of which was indicative of previous leadership issues, similar examples of this are discussed by Marzano (2007).

The researcher was located in the offices of the WOC during the 18-month ethnographic period of the research. The researcher was located within different teams through the first six months, supporting several different projects. As part of the initial stage of the research, the researcher was invited to several different meetings, including decision-making meetings and reviews of different aspects concerning relationships with the public sector parent organisation. This included some very difficult and complex meetings that would involve different stakeholders from the public sector organisation, including procurement, finance, HR and audit service areas. The role enabled access to senior leadership meetings and board meetings, between the WOC and the public sector organisation, and senior politicians. This provided the researcher access to a rich source of data that is central to ethnographic and action research (Hammersley & Atkinson, 1994). As described by Whyte (1984) in Dewalt and DeWalt (2002, p126), 'if people accept you, you can just hang around, and you'll learn the answer in the long run without ever having to ask the questions. Active listening as a researcher and employee was important to employ to gather data and discuss further with respondents in a conversational style.

### **3.9.3 Sampling in Ethnography**

From an ethnographic perspective (Hammersley & Atkinson, 1994, 1995) sampling can be a complicated. The sampling was opportunistic in nature, meaning that interactions around events

would be observed, and field notes and data collection would be made. Johnson (1990) discusses the responsibility of the researcher to ensure that there is a level of validity in ethnographic research and gathering data from a representative sampling. The researcher aimed to ensure the validity and reliability with regard to the sampling. The structure revolved around the attendance of the meetings at the senior leadership and board meetings and maintaining integrity in the WOC. The minutes of the meetings were analysed to monitor progress and change with regard to the content and discussions in relation to the outcomes and changes between the WOC and the public sector parent company in addition, there were informal meetings set up to enable members to discuss different aspects of the changes at different levels within the WOC. Potential participants that were approached were chosen in relation to group membership i.e. male or female, job role, and job group.

### **3.9.4 Ethnographic Methods**

#### **3.9.4.1 Interviews with Senior Management**

Bryman & Teevan (2005) describe the research interview as a prominent data-collection strategy in qualitative research, suggesting that the development of the focused interview in the 1940's by Merton & Kendall (1946) as the foundations of the qualitative interview. As part of this research, formal focused semi-structured (ref) interviews took place with WOC senior management and leaders to obtain an understanding of the changes and challenges regarding the setting up of the WOC and the routines, process and system changes and behaviour changes. This related to aspects of austerity within the context of public policy funding. Interviews included the senior leadership team and the board members involved in both operational and strategic decision making.

Ethnographers have concerned themselves with assumptions and moral problems present in interviewing and controlling the interviewer (Cohen & Manion, 1994; P Woods, 1986). This, in turn, has led to new directions in qualitative interviewing focusing on increased attention to the voices and feelings of the respondents (Marcus & Fischer, 1986). This also includes the interviewer-respondent relationship (Crapanzon, 1980), and relates to the depth and scope that the qualitative interview can provide offering a rich source of data and understanding within a contextual environment.

### 3.9.4.2 Formal Interviews

Interviews were held with stakeholders across the WOC. Jensen & Janowski (1991) describe interviews as being recognised as a fundamentally instrumentalised technique in ethnographic research. This included those directly employed within the WOC and those outside the organisation and within the parent public sector organisation. A total of 23 in-depth formal interviews took place. This included Senior Leaders in the WOC, Senior Leaders within the public sector organisation, politicians on the WOC and the parent public sector Board, Senior Leaders within the public sector organisation and employees and management within the WOC. The small number is typical with regard to qualitative research and enables the in-depth understanding of context and meaning and experiences. The sample increased further with the informal interviews.

Interviews provided rich descriptions from managers, senior leaders, employees and key stakeholders. Questions were developed from the focus groups and previous studies regarding Behavioural Additionality and Organisational routines, and the early stages of the research in relation to the ethnographic observations. This allows for the rich description and is supportive of the depth of data and analysis (Miles & Huberman, 1994; Creswell, 2003, 2008)

Interviews are defined as ‘purposeful conversation in which one person asks prepared questions (interviewer) and other answers them (respondent) (Frey & Oishi, 1995:1). The various stakeholders in the WOC included staff and management within frontline service areas, legal team, senior management and staff from other departments working with the particular service area. Qualitative semi-structured interviews (Burns & Grove, 2005; Fontana & Frey, 2005; Polit & Beck, 2006) are focused and allow in depth probing with regards to understanding of the context, meaning and experiences of the participants providing the rich in-depth data required. Questions were developed from the focus groups. These provided a structure of data that allowed responses to be relevant to the research questions, while still allowing for rich descriptions (Miles & Huberman, 1994; Creswell, 2003, 2008).

Semi-structured interviews allowed for comparison between participants and also allowing freedom to follow up interesting lines of enquiry through probing (Cohen & Manion, 1994; Burns and Grove, 2005; Fontana and Frey, 2005; Polit and Beck, 2006). This meant structure, meaning and the data not being unmanageable or immense, especially in light of the amount of access to data the researcher had (Miles & Huberman, 1994). There were 30 questions (appendix 2) which covered the

following topics; organisational routines, transfer and background, performance, capabilities, activities, innovation, organisational change and relationships, austerity, management, public value and commerciality. An example of the questions that were used in the research included 'since the setup of the WOC, what have you noticed concerning changes in processes, procedures or systems. Another example of a question regarding performance included 'can you explain what projects you have been involved and how has that project performed'. The questions were open-ended allowing the participant to explore context, their own perceptions, feelings, thoughts, interactions and relationships regarding certain events or situations. The importance of the open-ended questions is to ensure that the participants are answering the questions for themselves without any guidance, bias or interference from the researcher (Creswell, 2003).

Interview questions were designed for about 20–30 minutes to ensure minimum disruption and the ability to obtain appropriate numbers to manage data and the information. The length of the interview also designed to ensure that the participants did not feel burdened or pressured regarding the process. However, 80% of interviews on average lasted around 50 minutes, very few interviews were of a short nature, and all provided in-depth and personal views and descriptions based on the questions asked. Further examples of the questions used included 'can you describe any examples of innovation in the WOC seen since it's set up' and an interview guide was discussed with each of the participants, and checking regarding the signing of the appropriate documents, and this was returned at the end of each interview. All of the interviews were taped, and this was in line with the permission of the participant. An independent provider for the analysis then transcribed the interviews. They were known to the University and were briefed regarding ethics of data collection and transcription. The recordings were verbatim, and on average the interviews were twelve pages long. Detailed notes were also undertaken with regard to each interview in case of any technical issues, and this was supported by my observation notes.

The data collection at this stage provides an understanding of the changes within the WOC from the perspective of the participants. This data builds on the findings from the focus groups and the ethnographic observations.

#### **3.9.4.3 Informal Interviews**

Semi-structured interviews were complimented by informal discussions. Fetterman (1989) suggests that ethnographers are afforded the same level of trust as they give priests, rabbis and psychiatrists.

The challenge for myself was my dual role as an employee role as well as the researcher's role and being aware to balance this aspect. Loftland (1971) points out that unstructured interviewing and participant observations go hand in hand.

As with all aspects of the research process, ethical issues were considered here in relation to the collection of the data, this being further discussed with regard to participant observation. With the respondent's permission to record these interviews were recorded and note taking enabled cross reference similar to data collected in a formal way. Extreme care was taken to ensure that no harm was done and to ensure that informed consent was obtained including the right to privacy and confidentiality both at individual and organisational level (Johnson, 2008; Birch, Jessop & Miller, 2002).

Informal interviews were opportunistic because of the good working relationships that the researcher had with the WOC employees. The informal interviews provided a rich data and often the informal discussions were conducted at the end of formal meetings, in staff rooms, café's, rather than in formal settings or with a recording device. This often resulted in participants being candid as discussed earlier by Fetterman (1989). To capture these discussions the researcher recorded the meetings by way of a diary and notes and entered these into an application called Evernote, to ensure timely relevance and the ability for reflection and cross analysis as part of the GT (Strauss & Corbin, 1990) methodology. The researcher ensured that participants were aware that through the conversations that the details provided would be used as part of the research, albeit anonymity and confidentiality were prioritised within the ethical framework.

#### **3.9.4.4 Examples from the Participant Observation**

As mentioned above Loftland (1971) discussed that unstructured interviewing and participant observation go hand in hand, and many of the data gathering in participant observation comes from informal interviewing in the field. Participant observation is described as a specific approach to gaining of knowledge, based upon direct contact between the researcher and the social objects of interest (Brannan & Oultram, 2012).

Observational data was collected overtly for the day-to-day fabric of the work that is undertaken with specific role and responsibility within the WOC. Brannan & Oultram (2012) discuss the experiential core of participant observation, meaning that we all observe as participants, consciously

or otherwise, within social interaction. Hammersley & Atkinson (1994) see participant observation as a 'mode of being-in-the-world' (1994: 249). As the researcher, it was important to be reflective of both the formal and informal aspects of the interviews, observations and discussions that were taking place in the WOC to ensure effective data is gathered and analysis can be completed at a later date within the research.

The observational data was collected by the method of detailed field notes. These were taken on site to capture the important details at the time of the event. Detailed notes were taken within meetings, group discussions, customer/service interactions and general work interactions. To minimise influence from the ethnographic researcher perspective, which involve individual thoughts, feelings and biases, required reflexivity aspects to those similar with the action research field. Taylor (1993a, p50) discusses;

'the understanding of the subject in practice is fundamental in two ways; first, this kind of subjectivity is always present. Sometimes we frame representations. Sometimes we do not. But the practical intelligibility is always there. More to the point, and second, the kind of representations we make are only comprehensible against the background provided by this inarticulate understanding'.

The observations allowed a deeper cultural understanding of the WOC and the contextual day to day challenges and changes taking place. Due to the different levels of the meetings and observations taking place, it was important for the researcher to be reflexive, to be able to absorb the data, compare and be comparative and untangle the complexities of topics and discussions taking place.

One set of field notes conducted in the middle of the data collection included an observation of a meeting between a manager in the WOC and an employee regarding the meeting they had with the parent organisation and department. The meeting also included discussions with politicians in the parent organisation. There were challenges between the two parties regarding a disturbance to the suppliers for the WOC and a temporary replacement that had caused increased costs and poor service, which was affecting the key delivery requirements of the WOC. There were frustrations in relation to the discussions and, from a power and control point of view, the WOC felt that it had very little choice in the situation despite the detrimental effect on its key performance indicators.

Participants were at different levels within the WOC, with the initial phase of the research working with participants at leadership level, employee level, project level and board level. In some respects, some of the observational elements were difficult in light of the researcher's dual role, and as such



information was not always freely available. In some cases, participants sought out the researcher to discuss thoughts, feelings and personal views regarding the research subject and were genuinely interested in the progress of the research and participating in its development. Given that the researcher was also a change agent, participants would also suggest ideas and thoughts for changes in the WOC.

In the initial phases the researcher participated in Strategic Partnership meetings between the WOC and the public sector organisation, PPM meetings, performance meetings between the two organisations, audit meetings, as well as legal and contractual meetings. Further into the research the researcher attended all the of the Senior Leadership meetings, board meetings, meetings with senior politicians, TUPE transfer meetings, change management meetings and other organisational change meetings. This shows how important it is to involve participants at the very beginning in the research process (Bryman, 2003).

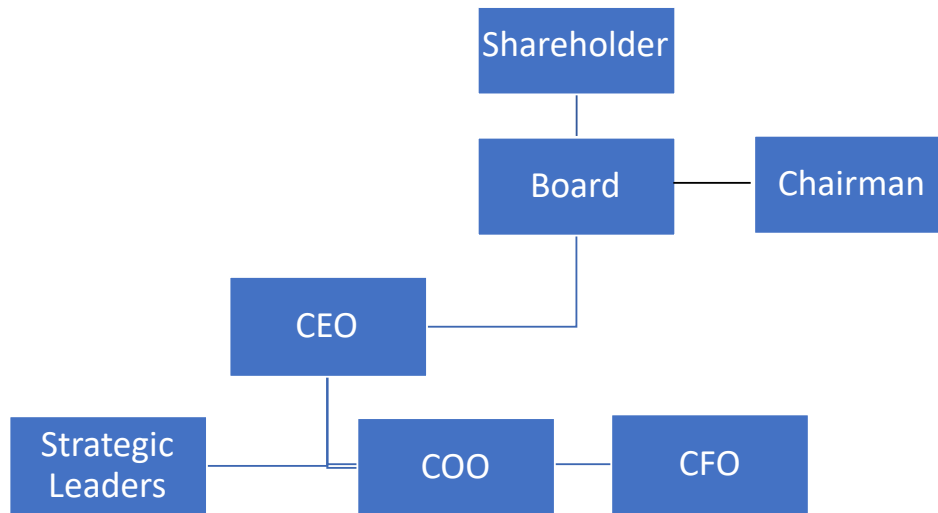
An example of one of the meetings observed was one of the board meetings, an extraction from my field notes is below;

‘The board meeting was held towards the end of the month; this board meeting is a particularly interesting one as the existing Chair of the board is being removed as part of a reconstitution of the board. The existing chair is a political appointment by the parent organisation and there has been a request by the senior politician for the chair to be removed. The new board has been changed from 3 politicians and 2 strategic directors from the parent organisation to 3 Non-exec directors and 3 politicians to provide a different type of board. This was also the last board that had a representative strategic director on the board. The strategic director departing is the one that suggested the changes including his own departure’

#### **3.9.4.5 Document analysis**

Document analysis is a feature of ethnographic research (Hammersley & Atkinson 1994). The researcher had access to confidential documentation including copies of minutes from senior leadership and board meetings. As these meetings were key in relation to attendance and understanding behavioural and organisational changes within the WOC and its relationship with the public sector organisation, analysis of these documents was undertaken at key points of the research. This form of analysis helped form part of the constant comparison aspect to the Grounded Theory (Strauss & Corbin, 1990) methodology, and triangulation to the focus groups and formal

interviews to understand changes within the organisation. The documentation used in the research was stored in a confidential and secure environment and was only provided access with the appropriate authorities and governance.



*Fig 3.1 Example of organisational structure for WOC*

In addition to data analysis coding techniques content analysis and relationship word matching (Lincoln & Guba, 1985) were used for the document analysis. Other documents and communications available included public documentation such as annual reports, overview and scrutiny reports, performance management reports and strategic overview documents including client survey data.

### **3.9.5 Data Analysis for the ethnographic method**

Miles (1979) described qualitative data as an 'attractive nuisance', meaning that the richness of the data provides a researcher with great opportunity to understand better the theory they are exploring, the nuisance being the failure to examine the data in the wider scientific significance. Bryman (2006) describes finding a path through the thicket of prose being difficult, even baffling to many researchers, and that there are few well-established and widely accepted rules for the analysis of qualitative data as opposed to the unambiguous rules of handling data with the quantitative data analysis. The challenge being that qualitative data is analysed and revisited mainly as you progress through the research as opposed to quantitative research which tends to be analysed after the collection of the data. Yin (2011) refers to *Thick Description* (Geertz, 1973, 1983), or highly detailed

accounts, that enable readers to appreciate and to derive a deep understanding of the social conditions being studied. As a researcher, the analysis from a qualitative stance provided detailed descriptions and represented broader social themes. When linked with the reflexivity of the researcher it provided a deep and rich source of information and data, providing greater validity and interpretation.

When considering an approach with an ethnographic stance in conjunction with modified Grounded Theory (Strauss & Corbin, 1998) it is recognised as a widely used framework for analysing qualitative data. However, there is controversy about what Grounded Theory entails (Charmaz, 2000, 2006; Bryman 2006). The main characteristics of the approach of Grounded Theory (Strauss & Corbin, 1990) involves data reduction through coding, display, conclusion drawing, re-writing, coding and comparison. Bryman & Teevan (2005) provide a description of some of the characteristics of the tools that Grounded Theory use, which include coding, theoretical saturation and constant comparison. The data collected as part of the research was coded from the outset and captured the different sources of data that had been collected from the interviews, documents, field notes. The codes during the research continued to be refined and reviewed with different hierarchical sets linking the different themes that developed through the research and emerging concepts. Bryman & Teevan (2005) refer to the difference between quantitative and qualitative research where quantitative research that requires data to fit into preconceived standardised codes, differ to researcher's interpretations of data shape for emergent codes in Grounded theory.

The data was collected over a 12-month period due to the researcher being initially outside the organisation and laterally through the research becoming a member of the leadership team. During this period of collection, it was important to understand through the collection and coding of the data the point at which there was theoretical saturation. Theoretical saturation, as discussed by Charmaz (2000), Bryman (2006) and Bryman & Teevan (2005) is the point where no new findings emerge. it is important for the researcher to be aware when the data collected is no longer illuminating new concepts or categories. It was important during the research to ensure that constant reference to the codes, categories and emerging concepts was maintained due to the amount of data being collected and the complexity of the different concepts and theories emerging through the research and data collected.

During the research data was collected through a number of ways, which included the researcher notes, semi-structured interviews, observations and analysis of documents. As part of modern

Grounded Theory (Strauss & Corbin, 2000) different stages of coding were used to understand key themes emerging from the research and relevant theories or concepts that were related to the analysis of the data. The key coding stages (Strauss & Corbin, 1990) used included open (descriptive) coding, axial (Relationship) coding and selective coding (Core). The coding process helps with the data reduction to provide the researcher with an understanding of the emerging themes and also the point to which no new data is evident.

Data reduction begins before any of the data is collected and helps focus the sampling decisions regarding subjects for interviews, including locations, logistics, access and ethical considerations. The coding helps create the in-depth analysis and complements thematic analysis (Glaser, 1998) in understand the sorting, discard and organizing data in way where conclusions and understanding can be drawn, and verification can be explored and understood.

The key process of coding of the data including open, axial and selective coding. Open coding seeks to identify themes within the data set. Axial and selective coding concentrate the analysis onto the thematic patterns with external divergence and internal convergence. Open coding break data down into the relevant separate categories of meaning. It starts with transcription of the interview or notes, this is followed by identification of key words and phrases which link together the participant's account and the experience being investigated.

As part of the open coding process the researcher immerses themselves in the data, which included the transcripts, the notes and documentation. Part of the immersion in the transcripts included listening to the data files including reading the scripts several times. There was in excess of over 150 items of data to review in relation to the open coding segment. The analysis of the transcripts and notes taken by the researcher included going through each of them line by line identifying key words and phrases which connected the respondents account to the experience. Some of this included chunking of the data (Spiggle, 1994; P493). The process included the researcher making notes on the scripts and the researcher's memos to identify key labels that would resonate with some of the key themes and concepts being undertaken as part of the research. This enabled the researcher to see by cutting away the data a story developing at a higher level moving towards crafting the theoretical storyline. Examples of a number of the open codes include Austerity, Behaviours, Attitudes at WOC, Attitudes at POS, Changing processes, commerciality, engagement.

This stage of the coding was undertaken manually and part of the researcher's process of immersing themselves into the process and enable the process of saturation and emerging thematic theories and concepts to develop. This included asking questions of the data, notes written and what the respondent was telling you as well as comparing each of the transcripts to one another. It also included any gaps in the information provided by the respondent. The transcripts and memo writing were completed on a number of occasions and took a large amount of time as part of the research process. Once the manual work has been completed on each of the coding processes, the information was loaded into NVivo for further analysis and extrapolation to provide both further understanding and cross referencing regarding the data and analysis.

The second part of the coding process undertaken was Axial coding, which is the process of describing the data by explaining the connection across and between incidents. In simple terms the appreciation of the dynamic interrelationships. This formed the basis for the construction of different theories and concepts. The abstract concepts that developed would encompass numbers of more concrete instances that emerged from the data. The relationship of the concepts then starts to form the relationships between theories, emerging theories and concepts. Once these concepts had been identified the attributes were then explored in greater depth including characteristics and the dimension reviewed in relation to its intensity or weakness. The categories that developed from the open coding through to the axial coding were reviewed under a number of aspects which included, conditions that have risen to it, the context to which it was embedded, actions/interactional strategies in which it was managed and consequences of those strategies. The researcher worked through from the open coding developing the themes. Examples of the Axial coding are detailed below in the table.

The next stage of the coding work is the Core coding or selective coding (Strauss & Corbin, 2000). This is where some categories appear very frequently and is found to be connected with other categories (Strauss & Corbin, 1998). In the data collection, core categories should not be chosen. The pulling together of various strands is the main function of core categories, and in this study, it provided a fuller explanation of the behaviour that is under study. It is important to understand the theoretical significance since the development of it should be traceable back through the data, which is often when the theory is written up and integrated with existing theories to show relevance and new perspectives. The core coding is considered valid at the point of saturation in relation to the data analysis during the research. The data and analysis are reviewed including what aspects of data is left out and ensuring data informs the stories developing (Strauss and Corbin, 2000). To develop

the theories and the concepts through the research there was constant iterative comparison between the scripts, notes and relevant memos undertaken during the analysis stage.

*Table 3.2 Axial Coding*

Open Codes	Axial Codes
Austerity	Reducing budgets and limited services Changing policies Services reducing Reduced commissioning
Behaviours	Coaching Taking control Training and development Commerciality Empowerment
Attitudes at WOC	Audit and control Challenging Understanding KPI's New roles and profiles
Attitudes at POS	Obstacles in place Lack of co-ordination Communication challenges Lack of commerciality Imposed and assumed services
Changing Processes	Empowering Taking control Challenging New governance

During the research the qualitative data software tool Nvivo 10 Mac version was used to manage the coding and the comparison between the data and conceptualisation. Bryman & Teevan (2005) refer to this as constant comparison ensuring that correspondence between concepts and categories with their indicators is not lost. Specifically, attention to the procedure of constant comparison enjoins the researcher continually to compare phenomena being coded under a certain category so that theoretical elaboration of that category can emerge. Glaser & Strauss (1967) advise writing a memo before phenomena have been coded. It also entails being sensitive to contrast and compare between emerging categories. By undertaking this process, it provided a greater understanding of the different concepts and theories that emerged and the relationship between them.

The approach to Grounded Theory considers the researcher to be entering the field with a blank slate and a discovery of theory through the capture of data (Glaser & Strauss, 1967). This being an appropriate approach when entering the field with little or no knowledge regarding the phenomena that is being studied is not conducive to the current PhD regulations. There are many debates within the literature with some considering that you can enter the field with knowledge of the literature (Corbin & Strauss, 1990; Strauss, 1987; Strauss & Corbin 1990; Charmaz, 1998). Considering that the research should add to the body of knowledge and having a knowledge of the previous subject, and the reflexive approach as a researcher, it could be considered unusual to take the purest Glaser & Strauss (1967) approach. With the understanding of the literature considered in the previous discussion, the Strauss & Corbin (1998) approach was taken to the analysis of the qualitative data and the approach with this research design (Bryman & Teevan, 2005).

The Grounded Theory approach (Strauss & Corbin, 1998) provide a close fit with this research and the methods used within the research. Following a manual conceptual approach to the coding the data obtained from the formal interviews and informal interviews, which were also analysed using the computer data analysis software Nvivo 10 Mac version. Computer-Assisted Qualitative Data Analysis Software, or CAQDAS is a recent development within qualitative analysis and is the equivalent to the quantitative analysis tools such as SPSS although the principles of the end results differ. Bryman (2006) advises that it doesn't provide the answers but helps the researcher to make more sense of the amount of data, with the aspects of the coding this can include the coding of experiences, the feel of the data and contextual understandings. The researcher also needs to be aware that their interpretations are not over influenced by the coding's. Dohan & Sanchez-Janowski (1998) suggest a shared basis between manual Grounded Theory and CADQAS. Other data entered in Nvivo included the open coding (Strauss & Corbin, 1998) and included storage of the formal interviews, informal interviews, field notes, observations and documents gathered and memos

Table 3.3 Example of Coding of Behaviours of WOC

Codes	Code Description	Data Extract
Board	Decisions and actions from WOC Board	This was the first board meeting attended and there were several items to discuss and challenge - this was also the time that the preparation work that is taking place in relation to overview and scrutiny - again this prep work as started to work for the WOC as it is enabling to engage in early debate and discussion and bring matters to the boards attention for them to start to take more responsibility with regard to this
Culture	Changing culture in the transition of change within the WOC	The manager has been talking about how he has pulled his team together to talk about fighting for our lives, and the work that is required to improve customer service and the changes that need to take place in the WOC. He is talking to them regarding the changes that need to be seen.
Leadership	Different Leadership styles between the two organisations	This piece of work also encourages the managers to think about what they are doing, how it needs to be monitored, accountability and responsibility, and how this then works itself through the WOC. These are some marked different ways of behaviour by comparison to that of when situated in the local authority. Some of this will link to leadership behaviours as well and this will be one to watch and observe



### 3.10 Quality of research

Quality of research is embedded in its trustworthiness focusing on demonstrating evidence of results presented in the study report that are rigorous and research findings are 'worth paying attention to' (Lincoln & Guba, 1985, p290). The epistemological and ontological philosophical assumptions of a research determine criteria ensuring trustworthiness. The trustworthiness of the qualitative study involves "credibility, transferability, dependability and confirmability which are the naturalist equivalents for the conventional terms internal validity, external validity, reliability and objectivity" (Lincoln & Guba, 1985, p.300). When considering the terminology and applying it to the research it was important that the researcher was seen as credible to all the stakeholders involved to provide the trust between all the respondents. Ethical frameworks, documents and ensuring the positioning of the research with the leadership of the organisation was important and the benefits of the research. The aspect of confirmability that each researcher is unique and brings a perspective to the research, the nature of the researcher being imbedded in the organisation and also becoming part of the leadership team needed to be managed within the research. Extensive field notes, semi-structured interviews, analysis of documents along with observations were used to ensure that there was a check of the data throughout the research and managing the dynamic aspect of the relationship between the WOC and the PPOS. This enabled the researcher to ensure through analysis that judgements were being made with regard to the issues of bias or distortion. When considering the question of trustworthiness in qualitative research the naturalist investigators highlight the need to use different terminologies for establishment of trustworthiness of qualitative research (Silverman, 2001) and to distance themselves from the terms used in positivist paradigm. By addressing the same issues, Lincoln & Guba (1985) propose the criteria for ensuring the quality of a qualitative study. Due to the dual role of the researcher it was important to ensure the key stakeholders could rely upon the researcher in relation to the management of the data, turning up for relevant meetings and simply doing what the researcher said or agreed with the organisation.

Capturing the nature and complexity of the relationships between the WOC and the PSO ensured validity of the research and was important to the value of the data and information presented. When exploring further the concept of external validity it focuses on applicability and 'is concerned with the extent to which the findings of one study can be applied to the other situations' (Merriam et al, 1997. P.57). Quantitative studies results are applicable to the wider population which the sample was selected and where the sample is seen as a true representative of the whole population.

In qualitative small-scale studies, an individual (research participant) is not representative of the whole population because of the situated nature of reality (Silverman, 2001), however, it can be generalized to theory. The findings of qualitative inquiry are context specific and represent a particular environment and situation. The contextual environment within this research was important due to the nature of the research and the interrelationship between the two organisations and the understanding and interpretation of the research participants relating to the environment they were operating in. Findings from the research, however, could be applicable to other hybrid organisations that are already in existence or recently created within a similar situation.

Naturalist researchers seek to understand reliability from the perspective of those involved in it rather than establishing laws in which reliability of measurements is compulsory (Lincoln & Denzin, 1994, 2003; Denzin, 1978). To ensure reliability and consistency in extracting data and information from participants in the research included the structuring of questions in the questionnaire to cover key topics and areas of interest related to concepts and theories. The questions were designed to be used with different respondents within the organisation at different levels. The research focused on the individuals involved and their experience of the reality in which they operate.

### **3.11 Researcher Reflexivity**

Hammersley (2004) describes reflexivity of a researcher as one of the most essential parts of qualitative research which allows the researcher to understand the impact of their role on the process and the results. Reflexive notes were taken throughout the research period and the fieldwork process. It was important to do this especially with the dual nature of the researcher and being embedded in the organisation, and the challenges that this has brought with regard to the aspects of the research as well as the opportunities.

The reflexive notes were important in relation to the transition between the two organisations and the complexity of the qualitative research across the two organisations. This also included the management of the multiple relationships across both organisations, as well as the changing stakeholders during the research period. It was important to gain trust of the stakeholders, whilst managing the dual aspects of the role. There was also sensitivity that needed to be managed when interviewing senior leaders of the organisation and the public sector organisation to ensure the maintenance of confidentiality as well as managing individual agendas, and political alliances.

Sensitive management by the researcher was required when working with the board members, and the changes that occurred with the board and chairperson whilst the research was undertaken. The subjects discussed were also sensitive by nature, and whilst as the researcher I was encouraged by the frankness and openness, both informal and formal discussions were held in the research, it was important to provide confidence about the confidentiality of the data. The experience of the researcher managed the difficult situations in a professional manner and ensured that the researcher did not over step authority, which could easily have been done with reportees, or over exert the experience the researcher has in relation to different subject matters.

Due to the nature and complexity of the qualitative aspect of the research and the complexities volume of data, there was a paradox regarding the dual role of researcher and being both practitioner and research and felt significantly in different circumstances. It was important to stand back and understand what issues and challenges the practitioner was undertaking and how these interventions impacted the role of the researcher and outcomes.

Reflexivity was used to diminish the researchers bias including the challenges of the philosophical stance, the ethnographic aspect and the size of the research subjects with the two organisations including impact. Other measures taken to counteract methodological bias include the respondent validation and feedback loops, alluded to above (Richards, 2005; Bryman & Bell, 2003) by participants verifying accuracy of their accounts and checking the transcripts and cross referencing this aspect. Triangulation is another method, and the use of some of the documentation has helped with regard to this, in addition drawing data from different sources to examine (Yin, 1994).

### **3.12 Ethical Considerations**

Throughout the research ethical issues were considered at each stage and change of the research process and differed in relation to their ease or adherence regarding the type of data being collected and how this was undertaken. In qualitative ethnographical research ethics is intensive at every stage of the research process

At the beginning of the research the appropriate presentations and documents were prepared for the ethics committee and vetted by the University (Strathern, 2000a, p. 24). The informed consent forms ensured that participants are fully aware of the research and what it entails, including their role as participant in the research and what they agree to (Oliver, 2008). This was undertaken at all

the levels and across the two organisations ensuring that all stakeholders understood the research, their role and what was being requested. Due to the complications regarding the two organisations and the change in role of the researcher, it was important that the governance of ethics recommended by the University was undertaken. Over time, as the trust between researcher and host organisation develops then access may be granted to previously restricted areas of interactions (Murphy & Dingwall, 2007, p.5)

Regarding the formal interviews, this was more straightforward with participants being given an information sheet with details of the project and what to expect from the interview, as well as information about their responses and how they would be used. It was emphasised that this was on a voluntary basis and they could withdraw from the research at any time. There are four ethical principles that must be considered in any research: autonomy, non-maleficence, beneficence (benefit of research outweighs risk) and justice (research strategies/procedures just and fair) (Robertson, 2000). Concerning confidentiality participants were informed how the data was going to be stored and the security of this along with anonymity regarding them as a participant. Participants were provided with this and asked to read the information and sign a consent form agreeing that they had read and understood the information presented, and that they agreed to participate. Copies of these records were retained and also provided to the participant for their information.

Contemporary ethnography must comply with stricter ethical codes of conduct than those researchers that originated the approach to collection of data, the inclusion of anonymity and confidentiality agreements (Johnson, 2008; Birch, Jessop & Miller, 2002). The gatekeeper with regard to the managing of the interviews also maintained these and ensured the documentation was provided. On the recordings, this was also discussed to ensure that all the paper work had been received and that it was understood, including their consent for the interviews to be recorded (Guba & Lincoln, 1981; Miles & Huberman, 1994; Bryman & Bell, 2003; Richard, 2005). With regard to the ethnographic aspect, the researcher introduced this to the participants and raised this where possible, discussing and observations could be used as data, reminding respondents at regular intervals. This was also clearly stated at the agreement with regard to the meetings with the CEO of the WOC and with the relevant stakeholders in both organisations with the covering agreements regarding the research. The researcher interprets the world the way as the participants, and thereby learn to understand their behaviour in a different way to that in which scientists set about understanding the behaviour of physical phenomena (Hammersley & Atkinson, 2006, p 8).

Regarding anonymity, this was discussed and advised that data would be anonymised so not to refer to individuals when using in the research or published document or academic papers. Moving on to the aspect of confidentiality this would mean that the researcher would be the only individual to have access to the data, regarding the PhD thesis whereby reporting data that will be read by examiners, academic supervisors and potentially the organisations at large. Regarding the focus groups, 'Chatham House Rules' was applied by asking participants to be commencement of the group and respect that nothing should be discussed outside the group. As the researcher I would not have complete control over this and unlike the interviews I could not promise that the conversations would remain confidential. In situations where the participants know what the researcher is conducting ethnographic research, this may cause the participants to reveal more that they would ordinarily to a relative stranger (DeWalt & DeWalt, 2002). Participants were reminded on a regular basis that the researcher can help to alleviate some issues arising from inability to obtain informed consent from every individual a researcher interacts with through participant observation.

Other aspects considered as part of the ethical management of the research was to ensure anonymity regarding names within documents that were analysed and the respecting of this aspect. The analysis was used in broad terms and cross referenced to the interviews and focus groups, this was to ensure no breach of confidence regarding the data, in some circumstances data could not be used due to the commercial sensitivity of such data. It was also important to consider the aspect of deception and ensure that there was no reason to partake in any level of deception or misinformation of participants in order to avoid social desirability biases, especially with regard to the changing role of the researcher and the aspect of the pragmatic applications of the research and the philosophical aspect and stance of the researcher. In this aspect, ethnography has embodied the ethical in the nature of its approach to the moral (Pels, 1999; van der Scheer & Widdershoven, 2004). The observations with regard to the ethnographic aspect of the research was overt as opposed to covert and when the researcher was participating in this aspect it was being made clear at the meetings or relevant interventions that this was the case, and if there were any issues with regard to this then it could be halted or if individuals did not wish to partake, albeit there was no issue with regard to this matter. The researcher through the research was explicit with regard to this and the role of the researcher in the WOC. The consideration of the researcher standing between worlds does not always go far enough to capturing the productive implications of the ethics and ethnography together, in response to these considerations there is argument for more radical position and such consider duplexity (Meskell & Pels, 2005; Pels, 2005; Pels, 1999). From a duplex

point of view the ethnographic role of the ethical dimensions it recognising the fact that other values and worlds are considered (Meskell & Pels, 2005, p. 8)

From a risk management point of view the benefit from the participation of the research should always outweigh that of the risk, and the risk throughout was kept to a minimal for the participants and the organisations involved.

### **3.13 Conclusions**

The methodological approach taken for the entire duration of the research for this PhD has been detailed throughout this chapter, this has included the qualitative methods and approaches taken, regarding the data methods used. The next two chapters detail the findings.

## **Chapter 4 Findings: Organisational Routines of Behavioural Negativity**

This chapter is the first of two findings chapters, which details the WOC journey through a process of systems characterised by Behavioural Negativity. The second will cover the findings from the research with regard to Inverse Behavioural Additionality. The chapter will draw attention to the key themes, constructs and concepts that have emerged from the data and will be illustrated throughout with quotes from individual interviews, observations and ethnographical work. The concept of Organisational Routines (Becker, 2004) will be used to illustrate key constructs and themes in relation to change of values dominance, risk management, power, changes in Governance and relationships culminating in tensions between the WOC and the POS. The WOC has emerged from the POS to form an innovative commercial organisation. Due to changes in Government policy, and as the result of austerity measures the bureaucracy of the POS is imposed on the WOC. The findings show issues of tensions between the WOC and the POS, changes from operational public-sector departments to a commercial organisation, and innovation and creativity being stunted as the WOC develops and attempts change to its operating model.

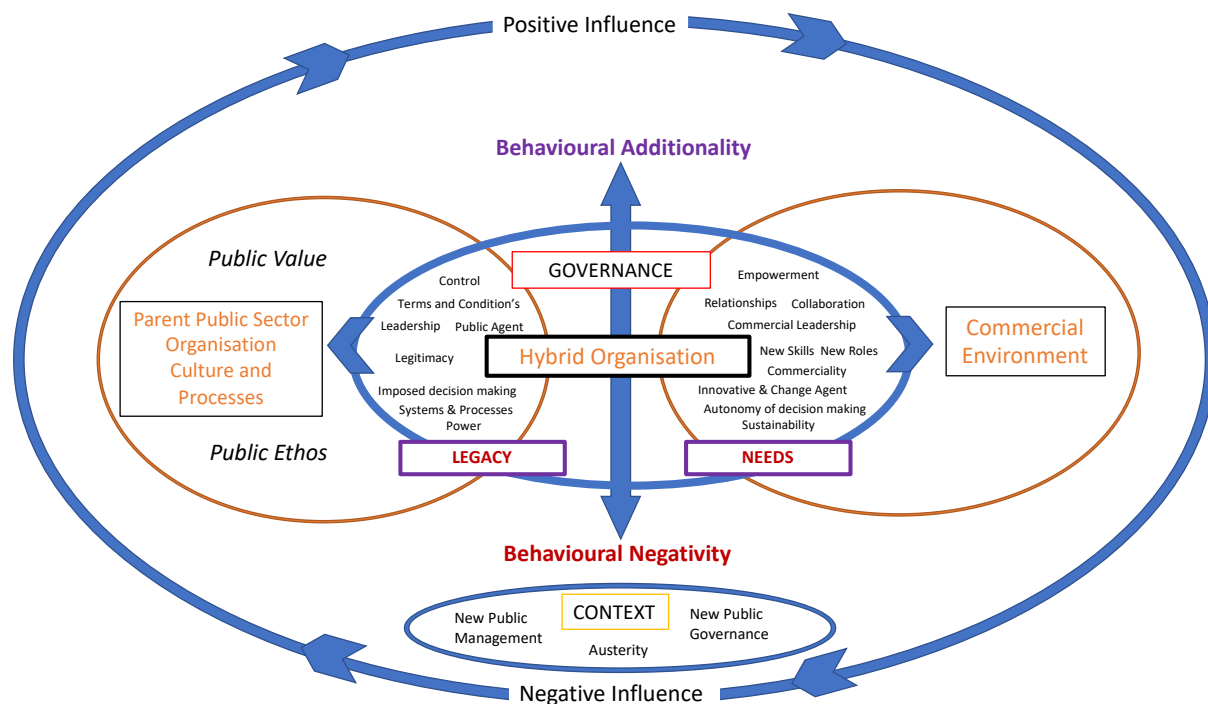
### **4.1 Research Specific Model**

The model demonstrates the paradox of dependency on the Public sector organisation. The extent of Behavioural Negativity or additionality demonstrated by the Public sector organisation dictate the level of potential or constraint of the hybrid organisation in relation to its commercial success, sustainability or survival. The Public sector organisation is impacted through the dependency of the relationship between the two.

The model demonstrates the ties of Public sector ethos and Public value shared by both organisations. The public sector ethos and value alongside debt of systems and pensions are features of the legacy exported from the Public sector organisation at the point of creating the hybrid organisation. The paradox between the two organisations relates to the strength or weakness demonstrated between both organisations and their relationship and can be a source of collaborative or conflicted behaviour.

Vulnerability of the hybrid organisation is shown by the model through the paradoxical relationship with the Public sector organisation and the fragility of that relationship. Leadership in both organisation and consistency of those actors is an important influence over the inter dependency of

the organisations. Changes in actors, both at a management level and political level influence change in Behavioural Negativity or Additionality between both organisations. Whilst the model is a metaphor for the success or failure of the Hybrid, the factors of how leadership and Governance works between the two organisations is important. The model provides an understanding to leaders and new actors of the potential impacts of actions and outcomes of those actions and the complexities of the dependency and relationship between hybrid organisations and the Public sector organisation. The model provides a basis to explore leadership and governance at both political and management level and to gain insight into how the interplay and dependencies between the organisations can impact the outcomes of both organisations.



*Figure 4.1: The paradox model of Institutional Behavioural Additionality and Negativity between parent and hybrid organisations.*

This hybrid was established in the context of austerity policy. The historically and contextually specific austerity policy and the situational context of New public management and New public governance influence both organisations. The model shows the tipping point of where the positive and negative features impact the Hybrid and divide and the paradoxical nature of potential success



and failure. This context underpins the institutional relationship between the hybrid organisation and the public sector organisation. The model shows how the dependency of the hybrid on the public sector organisation originates interplays and the influence of the movement of Behavioural Additionality and negativity between the two organisations.

The model demonstrates the fluidity of movement between Behavioural Additionality and negativity as well as the influence of governance on both the hybrid organisation and the Public sector organisation. The positive changes in the hybrid organisation are illustrated using the metaphor of a see saw that shows the positive aspects towards sustainability with movement towards empowerment by the parent organisation. Behavioural Additionality or negativity between the two can contribute to the change. Movement in the opposite direction can lead to negative aspects, which have the potential to prevent the development of a successful hybrid commercial organisation. The movement of influence governance on both the hybrid organisation and the Public sector organisation relates to how both organisations govern and how the relationship between the two. The model illustrates the stronger the governance between the organisation the stronger legitimacy of the hybrid organisation and thus a strengthened relationship between the two organisations. The paradox is evident in relation to a weakened governance and the lack of established governance

The paradox of increased governance by the Public sector organisation can manifest in increased power and control, as the dynamics of behaviour additionality and behaviour negativity change. Negative behaviours imposed structural systems and resources and disengaged staff and negative can be contributing factors. The focus of the negative behaviours in the hybrid organisation lead to resistance, challenge and vulnerability, and the sustainability of the hybrid organisation is threatened. Key elements in the Public sector organisation can culminate in adversarial behaviours, political control and resistant to changes or suggestions presented by the hybrid organisation. Poor governance creates similar outcomes

From the findings the model demonstrates that innovation from either positive additionality or negativity emerge in relation to the pressures of reduced funding through austerity measures and divestment from the Public Sector organisation. The changes in Governance and leadership inspires more commercial innovation in the workforce. This is evident through new models of working, changing practices and new processes and systems developed by the hybrid organisation. The paradox to the future development of the innovation also remains dependent on the behaviours of

the Public sector organisation and its receptiveness, empowerment and legitimatising the changes. The model shows how long term the success of the hybrid organisation remains dependent on the public sector, and particularly on the Governance structures of both organisations, as well as the national policy context. In extreme cases the success of a hybrid organisation could be inhibited or destroyed.

In summary Behavioural Additionality and Negativity are fluid and dynamic in the relationship and movement of behaviours impacts on both organisations, however, the success, sustainability and reduction in vulnerability of the hybrid organisation is more dependent on the behaviours and legacy of the Public sector organisation.

#### **4.2 Ongoing Challenges: ‘The Ties that Bind, and the Bind that Ties’**

The WOC faced a challenge of inheriting old systems that constrained moving to new ways of working to a more commercial mindset. A senior leader explained how *‘the relationship changed from colleague to contractor, and it felt very much like former colleagues had suddenly changed their stance and saw us differently, and that wasn’t helpful’*. (140829). The WOC anticipated managing its own finances and operating in the same way as a private sector business. A board member explains *‘it was formed when I was cabinet member for finance and under my portfolio, it was launched in (DATE) and gives what were former POS services more freedom to actually market their services’* (1411106\_001).

Two years from the WOC being established evidence showed the ongoing resentment of employees towards the leadership. A manager explains how, *‘nothing has changed in two years and maybe you could argue that was because of the leadership we had and the management teams we had, and they were just continuing with the old scenarios, and still think there’s a boy’s club in terms of jobs for your mates’* (141008001). A key finding associated with this statement relates to the constraints that PSO departments inflicted on the WOC. These are explained below.

A board member explains, *‘it was formed when I was cabinet member for finance an under my portfolio, it was launched in (DATE)*. In particular the systems and procedures had not changed. Hence employees reported that the WOC was still using the old PSO’s systems and processes including the performance management process. A surveyor describes how, *‘we were led to believe that it would be different to the PSO and their quite long-winded process, what’s happened we’ve*

*kind of carried over the PSO's processes and it's remained the same'* (141010). Tensions centered on the PSO constraints which impacted upon the effectiveness of a commercial organisation. This resulted in deadlock. A senior leader describes how, *'that hostility stopped, but it became nothing, really; just agreement at meetings, but nothing happened, it was coined by somebody I was working with as 'active inertia': a wonderful phrase that sums it up nicely'*. (1408229).

This significant constraint meant that the WOC was not fulfilling the new business model of becoming an autonomous independent private sector company. It was tied still to the POS systems and inherited bureaucratic processes. A respondent explains, *'I don't think anybody really has a handle on how that might affect us actually both tactically, operationally and strategically and it continues to be a significant issue for us in terms of how we take the business forward'* (151111). A respondent Finance officer advises, *'It still feels like we haven't got a clear-cut split from the PSO'* (151117).

The PSO knew this existed prior to coming in but I have seen it in extreme circumstances there is very little consistency logic, a considerable amount of interference from areas of the PSO business where you wouldn't anticipate in a normal commercial environment that makes the whole thing very, very unpredictable and very difficult to drive change with the business and bring people along with you this ambiguity around the business' (151111).

In the early days' respondents felt the WOC was still a PSO (148029, 1501011, 151111). The view that the WOC is perceived as an internal department is echoed by a senior leader, *'there's not sufficient difference, actually, as there should be. Quite often, even now, I'm referred to as 'my department' or my service area', even by senior people in the PSO. I've seen one recently where a senior called '[name] service area', and that's, sort of at a senior level in the PSO, where really they should be referring to [WOC]'* (148029). This perception was echoed by an external change agent respondent, *'I think the vision of the organisations makes it different....so, that there is a commerciality that's been attached to the WOC, it needs to perform within a certain level. It has an expectation that's attached to it. So, for me the key difference is that it's a commercial organisation, and that's wasn't commercial, didn't carry the same height of focus and level expectation with some of the same people and with the same mind-sets so not encouraging the commerciality around them...a very tough task.'* (140924.1).

The initial expectation from respondent employees, for example, that there would be freedom from bureaucratic processes and an opportunity to innovate failed to materialise in the initial phase. A respondent manager explains,

‘What are the differences? It’s been a little bit frustrating. I think we were sort of sold the idea, certainly [senior leader] did a good job of selling the idea. It was going to be a big change; we were going to be free and my expectation is that we would be lot more like commercial practice that I’d worked in on both my own and [organisation] and things like that. I was surprised as to how much we were still aligned to the PSO and I think that’s been frustrating’. (140903).

The WOC initially failed to move forward as a commercial organisation the WOC and change its processes and systems to align with a private sector focus, culminating in a knock-on effect. The initial set up of the WOC regarding these systems and processes, did not live up to the initial communications provided by senior leaders and managers of both the WOC and the POS. The continual use of the existing systems and processes of the POS divided opinion concerning the performance and delivery expectations of leaders within both organisations. Tensions clashed, and anger was expressed as to why the systems were not working. A Respondent senior leader advises that *“KPI’s were forever red”* (140829), and in reference to one of the internal POS departments *“They started kicking back”* and *“Well, okay, we need our money, and suddenly we realised that our systems weren’t working”* (140829).

#### **4.3 Austerity Challenging Economic Times**

The WOC has been created as an innovation to help manage the POS economic pressures in relation to policies regarding austerity. One of the board members discusses.

‘The WOC is a spin out from the POS and was constituted with a board of directors. The POS nominated certain elected members to sit on that board, I was one of those and, after the first few board meetings, the board, instead of electing a Chair each meeting elected me to be chair for a year at a time.’ (141110\_001).

Another board member discusses the origins and reasons creating the WOC.

‘from the inception I was involved because I was the POS member for finance. I continued in a non-exec and was involved in the strategic aspects. It was created to give more freedom to market services, make better use of capital expenditure of the POS and generate income back into the organisation, and take advantage of the Teckal exemption, from a political perspective there was little support for traditional outsourcing where the POS has been stung before’ (141106 003).

An ex- Senior Executive of the POS explains, *‘There were budgetary pressures and this was seen as an alternative, I was aware of a model used by another POS where it has been set up as a WOC*

*owned by the POS, but has a totally separate management, payroll, finance and IT arrangements and operates independently, it is a viable means to continue to deliver services from the public sector but with a necessary commercial edge'* (102356). Another senior leader confirms that there wasn't political appetite for services to be outsourced but for an alternative model to return funding back to the POS.

*'the reason for setting up the WOC, originally in 2009, first couple of years of recession starting to bite – the POS looked at how it could have managed through the recession and dealing with austerity measures, before knowing how bad it was going to be forecast. It was about how we do something different, because before other different models have not been successful and outsourcing wasn't working, particularly with large organisations like ORG1, ORG2 and ORG3 and host of others which take the service off you but don't return anything. So, this POS wanted to do something that returned something back to the POS'* Senior Leader (140829).

The impact of austerity policy is a continual theme throughout the research, a middle manager discusses their thoughts, *'if I am cynical, I think one of the real reasons for setting up the WOC was the obvious, because of the austerity measures, there had to be major cuts. I think the POS did look at just outsourcing everything, but I think this (WOC) is a good model'* (140822\_001). The creation of the WOC is also reviewed positively as an innovation being created out of austerity. A member of the commercial team comments, *'I think the final question actually, I think WOC was set up because of austerity measures. I think if there wasn't austerity, would the WOC of been introduced, probably not, it would be business as usual.... innovation of adversity?'* (140811.005). Aspects of the challenge from austerity is discussed by one of the Business Development Managers, *'I think the client does expect more value for money now that they are probably used to. The client, the PSO, they're conscious that they've got less money to go around, so they want to make sure that they get their monies worth' out of the WOC. Absolutely get their monies worth out of the WOC...because you're serious about the austerity kind of, it's been quite the mother of change'* (140905\_001). A change agent discusses how austerity has effected decision making, *'without having that level of funding that could have been there, then that must have affected and does affect the decision-making processes'* (141006).

#### **4.4 Control Claw Back – Parent-Child Control Relationship**

Instead of enabling independence the POS increased control and dependence. Respondents (141008, 141010, 141010\_010)) explained that in addition to processes and systems not being changed new processes were imposed by the POS. They, *'started to squeeze contractors and new*

*guidance provided by [POS department] following those processes'* (141008). This challenged working relationships and consequently, *'the relationship did break down'* (141010). The relationship tensions also invited criticisms from clients, *'we are there to manage the contract and yet there's process that is out our hands. We've got no control of that process; we are getting negativity. We are trying our best to try and engage with [client], trying to bring them on board, explain the situation to them.'* (141010). The claw back of control and the imposition of new POS processes continued to cause a constant frustration to the WOC, as it attempts to move forward as a commercial organisation.

Conflicts within the POS also impacted on the WOC, *'The experience has been very painful one, really; the disputes between the contractor and [POS], and the lack of trust between the contractor and the employer, (POS), significantly damaged the process, made it practically impossible to move along'*. (141111 board member). This meant that *'since [POS departments] involvement clearly has put some significant additional burdens, not only physical, but psychological burdens. You're aware of the brown envelopes and stuff like that the process has practically stalled at every stage'* (141111\_002). Overbearing control and governance from the POS had a long-term effect on the performance of the WOC is described by a Board member;

*'that kicked off from about July 13 and ran through until Feb 14. Now, that period, I would say, when I spoke about a curve that was definitely a downward curve; performance, productivity went to a real low. So, performance is still not at, probably, anywhere near the level that it was when I first came along before [department] involvement'* (141106).

#### **4.5 Negative Behaviours**

Concerns were expressed about how staff members of the POS [department] behaved towards the WOC employees, *'Mr. (member of staff) was writing directly to staff saying 'you need to evidence the way you've done this; you need to evidence the way you've done that; I think that there's something wrong with this; you need to come and explain this to me. That worried people quite badly'* (141111). Weakening the control and autonomy needed by the WOC was of great concern to the board and senior management. The tightening of control by the POS meant processes required additional work. A supervisor manager explains *'you couldn't do this, you couldn't so that. You had 101 forms, just to do a simple job sometimes'* (140822). The increase of imposed bureaucracy accompanied a diminishing WOC control. A member of the surveying team pointed out;

'I feel that we are scrutinised a lot more. We've ensured the procedures have tightened up which is of course has caused a few transitional difficulties, as you can imagine the [business department] side of the business, I feel that it is a lot more tighter and slightly more difficult to deliver work now we are [organisation], which has confused a lot of us because we thought there'd be a lot less bureaucracy and paperwork to deal with which it is the opposite' (140110).

PSO claw back control was raised in relation to the setting up of the WOC. This was exemplified through the acquisition of multi-million-pound contract. A respondent explained how, *'POS took the services of [external benchmark organisation] who told us to scrap all our data, when it got down to the nitty gritty everything that the PSO was preparing was unworkable and it was cut from (Public Service). This made getting a work spec very difficult and cost the PSO lots of money'*. (140915). The POS were in denial that the WOC had the correct information, which ultimately, they provided for the POS. Also, *'we found loads of raw data which included 680 properties and then we found another 1,200 and then we found a list from the department that commissioned the [external benchmark organisation] with another 4000 properties'* (140915). Concerns were paramount about a lack of trust and confidence in the POS and how it impacted the WOC.

#### **4.6 A Problematic and Costly Transfer of Processes and Systems**

The processes and systems carried over from the POS caused major challenges, and this issue is articulated by a senior WOC leader. *'There's still a lot of convoluted processes; even though we're stood outside of it, we're involved in those; there's lots of things that we could do but it takes an inordinate amount of time to do that because we're having to to-and-fro with the POS'* (140829).

In particular the WOC inheritance of the POS IT system was a major problem. A senior manager discusses, *'Things weren't sorted out at early stages. It led to a bit of a blame culture, and ideas, no, it's not us – it was the clients; no, it's not us, it was [former POS department] as was, and again there was always that pot of money. So, I think if things did go wrong, it was literally, we could dip into the pot of money and get it sorted, those days are gone'* (140822) The inference here relates to how the POS operates finances and when the WOC was a former department of the POS. The respondent also refers to the blame culture between the POC and the WOC, and the challenges that continue.

#### 4.6.1 Legacy of the IT Inheritance

The IT inheritance was a disputed issue and placed a financial burden on the WOC. This issue featured as a regular discussion in different meetings, and links to the financial challenges of being tied to the POS IT infrastructure contract.

*'So, the biggest single investment would raise money, and that's very expensive for us to do because of a relationship with an ICT provider that, again, doesn't work; the contract doesn't work for us. So, to give you an example, we pay around £1million a year for our IT Budget for getting no more than about quarter of million to £300k worth of work for that. So, that's an example of where, give that kind of price instruction, give that we'd have to pay really expensive rates to get anything done, that makes investment in IT very difficult. So, until we can break away from that, that will just take longer. And it's not just one or two systems; we do have far too many systems that have grown over the years. I guess, before [WOC], that all require separate input; they're not exactly joined up, there's no interface between them, so that, again, is very labour intensive.'* (140829).

Observations also showed the frustrations with the IT systems. Informal discussions revealed a lot of manual processes and time-wasting routines required to patch the gaps in the IT systems. Some of the IT challenges are discussed by the business development manager *'you hit a barrier when you deal with [POS IT provider], there's lots of processes, we are late with building information modelling (BIM), we had the opportunity two years ago, but we are now lagging behind, we've got to go through them, they won't let us use the cloud and that goes back to this idea of are we POS or are we not. Everybody wants to use Dropbox, but we can't use it because POS IT provider won't let us, so we have to find ways round it, it's frustrating'*. (140903).

The inadequacy of the IT system was identified as a major frustration, which limited productivity and commercial progress. The IT system also impacted on the time taken to conduct the performance management appraisal system, known as Personal Development Review (PDR). The system is used to on a bi-annual basis to review the employees' performance but is referred to as a bureaucratic process that several employees expected to change once the WOC was established. A surveyor explains, *'I appreciate the PDR process, I support the PDR process, we need something in place, but we were led to believe that it would be different to the POS, their quite long-winded approach. We've kind of carried over the POS's processes, PDR process and it's remained the same'* (1401010). The inefficiency of the time wasted was raised in another interview by an engineer, *'I think we could be more specific and have a quicker, easier PDR process and I think [HR IT system], when it's working is time consuming to do a simple thing that it takes you ten minutes to put in a leave entry, that's valuable time'* (140915).



A raft of management issues constrained the aim to be more commercial, *'there are many factors, I think not commercial as it needs to be. There were lots of references to the previous way that things were done in terms of expectations under the POS framework. If you are trying to run a commercial organisation like the WOC, then that's not going to work, something needs to change. Quality of conversations in the management meetings were very operational, almost felt like it was a whining and a gripe and very specific about certain individuals. Big change needed. A very, very big change'* (140921.1).

#### **4.7 Paradox**

By the end of the second year it was evident that there was a paradox for both the WOC and the POS. A risk involving innovation and creativity was key to developing the business model and established the WOC. Yet the changes required to minimise the inherited bureaucratic processes and change peoples' behaviour and mindsets had not materialised for the WOC. Rather they had intensified the bureaucratic risk aversion of the POS. This is recognised by the front line and board members in the WOC. A front-line member of staff administrator states, *'I don't think any of that (risk management) has actually changed, but I haven't seen it first hand to actually know.'* (141111 001). Moreover, at the Governance board the risk aversion, and the challenge of the WOC to the POS to enable it to be more autonomous is not discussed. The Governance board remains focused on the very operational aspect of the business and the relationship challenges between the WOC and the POS. Systems and processes reflect the POS systems and there is a dominance in the meetings by the Head of Service for the POS [department] who behaves in a none commercial way. The dominant POS culture of the Governance board sidelines the development of new ideas, innovation or creativity that the commercial WOC requires to become more entrepreneurial and competitive within an external market. A board member recognises this.

*'I feel that we are too cautious as an organisation in moving forward with ideas. This relates to the historical status of the business. I think, being a POS organisation, where there is a need to go through all those procedures and meetings and committees and stuff like that. But I do still think that we're nowhere entrepreneurial enough in our approach, where something's a good idea, you...the private sector, it's gone from the range of having a conversation with a few colleagues who wouldn't know whether it was a good idea or not, perhaps checking it out with some stakeholders, that works, okay we'll so with it. Here, we still tend to...we need to do something; okay let's have a meeting about, set up a party to work on it, look at all the consequences, look at things to death, by the time we deliver them they are redundant or obsolete. I think there is too much caution and risk aversion in the organisation, and I think it comes from the heritage; it doesn't come from people's inability*

to make decisions. It comes from wariness about making decisions, because of the heritage of the business.’ (141111 002).

#### **4.8 Risk – The Paradox**

The challenges concerning risk are explained by a board member.

‘It strikes me that any organisation that comes out of POS bureaucracy it’s always a big risk averse, always thinking how they can reduce the risk to nothing, whereas commercial organisations, generally, will tolerate a level of risk, simply if you don’t you won’t ever be entrepreneurial you won’t have a great growth spurt, you won’t be competitive.’ (141110).

Observations discussions with employees on an informal basis, showed confusion on how risk is managed with a general view that it isn’t. There was a view that everything had ground to a halt. One energy manager state *‘So we’re not managing it very well from that point of view, and that’s not really being picked up further up the tree perhaps, or the importance of it.’* (141110 02). Fears of being too risk adverse is viewed as affecting the commercial aspirations of the WOC, which was to deliver income from the outside.

#### **4.9 A Culture of Non-Decision Making**

Risk aversion and the control that is being operated by the POS, drives a behaviour of risk aversion. WOC managers are identified by other WOC employees for avoiding decisions and referring these up the hierarchical line. WOC senior leaders and managers encourage this practice to ensure that they have control regarding decisions. In addition, observations show protectionism, some of which is driven by fear because of the negative behaviours of the POS employees who use bullying techniques with regard to the audits, IT Systems, processes and meetings. Front line employees report that in some circumstances they feel like criminals in their day to day to role, and this does not create a cultural environment for innovation and creativity.

Observations of both management meetings and the board meetings identify that they are very operational, and there is consistency through the early days of the WOC. This creates a culture of continued risk aversion, and lack of focus on the forward-looking nature of the business development for a commercial aspect. Employees discussed the challenges that they have faced and how they had expected it to be different in the WOC, where they believed that they would have

more autonomy and freedom. In the initial WOC stages this did not come to fruition, as an architect explains.

‘What are the differences? It’s been a little bit frustrating. I think we were sort of sold the idea, certainly [name] did a good job of selling the idea. It was going to be a big change, we were going to be freer and I think my expectations were that it would be a lot more like commercial practices, that’d I’d worked in on both my own and in [name of organisation] and things like that. I was aware there’d still be some of the protocols and processes of the POS. I found it surprising how much was still aligned with the POS and I think that’s been frustrating.’ (140903).

#### **4.10 Inherited Behaviours**

The findings also show the inherited behaviours of some of the former POS employees. A senior WOC leader comments, *‘So you’ve got the same people that moved across. If you like, they’re wearing a different badge, a WOC badge were kind one of the brands, but if the same people go home on a Friday, come in on a Monday, nothing changed. I suppose I was waiting for them to change, these things and change, this how we develop, do all these things, the shackles of the POS released. That never happened. So, I’ve been, two years in, only probably the latter, into the second-year thing started, they were changing’* (141008). A surveyor points out how rebranding has not changed procedures, *‘I think we touched on it yesterday, the viewpoint of the POS is well we just rebranded, we are still the POS. But in actual fact we are not. My honest opinion is we need to somehow be in control of our own destiny and improvement methods, and be auditable, be in a position where if the PSO needs to question what we are doing they should be allowing to do that. But we need to be in more control of our destiny and as it stands we are not quite there yet’* (141010).

The theme of lack of control and lack of power continues with further discussions on an informal and formal basis through interviews, and the control that the POS still possesses in the first year of the WOC, either through the contract, the systems, processes, IT and the employees behaviours.

#### **4.11 Lack of Power and Paranoia**

In both informal discussions and interviews there is a sense of paranoia regarding the intentions of the POS. An administrative staff member discusses, *‘It’s the managers isn’t it, that put these restrictions down. I don’t know whether we’re being dictated to by the POS, because a lot of the feeling is that the POS wants us to fail and that’s why they put so many restrictions on us’* (141021).

In another interview a change agent refers *'to some extent we are hostages to fortune at the moment with a high dependency on the POS and the level and complexity of governance that are wrapped around the organisation we're almost firefighting at this moment in time'* (151122). This was described as a dependent relationship, referred to as *'the very imbalanced relationship at this moment in time and that is one of the key things that we have been grappling with'* (151111). A change agent refers to the challenges *'on a number of occasions this is a war of attrition at the end of the day and hopefully we will prevail as WOC will prevail as an organisation because there is a lot to go for, but as previously said we have got to demonstrate despite all that we have got the ability to deal with third party clients as well which will help with the internal battle.'* (151111\_002).

#### 4.12 Challenging Cultural Inertia

On reflection, the range of POS constraints, particularly constraining behaviours are viewed as a negative aspect of cultural change that pushes those who want the change to work harder. The senior leader states, *'the POS's terms and conditions and processes meant you couldn't deal with that quickly; that took a long time, and therefore we had to work very hard to actually change culture'* (140829). Challenges are seen as essential to challenge the POS on how to deal with the WOC, which has created a cultural inertia issue from within the POS.

*'There's not sufficient difference, actually, as there should be. Quite often, even now, I'm referred to as 'my department' or 'my service area', even by senior people in the POS. I've seen one recently where a senior called [senior leader]'s service area; and that's, sort of, at a senior level in the POS, where really they should be referring to [WOC], and on other times we are thought of as a contractor. There's a sense of the POS doesn't always know how it wants to view us'* (140829).

Initially challenges attempted by the WOC are perceived as being thwarted. These focus around the performance management Key Performance Indicators (KPI) tied into the contract. The initial attempt to gain *'breathing space'* has in a sense been resisted by the POS. A senior leader states, *'it was completely resisted by the client's side who came down heavily and said, 'No, these will stretch: you've gotta have something to work to' and lost that argument from day one. That cost us a lot of time and energy, constantly having...and demoralizing for a lot of our staff who found it quite disheartening to.... where they were working very hard and trying have this big sea of KPI's every month and being chastised about it when it was obvious that was goanna happen: no magic wand was goanna be waived by just outing POS department into a WOC'* (140892). A major concern is the effect on the employees creates frustration and the feeling of hopelessness and lack of

empowerment or control of their own destiny, in some respects having less power and authority than when employed by the POS. This *'costs a lot of time and energy and is demoralizing for a lot of our staff and quite disheartening to.....where they were working very hard'* (130892). Another employee continues *'I think there's frustration...Its lack of knowing where we are going, I find it really frustrating'* (140802). This point is confirmed *'I think collective attitude in everybody is positive, when it was first formed, it went through a cycle became stagnant, I think it dropped...people's perceptions dropped through the floor...I would say people are very no matter who you talk to from the managers down are down.'* (126790). A key question is raised *'we've not made a good enough break, are we WOC or are we still the POS'* (140822\_001). This is also viewed as the historical symbols of culture *'its's hard to move forward with change when there are symbols of the previous organisation about...you are told you are working in the WOC, it's different, new, but you are entering the same building as before, working on the same floor as before, using the same technology as before, dealing with the same people as before.....can you expect change?'* (140924.2). There is also anger about other POS departments challenging the WOC about its contractual obligations and service delivery to customers. A Respondent surveyor explains.

*'The concern I have is you do have quite senior POS departments such as [named POS department], you know methods to deliver them, that's the concern and unless we can deliver the service, delivery and the issues with the contractor at this stage, we are in a bit of a tight situation. Personally, the impact of [POS department], I can understand they are trying to save the POS money, but the blockages that they put in the way and the way they do it, and then you've got temporary traffic, it's almost impossible. Because like I said we are not in control of how we can deliver the works, and if clients like [POS department] are picking up on that and we've tried alternative methods to deliver that work, that's a risk in our business. How we address that I am not sure. I am not sure how we address that. Can you even address that?'* (141010\_001).

The challenges of control and power demonstrated by the POS create a paradox which is challenged by WOC employees. *'The irony of this is also the dichotomy of this, is that these changes represent a fantastic opportunity to change, but it is actually trying to reconcile those two extremes and everything at the moment and the route, through which and the difficult through which we are going to navigate to realise those opportunities.'* (150901\_00). This point continues in relation to policy, *'the POS changes have a major indirect impact on policy and that is one of things that we have been struggling to deal with and some of the agendas that sit around the protectionist agenda that sit around those changes, it is something that we are just going to have to battle with.'* (1501110\_001).

#### 4.13 Controlled Governance

At this point the major challenge regarding the commercial success of the WOC is POS employees' behaviour, who collectively refuse to recognise the damage to the WOC. The POS Board members' behaviour prevents any changes to the systems, policies, contracts and support services that are supplied and imposed by the POS. This is the view from informal discussions with other WOC employees, both on the front line, senior managers and leaders, and culminates in frustration and fear for the WOC. For example, the POS department changed one of the suppliers to the WOC at short notice, which raised concerns for the governance board WOC representation, a board member explains *'The values attached to that and we go about actually recouping that. And you asked me if there was one area where I am unhappy, continue to be unhappy – not with the WOC, but with the POS – it would in the way that we're prosecuting that.'* (141106). Another board member expressed a concern with the contract and the performance indicators, which were managed and introduced by the POS [department].

*'Well, in terms of all those Key performance indicators, quality and whatever else, we had a very peculiar contract with POS which was put in place. It's very, very onerous in terms of time and, the way the indicators were all organised, it doesn't allow management to manage the business and still allows POS to manage contractors.'* (141110).

Recognition of this ineffective control is damning for WOC effectiveness to innovate as a commercial business, a board member discusses, *'The whole time is being there to help with the business, but the POS introduced a massive amount of bureaucracy, paperwork, people involved, analysis of data, to the finest detail for the wrong reasons and all the costs that involves. Monitoring performance for the POS, rather than monitoring how well your business was adding value, being productive, improved relationship with clients, so was disappointing really'* (1401111\_002). The governance frameworks between the POS and the WOC did not enable the freedoms to operate within a commercial way, rendering the governance board mainly powerless. Responses from the POS regarding the WOC were slow and frustrated the board members *'in terms of the relationship with POS we were stuck, because of the way the contract was written and the way POS [department] operated. And, if anything, it got less work and culminated in this poor contract, which I argued very strongly against with the board and still think was a ridiculous mistake and I pointed out again and again, in writing, to [name] head of POS [department] that it must put up costs'* (141110). The way in which the contract had been set up also impacted on the frustrations at the front line. *'The experience has been a very painful one, really; the disputes between the contractor (WOC) and POS*

*[department], and the lack of trust between the contractor and the employer, being POS, significantly damaged the process, made it practically impossible to move along.'* (141111).

The power, influence and control which the POS department imposes is a concern to employees, senior leadership and the WOC members of the Board. This concerns the abuse of power and control that the POS department uses by holding data, information and using excessive bureaucracy and exploiting loop holes written into the contract. A senior manager reflects on when members of the POS department worked in the WOC *'Another thing that probably I do find a little bit concerning, which is like the relationship with the POS and WOC, is the POS have brought in their [department]. I would question the intelligence part of that to be honest, with you, at times, but it's very easy for people to do desktop exercises. There's more to adding value than just cutting costs, and I don't think the POS get that at the moment'* (140822).

Observations of senior management, and from board meetings in conjunction with the interviews and informal discussions showed that the first year was characterised by fear of WOC failure through the Governance behaviour of the POS described by a senior manager;

*'So, that was an interesting time period, and we're, kind of, doing that against the background of undermining – I would say – from our contract, administrative and the POS, who didn't really get what we are trying to do'. (140821).*

Observation of senior management meetings showed how the WOC started challenging the displayed negative behaviours of the POS [department] and their lack of experience on contractors matters, a senior manager discusses, *'Unfortunately, it coincided with a time when we were having difficulty with one of our contractors, who we were informed by the [department] that there was leakage, advising surveyors not operating correctly, we took their advice and hanged the way we did things in line with their instructions, and that caused numerous issues'* (140821) These challenges were summarised by a business manager, *'I have to say the relationship with the POS has been difficult, strange as well being an (elected representative), I've found it difficult and challenging, I just haven't like the approach taken, such as the KPI's embedded in the contract, junior employees allowing to interfere with the business, where a huge amount of effort is dedicated by the WOC, just proving one way or the other if POS, whether we are compliant with one little bit of the contract and the overall performance of the business and how well it is doing, seems lost'* (141110\_001). The level of decision making and delays in that process is described by administrative member of staff, *'There are things that frustrate, it seems to me that again I wouldn't understand the ins and outs of this, but*

*it seems to me that there are layers of people to go through to get transaction on things is less in certain situations'* (140924.1).

Lack of response to information and data requested was another challenge the WOC faced with the POS, which meant that WOC employees struggled to fulfill elements of its contractual obligations. The WOC is contracted to manage the POS contractors and their performance, but the data and information was held by the POS, and only provided six weeks after the contractor's interventions. The impact was likened to *'the way the impact is that we've been beaten over the head or beaten with a stick on KPI's, and this is the bit where the unrealistic bit is' ----- 'that didn't happen, the two years became unrealistic; it probably always was, but it made us an easy target for the detractors to say, "Ha! You failed."* And the POS [department] was saying *'you failed' from day one, anyway, so the longer it took and the more obstacles that came in the way then the harder it was always going be to meet that.'* (140829,). In sum withholding important information and data from the POS [department] added additional pressure to the way WOC employees operated and delivered on time to their clients, which created an adversarial approach described a supervisor;

*'the situation with POS [department], sometimes feel they treated you as a criminal first, so they have already come to that point of view that you've done something wrong and started a project. If you've got that viewpoint you will never move from suspicion and delivering work....and to be honest as a surveyor, it makes me nervous as well. They have said to me, a formal discussion, nothing to worry about, recorded that from there. Sometimes we feel that you need to protect yourself and nobody want to be working on that set of circumstances. We want to be able to deliver a job.'* (141010).

The leverage of the POS to control power over WOC data provided to be a contested issue. In particular, the POS did not allow the WOC to manage their performance. Referring to key performance indicators, a senior manager discusses how, *'it was done retrospectively. Last month, you failed all this, you failed all that, but it's too late then – the month's over' as reference to the management of the Key Performance Indicators'* (140822). The respondent refers to WOC data being held by the POS department, and calculating the WOC performance up to 6 weeks after the work had been completed. WOC reporting mechanisms were taken from their control. A respondent refers to another system that is being controlled by the POS, *'we've got the [named] system, which is POS's, but we haven't got one, when you think about it. We haven't got our own system, so we're using the POS's. If we are to bring in external clients, we've got to have our own systems; we've got to have our own processes'* (140822).



The statement reflects the issues that employees faced from the interference; interventions and exertion applied by the POS [department] and the weak governance position of the WOC from the offset.

#### 4.14 Admin and Audit Issues

A symbol of perceived control and interference viewed by the WOC is cited as the audit work that is undertaken by the POS. This is something that the POS department was not set up to do previously or had the remit to do in the contract. Another employee refers to this matter *'POS [department] audit a job, they are not professionals, they are not structured, they don't have construction mind-set to be honest, so they don't understand how we have arrived at decisions. The audit they did on myself, POS [department] didn't realise the pressure that is put on us to deliver with certain timescale and utilise a certain project. All they can see is, well how clients lead on this. They don't grasp that, and it worries our surveyors.'* (150100). Further observations witness the way in which the audit reports are distributed in the POS and the WOC. They didn't follow normal cause of practice for such matters denying the WOC a right to reply. Reports are often distributed amongst different stakeholders with inaccurate information and conclusions allowing for opinions and views to be formed without the evidence of the full facts. A manager comment *'they would do it almost retrospectively. Last month, you failed all this, you failed all that, but it was too late then, and you didn't know what they were testing or checking – the months gone. There was no consultation, no discussion, no right to reply'* (1499911). The audit process isn't evident in the first year of the WOC and the senior management teams are provided with the reports after distribution. *'My honest opinion is we need to somehow be in control of our own destiny and improvement methods, and have our own audit and then be auditable, if the POS wants to ask questions then fine, but we have our own practices and systems, creates massive problems for us as you can appreciate'* (1421210). In some cases, the reports showed a biased element from the POS [department] providing unbalanced views and perceptions of the WOC, and undermining employees in the WOC.

*'It's got worse in the last 12 months. I don't know whether it is a case of seeing we want to demonstrate a bit more money. My personal opinion is you can manipulate figures to suit whatever outcome you want. And if they can see that they are saving money irrespective of the true situation, and the fact they can reflect that in reports, that worries me. Be transparent, be auditable, but there must be sense with the auditing process as well.'* (141100).

#### 4.15 Governance without authority

Initially observations of the board meetings showed conflict, confusion and a tendency to keep the discussions at an operational level. The board meetings include analysis of the minutes from previous meetings, finance, contractual issues, KPI's POS [department] report as opposed from the WOC, other service areas, ICT and the change programme. The board meetings were always attended by the head of the POS [department] along with the senior leaders of the WOC and board members. In my field notes from one of the meetings, I noted the discussions of the Board members and the Head of POS department in one of the reviews the contents of board meetings, the focus was on finance, contractual issues and KPI's (POS department report), other service areas, ICT and the change programme. Legacy IT issues are prominent issues debated and there is a bias towards POS interference and interface issues, a product of dominant Head of POS department in attendance and tested the relationships. The WOC Governance board includes a combination of POS directors and POS political representatives along with technical advisers and senior leaders from the WOC including the operations managers. Over the period the members changed, and this influenced changed. A governance board member comments, *'It takes time, because people's attitudes take time to fix and if you're not very careful their attitudes click back to the old way of working ever so quickly, you have got to be really careful, and keep repeating the message time and time again.... now there's a change on the board structure and those directors are not there anymore. I wonder how much a difference that makes'* (140110\_0012). IT legacy issues continue to be debated and there is a dominance of the POS interface issues. At that point in time there is very little discussed in the Governance Board on the business model, income delivery, and commerciality and risk management.

*'So, with those three factors, we've had a lot of conflicting influences, so the end user client is saying, 'let's get this on site, let's get it done. If we've got a relationship with the contractor, let's use that relationship to the best benefit'. POS [Department] have been largely speaking representing that view forward. POS [department 1] have been saying, 'this relationship is about to go sour; you'd best to get out of it. We've gone back to POS [department 2] and said, 'okay tell us to get out of it', and they've come back and said, 'no, you're still in it; business as usual' (141111 002, GB).*

The challenges concern the Governance Board imposing decisions on the WOC, when the WOC has advised of alternative way of taking the business forward. For example a particular matter concerned a large procurement decision that had serious financial ramifications and governance issues for the WOC but also for clients and the POS is described by a business manager, *'in terms of our relationship with the POS it is difficult...the way procurement is operated in POS, and the (other*

*POS) contract, which I argues very strongly against with the rest of the board and still think it is a ridiculous mistake and I pointed out again and again, in writing to the head of POS (department), that it will cost more it will increase costs reduce customer service, and again he said it will make it cheaper but without any proof, and then challenged us to lower costs because it was more expensive! Ridiculous! You have two people doing the same job, queues of people and more costs, how is this saving the POS and how as the WOC can we govern this' (141110\_001). It was also explained how involvement of the POS [department] has increased bureaucracy with no added value and continues the business manager 'since the involvement of POS [department], authorisation, referrals have moved up a chunk, we have to go through everything now' respondent (141111 002). The POS [department] manages authorisation processes directly in the WOC creating more confusion for the front-line employees. This raised concern and is explained by a manager 'how long that's likely to go on for, I don't know, because there's not really been proper governance placed around that sort of instruction to do that, to be honest, it was the role of [name] from POS [department], part of getting [name] out of the building was that I said 'okay, I'll do that if it means that the interference stops and they keep getting in the way of the business' (141111).*

This occurred at the point confidence is building to challenge and take control of the processes and routines in the WOC. Observations in other senior management meetings, Governance board meetings, formal and informal conversations revealed the tensions between the two organisations and challenges regarding the aspects of managing the business and challenging aspects of the POS. In particular the imposed policies and processes, which on occasions did not operate with an appropriate governance process, caused problems for the WOC. An external adviser explained how, *'in a similar business model with another WOC and POS in another part of the country they have established a simple governance structure akin to a shareholder with board of directors, very similar to that you see in private sector and they use expertise externally when and required, here there appears to be no such structure and involvement of middle and lower managers, with very little understanding' (EX!001).*

#### **4.16 Excess of Key Performance Indicators**

A considerable number of KPI's were imposed on the WOC by the POS. From the start, *'On the first board meeting I actually asked – having seen the KPIs and not knowing what I was up again; having seen them a couple of days before – I actually said, "this is gonna sink; if we just have to focus on this, this is overly bureaucratic; we need a honeymoon period," – thankfully it's all recorded and*

registered – “to enable us to make changes so that we can meet these KPI’s.” (140829). This had distinct negative impact, *‘I think everybody got wound up about it. Nobody could achieve indicators from day one. So, it was almost like here are these, I don’t know, 35, 50 KPI’s from day one – everybody said what a load of rubbish, we shouldn’t have all these KPI’s.’ In the first year, the organisation had 100 KPI’s. An external organisation was appointed by the POS at considerable cost and the POS [department] expected the WOC to be performing the KPI’s from day one’.* (141008). The challenge of these KPI’s from day one was one of demotivation, staff recognised this, *‘I think it hasn’t worked very well. I think in my opinion they’re more worried about hitting the KPI’s than they are actually about delivering a service’* (141021). *‘I’ve seen them.... I’m a critic in the POS and I’ve been a critic with WOC with regard to these KPI’s.’* described by a business manager (141106). This type of imposed governance and performance management has generated impact negatively on delivering commercially and fueled negative behaviours, the business manager continues;

*‘I’ve been involved in the last few months, but, from my point of view, it’s a problem. The whole time I was there the monitoring of the business was all set up with a massive amount of bureaucracy, paperwork, people involved, analysis of data, to the finest detail for the wrong reasons. Monitoring contract performance to POS, rather than monitoring how well your business was adding value, being productive improved relationship with clients, so that was disappointing really, but it was all in the contract, so it had to be done.’* (141110).

In the initial stages, there seemed to be a reluctant compliance to these negative behaviours, challenges and interferences from the POS, and a level of acceptance that nothing could be done due to the contractual set up, and how this was reinforced by bullying behaviours. This was neatly summed up, *‘Well I think the capabilities in the early days, pretty much stayed the same, acceptance and no challenge’* (1401110,).

#### **4.17 New Leadership and Management**

From observations of the initial five leadership team, managers who had transferred over from the POS to the WOC, it was evident that they struggled with the agility needed for a commercial organisation. In my field notes I noted the following; *managing suppliers and POS contracts are mainly the focus, as are employee and clients which have a generally high frequency in discussions. There seems to be more talk on immediate ‘issues’ and ‘concerns’ and lot of mention of ‘discussions’ but very little with regard to future orientated strategy, products, plans etc. appear to be less part of debate.* There were very little commercial and business development discussion, and nothing in relation to the WOC challenges. A newly appointed senior leader sums up the behavioural challenge.

*'Gradually, by just staying calm and fronting it and dealing with it, and keeping saying stuff, what happened over a period of time [is] that hostility stopped, but it became nothing, really; just agreement at meetings, but nothing happened. In early days, it was superficial, more around talking and just listening, but little changed.'* (140829). The challenge in behavioural change is further discussed *'There were visions, and some people got it, but it didn't change, and largely because you simply just can't take POS culture and put it in private sector and expect to change on its own. You need buy-in and buy-in just simply wasn't there at the most senior level in the new organisation.'* (140829).

The newly appointed senior leader was advised *'to carry on as normal and deliver the same performance in the former POS [department] and introduce that in the WOC'* (140829). Yet WOC employees recognised that *'it should be more about.... it's just not businessy enough.'* (140903 001, A). Another senior manager discusses the behavioural challenges with the leadership team. *'it hasn't been a good experience. It's been at the detriment to the organisation and the brand. The manager is probably one of the stagehands at the back of the room, we have witnessed this before we knew it was there because we didn't have the way it should be done, they'd ignored it all in the cost and therefor their default position was just to ignore it again.'* (141008). Another respondent adds, *'given the POS Terms and Conditions, and policies and processes it meant you couldn't deal with that (leaders) quickly; that took a long time, and therefore we had to work very hard to actually change the culture, and go through a lot of pain, really where if we couldn't get the right people to do what we needed them to do at the senior levels then they had to change and be replaced with people that had the right attitude'* (140829\_001, SL). *'once we got going it was fine, but it took a long time to actually be able to get consensus as that's what we needed to do'* (14011110).

Observations of the senior management team meetings consistently evidenced a lack of teamwork, lack of focus on the key issues and a lack of understanding of the requirements that would be needed to make a commercial organisation successful. A business manager who attended the meeting discusses their observations, *'It should be about stuff to do with the company, it's the stuff that should be about the value scorecard, reviewing the finance, seeing where we should be against targets, looking at what customers think...it seemed to be a lot of nothing'* (140903). A senior FM technician discusses the relationships with the leadership team, *'we sat in silence, the management didn't sit with us, the staff didn't sit with us, there was no interaction. Managers didn't know what*

*the staff were doing, and it was very clear that the we needed to sort of do something about it.'* (141008). In some meetings there were aspects of the POS members negative behaviours that alluded to a victimization mentality. A senior leader explains this frustration, *'I put forward some ideas, to bring managers to get their buy in, helping to create ideas and engagement. They'd ignored it all in the cost and therefore their default position was just to ignore it again'* (140709).

#### **4.18 Leadership as the driver of Behavioural Change**

Recognition of the initial sterile leadership underpinned the drive for change, *'I think nothing has changed in the two years and maybe you could argue that was because leadership we had the management teams we had, and they were just continuing with old scenarios. They would refer what the POS needed to do, but no reference to what they as individuals should do to change. It was almost disbelief it was happening.'* (140081). Furthermore, the initial Governance Board would not be challenged. At this point the board members are mainly POS senior leaders and POS politicians. A board member discusses leadership, *'I didn't think we had that caliber of leadership. That was nothing to do with the change from POS to WOC. We didn't have it in POS, and we didn't have it.'* (141110 001).

These points indicate that the commercial ability and capability of management was not in existence in the POS in the first place when the WOC was established, A senior leader explains *'I think there are certain individuals that back in time were attracted to that type of organisation (POS), what you are trying to do under a POS framework, what you are trying to do by setting up the commercial business, you are trying to appeal to certain specific group of individuals that have a very defined skill set that may be very different to what was there previously.'* (140813.2).

In the initial board meeting routine, every decision is referred to the senior leadership team, and that they are the only people that can make decisions. Observations showed a slowing down of decision making, poor performance, increased resource issues and a lack of commercial awareness. One respondent (151111) change agent states *'the management team continues to grapple with this around the people escalating problems issues up into the hierarchy and taking no ownership and looking at solutions.'* (151111). Another front-line employee respondent 141014 architect refers to *'I want to say micro managing but tending, you know tending to be on that.'* (141014). There is a growing frustration with regard to how the management team are managing. Observations with

regard to the issues regarding the processes and systems are frustrated by the lack of interventions from managers and senior managers. This is discussed by a manager;

‘Other managers I speak to in the building, surveyors, and the engineers, the managers of the team there, just frustrated and they feel I think, some of them feel as though they’re being given unacceptable goals, unachievable goals and that’s bringing them down.’ (141021).

The managers’ meetings are viewed as not dealing with what’s wrong and how things need to be changed and implemented. *‘I think many of the management meetings and senior management meetings that we have are tick-box exercises, I don’t think enough meat is consumed in the management meetings.’* (141111 002). Some employees felt that managers were ‘hanging on’ as opposed to driving the organisation forward. One manager state *‘They’re looking to say hang on – I’ve got three or five years left and this will see me out. Let’s get people in there that want to move on. I know that’s probably not politically correct, but I do. I just think we need to gear it up a little bit more, maybe go up another 10%.’* (140822).

In the informal discussions, there was reference to the POS senior managers undertaking divisive actions and encouraging WOC employees to send anonymous letters, references to the unions and create a general disturbance with regard to the changes from the POS to the WOC. One senior leader refers to *‘there’s noises, and you could see the.... there were a few anonymous letters to the board and there were a few union challenges and few hostile moments, but it was very much under the surface.’* (140902 001).

The lack of challenge regarding leadership and managerial roles in the organisation is a related to the power and control the POS. It is also linked to the changing values of the organisation moving from a POS department into a commercial organisation. A key observation linked to their situation relates to the risk aversion of the WOC whose main client is the POS. Paradoxically POS negative behaviours combined with imposed and costly systems and processes compound the difficulties for WOC front line employees and managers/leaders experience. It is recognised that this is imposed level of risk aversion and imposed control is not how it should be managed in a commercial organisation. A member of the management team discusses *‘It’s almost, no, we can’t do that, or that’s not my job, and again, to use an old cliché, I think we’ve always been very risk-averse’* (140822 001). A surveyor continues *‘we are in a bit of a tight situation, personally, the impact of POS department. I can understand they are trying to save the POS money but the blockages that they put in the way and the way they do it, it’s almost madness and worse than before’* (141010\_001).

#### 4.19 The context

To recap the WOC had a difficult start with several challenges including the governance arrangements, POS [departments] controlling, interfering with the operational running and strategic decision making and the impositions of applying policies, procedures and routines utilised in the POS. *'are we WOC, still part of POS, or are we still POS? – I think there needs to be some definite breaks there really, because I do, I think some of the waters are muddled'* Senior manager (140822\_001). To add to this WOC Senior management and board meetings were focused on transactional operation matters. Challenges of relationship issues influenced inertia in the WOC. These negative behaviours stifled commercial innovation, creativity and entrepreneurship. A Senior manager explains how, *"here it's completely different. You have to push people to make them understand.... You've got to drum it into people to deliver things"* (141104\_002). A lack of confidence in the ability and capability of the WOC informed the view that *"these KPI's and governance are going to sink us, if we just focus on this, its overly bureaucratic"* (140829-001). In terms of bureaucracy this meant additional constraints on WOC Governance. These constraints were described by a senior manager *"you couldn't do this, you couldn't do that. You had 101 forms, just to do a simple job sometimes.... Again, this will sound terrible but it's confidence – I think the POS as well, there was that old, people would retire, they'd been there all their lives. They'd retire on Friday; they were back in work on Monday as an agency...it never changed"* (140822\_002). A lack of investment in the WOC stifled innovation and creativity. A board member describes how. *"...the whole time the monitoring of business was set up with massive amount of bureaucracy, paperwork, people involved, analysis of data, the finest detail for the wrong reasons. No added value or investment..."* (14110-001).

#### 4.20 Conclusion

This chapter outlined the findings on behaviours, influences and issues that have been seen or experienced by WOC respondents.

The findings in this chapter address the first research questions covering the constraints that the WOC has faced and legacy issues that have provided conflict, challenge and aspects of negative behaviour in the establishment of the WOC Hybrid commercial organisation. It evidences frustration by the WOC employees with the POS and provides an understanding of the pressures that the POS is



under regarding the austerity policy measures. The findings demonstrate adversely a lack of understanding of WOC needs to be successful and what and how a hybrid organisation operates to become commercially successful.

Power, control, and how that is exerted through negative behaviour and inter-organisational practices, is also demonstrated through the findings. This links back to literature and the behavioural relationships between organisations where there are different values. The findings regarding governance demonstrates how and why frustrations are developed. It also shows the lack of investment, and when referring to the Behavioural Additionality literature (Gok, 2006; Georghiou, 2007; Falk, 2006, 2007), which is a direct paradox to the outputs of Behavioural Additionality when looking at investment in resources.

The findings have also shown why these are conflicts in the inter-organisation relationship. Some of the sources of conflict between the WOC and the POS concerns the disturbance to the balance of power between the two organisations. These are aspects that are theoretically developed in Institutional Theory (Tolbert and Zucker, 1983; Suchman, 1995, Meyer and Rowan, 1977) when looking at the relationships between organisations and relate to the cultural cognitive, normative behaviours and legitimacy of the organisation and where the changes and challenges are.

The New Public Management and New Public Governance literature (Osborne, 2006, 2010) refers to the different management techniques and structures within the Public sector and the aspects of 'arm's length' organisations and the private sector managerial approaches within Public sector or Public administration. The findings through the lens of the concept of Behavioural Additionality (Buisseret et al, 1995). and Organisational Routines (Bourdieu, 1977, 1984, 1986; Becker, 2008) can see at the micro/firm level the changes occurring. It also demonstrates through the literature of hybrid organisations the conflicts and the firm level of the changes and conflicts between private-sector and public-sector management and organisational structures.

The findings also show through the literature of Public sector ethos (Carr, 1999; Horton, 2003) and value (Van Wart 1998; Bozeman 2002, 2007; Beck Jorgenson and Bozeman 2007; Meynhardt 2009; Andersen et al. 2012); a shared view of value to the public, but differing views in the most effective and efficient way to do this. It has shown by closely looking to understand better the behavioural change within an organisation and the initial conflict and paralyses or inertia of the initial management team to understand the changes which needed to be affected for a commercial aspect

to succeed. As such changes are again invoked because of negative aspects, the changing of the entire leadership team to effect changes within the WOC. These theoretical issues are discussed in the Discussion Chapter.

The findings in the next chapter continue to address the research questions and introduces the concepts of inverse Behavioural Additionality as well as Behavioural Negativity.

The chapter shows the impact of the new WOC leadership and management team in addition it will also discuss the Board changes and the observations of these changes and the influence they have had on the WOC. It also shows the challenge for employees concerning a lack of empowerment and ability to make decisions, some of which is conscious and unconsciously undertaken.

## 5 Findings: Inverse Behavioural Negativity evidenced by Organisational Routines

This chapter is the second of two chapters, which details the cumulative findings of the research. This chapter will evidence the findings about Inverse Behavioural Additionality and explain how it is impacted by austerity policy measures. The findings extend the concept of Behavioural Additionality. It shows how Inverse Behavioural Additionality focuses on changes in the WOC because of policy austerity measures, and a legacy of inherited economic constraints and behavioral change. The chapter will illustrate, and evidence changes in behaviour, governance, power, control and risk through negative relationships between the WOC and the Parent Public Sector Organisation (POS). It will show that interaction at an institutional level has both a negative and positive effect on changes on the WOC. Through the behavioural changes the findings evidence the importance of public value and ethos of the hybrid organisation.

### 5.1 Austerity presents Challenges and Opportunities

Policy driven austerity measures (H.M. Treasury, 2010) damaged the interaction between the WOC and the POS, as well as changing the behavioural interactions between employees. A senior manager discussed how employees and managers had been reacting at the POS

‘I think the bigger impact of austerity is probably a relationship impact in the POS, and the position is now biting. They’re starting to have to make tough decisions in and around their own service areas, around their own staffing, their own structures. So, their hands have been forced then that builds, they start to see the natural duplication in some areas in terms of what WOC does and what they do, and they start to say well, this is a fight for survival that’s then challenging and I think there’s quite a lot....getting hot at the moment’ (141008).

The point concerning how austerity policy has impacted on the WOC was reiterated by a senior manager.

‘I think they’re starting to get that now where WOC was probably see that coming because we’re sort of new, we are in the WOC, it’s a bit of a last board. We’ve got an opportunity to change, turn things around. However certain thing and many pieces are shackled, but ultimately an opportunity to do something new whereas the POS and austerity is making it difficult for them’ (141009\_001).

An architect also makes the point *‘I mean clients have obviously have a lot less money to deal with a lot, under a lot more pressure; financial pressure. That’s obviously an onset of you know the money available to build so WOC needs to be like you know use their money wisely and give them value for*

money, we need more understanding of this that when we were POS dept. I mean that's really what they need to do yes' (141015). The impact of austerity on the clients was explained by a finance officer. *'The clients I have spoken to us are going to lose a hell of a lot of customers'* (141021). Funding reduction from the POS meant *'you're heading for huge loss, unless you tackle similar sort of numbers, so overall, we took something like £1.2 million out of the cost to this and I think that was vital. That's a direct result of it, we can say that is a proportion of austerity'* (141110). Hence both challenges and opportunities for the WOC emerged. A finance manager explains the opportunity *'I think where we are at the moment whilst we all know it been a struggle and it's still is a fight to keep going, I think it feels like a move for the better and I think going back to the POS, especially when you look at the time that we are in at the moment with austerity, it doesn't appear to be a good thing'* (141111\_002).

The conversations reflect changing views and opinions from the perspective of working in the WOC, and understanding the challenge and impact of austerity is having on their working relationship with the POS. A front-line member of staff continues *'I know each year it is just getting through and tough and each year the POS seem to be announcing more and more cuts, from their point of view it must be very, very difficult and I think to cut the sort of money out of your budget is actually horrendous and very awkward, so sooner or later you need to become very lean'* (140101\_001). The impact of austerity has *'had a major impact on the WOC, one of the major challenges is that the business seems that we are unable to change fast enough to get ahead of the changes that are taking place in the WOC at the moment, it would be great if we didn't have such a high dependency on the POS and half a dozen key clients outside the POS'* (170110\_001). It is also recognised *'that if we hadn't moved over, some of us would have lost our jobs'* (151117). Therefore *'we were in a situation where we could say no, not really. It was a bit of a survival thing, I think people saw it that way. I think other people who decided they didn't want to stay and took VR, so hopefully everybody left were the ones that wanted to take it forward.'* (1501173) discussed by a finance officer.

## 5.2 Visions and Values influence Routines

A key change in routines was the introduction of visions and values. A project group was set up between the agents of change and the senior management of the WOC. A programme of interventions was designed and implemented which included a number of workshops and communication sessions, providing two-way feedback for employees and managers. The challenges

at the initial stages are described by a senior leader. *'we know what that visions are, and we know we're going to get there, so you just battle on and certainly getting into the vision and the values is a really important piece of work because that set the scene for the way we do things around here.'* (140829).

This leader continues *'That's been innovative in that I'm not aware that the POS has ever done this or experienced this. It sets out on that journey sometimes, but you couldn't have done that in the POS in the way that we've done it'* (140829). Employees were involved in the visions and values programme, and viewed it as a different experience as described by one of administrators *'You've got to have a vision to work towards otherwise....and I think everybody, you need to be working towards the same goal and obviously that's what that is about, you've all got to be working to the same thing'* (140821). Communicating the vision entailed several workshops attended by all employees from the front line to the Senior Managers. Additional behavioural change was evident and employee involvement in developing the WOC visions and the values designed at an operational level to develop a sense of ownership and community. A senior manager commented (140822). *'I think they understand more now what the focus is, what the vision is, and they can move towards them.'* In further discussions, there is a comparison to how WOC accountability and responsibility was previously managed and the shift from hierarchical behaviours. A manager discusses *'where in the past I think it was almost like, again you were almost like treated a mushroom at certain levels, a need-to-know basis, always referring upwards'* (140622). Notably skepticism of the workshops had influenced Behavioural Additionality, as described by an architect. *'Again, I think at first it was probably, oh, here we go – they've all been on a training course now. We've got to have visions and values and one thing and another, but I do think that's starting to work now'* (141014). The respondent continues with how the impact of the visions and values influences the behavioural changes *'I think that it's coming in. People are getting to understand them, integrity, honesty, and things like that, and the big one for me is the customer service. I think that is starting to change'* (141014). The respondent is very specific regarding customer service behavioural change. *'We now understand what clients want, and their perception's changing. As I repeated before, if that happens, we're going to get more work. We're all going to be employed longer. I think they are having a good impact.'* (141014).

Behavioural change includes being more flexible; an architect describes how *'the two that I keep remembering, customer focus and flexibility. I don't think when we were a POS [department] that the [department name] saw that, I don't think it even entered their brain that they had to do that,*

*you know'* (140903). Employees on the front line viewed this as a change of direction. *'I think it's just the way that we're going. All that is the way forward that we're going. That's the path that we're taking, so all that is all about where we're going to'* (140903). Visions and values impacted on behavioural change showing that *'there was innovation in this in terms of people within the organisation coming up with the concept, the idea, the early stages of commerciality and the visions and values around the organisation, and that's a point of innovation that was done'* (140294). Another member of staff recognised the changes in behaviours of managers and leaders. *'So, what do I see, I see managers and leaders who are put in front of me, whether it's a group or individually, understanding what the values are.'* (140924\_0001).

Introducing the visions and values influenced employees' behaviours at the front line and senior leaders. In formal and informal discussions, all employees understood this, however, there were some questions on whether all employees had adapted them. A senior leader comment how. *'I don't think some people understand it too well, to be honest. Not much, only because people don't understand it. They just think its words, because they're not used to working or they're not driven, they choose to ignore it, or just think what does it mean? Yes, there are these visions and values, but they don't try to improve themselves and work to it'* (141104). A senior leader expands on this point, *'I think we're starting to make a difference in the behaviours and what we're doing about it, so it's almost like we should've done that and developed the vision and values first and not the other way around'* (141008). A recognition of behavioural differences is also acknowledged by individual employees who benchmark themselves against other employees. A senior manager discusses.

*'My thoughts on them is, excellent, and that's what we should be striving for, and that's what we should be working to, because there's a lot of other companies out there that do. So, I am pushing that all the time, and talking to staff about it all the time.'* (141104).

Engaging with visions and values consolidated a behavioural change. *'It set out the journey sometimes, but you couldn't have done that in the POS in the way that we've done it here...it's talked about in the performance review system, its everywhere, important, kind of innovation in the sense that we've done that'* (140289\_01). It also consolidated a demotivation from the POS and finance officer discusses *'Erm, do you know, I don't know what the POS has by comparison, it doesn't have, for, it never certainly where I worked, it never had a set of visions and values, they were quite loose.'* (151117).

The observations from my field notes in my initial weeks and months, showed that the WOC had lots of paper, boxes, and files all stacked around the office, and in some circumstances the boxes would be up to several layers high. After the visions and values workshops this mess was cleared. A senior manager explained *'A good example, about the office clean, there was someone the other day, and they nominated someone to walk around and he'd check all the draws, and one thing or another.'* (140822).

### 5.3 The Impact of Behavioural Change

Behavioural change influenced a culture change in the WOC. A manager explains *'I really do think the culture's changing. I don't think we're there yet, as I said earlier, but I just feel now people are taking ownership, where in the past it was almost like, it was someone else's problem, or it was passed around the office.'* (140811). The managers and the employees of the WOC assessed their own behaviours, and those of others in the WOC, including comparing how they operated in the POS. They reflected on the initial excitement of setting the WOC up and disappointment when changes didn't happen. An engineer suggests *'Perhaps you could have asked what I thought the collective attitude of everybody as a whole was within WOC and I think the collective attitude is everybody was really positive when it was first formed'* (140915). This was followed by recognition of how the initial reactions have improved since the initial disappointment and changes that have taken place. *'it went through a cycle where it became stagnant, I think it dropped.... people's perceptions dropped through the floor, but I now think people's perceptions have climbed back up.'* (140159).

There was a positive movement forward regarding driving accountability. Change in the management approach toward driving standards evolves throughout this phase of the research. This is evident in board meetings and discussions with the front-line employees as well as external stakeholders involved with the WOC. A senior manager discussed how *'We're starting to get tighter on these issues and we can actually see where people are starting to get well actually if I don't do something or I do something I shouldn't do, somebody is going to challenge me on it and pick me up and there will be consequences'* (141900). Changes regarding the management practices, routines and meetings was considerable and focused on performance as well as driving change to become a commercial organisation.

The changes in how managers and leaders operated encouraged innovation and the creation of new ideas required for WOC as a commercial organisation to be more entrepreneurial. An administrator explains how the. *'leader and the board are expecting managers to.... you've got to perform at certain level like everybody has to do in the job'* (140312). Another manager explains how *'as a manager, you should know what your team are doing, and if they're not performing, it then you bring them in, it's then you do the performance management methods'* (140822). This is supported by another manager who concurs *'You know what people, or you should know what people are doing, what they're producing, and I understand the reason for collecting evidence and one thing and the other, but then it's like, you should collect the evidence'* (140282). Improving standards is also recognised by an administration team employee. *We have brought new systems in, we're using new systems, new procedures. Clients are getting more confident in us again. Trust is starting to build again...and our KPI's are going green'*. (140711). A senior leader confirms this point: *'these are people that will hit deadlines, that look at what clients want, that will be very creative, intelligent, and good but also focused on what the client wants and on budgets and deadlines as opposed to just being good creative architects'* (140712). The distinction between the WOC and POS behaviour is based on performance management and behaviours. A senior leader explains how *'we measure people's performance now, not just on projects and technical expertise but on behaviours...we are big on behaviours; that's the innovation that we've brought within the organisation that wasn't there before'* (140821\_001). An Architect explains the paradox in this. *'Performance is interesting.... I think people realised that they needed to step up and to do stuff. There was something that wasn't being done certainly like on the project management side, compensation events and the way that managed customers.... some behaviours and processes transferred from the POS'* (140902).

#### **5.4 External Support and New Leadership Appointments**

The senior leader of the WOC bought in support from external change agents who were working in the POS. The external agents had experience of commercialism, private sector, public sector, change and project management. This provided the WOC with knowledge of finance, organisational development, design and change, and leadership. A senior leader explains their impact on leadership recruitment. *'With the aid of [name change agent] who had come in to help and advice – we did a deselect and reselect as the only way of fronting it. That meant, basically, a conversation with me saying to them that our job, the new job and the new structure doesn't actually match, it's out by more than 30%, so that's changed.'* (140829). Hence interventions were introduced to enable HR change and introduce new leaders into the WOC.



A senior leader explains the appointment of new leadership roles in the WOC *'We have brought in new people and roles at senior levels and not such senior levels, operational managers with different skill sets examples being IT manager, new lead architect, Comms and engagement manager and Head of Legal...a lot of spark and new energy, different ways of doing things'* (1408289) The leader continues: *'the POS wasn't going to manage this and would be negative and biased, but the idea was that they should have manage the relationship, they would be the link between us and the POS, and they would do that role, but they weren't suited to do that role, so I got into the role and managed relationships at a political and senior level with the POS, otherwise we would have been struggling'* (140829).

### **5.5 Changes in Decision making at Board Meetings**

Observations of the board and senior management meetings showed the decision-making process shifted from operational to a more strategic approach. A key change was the limiting the presence of the Head of the POS [department] to the board meetings. The meeting changed to a directors and non-directors only meeting. The non-director's part of the board meetings was reduced to an hour with basic 'business as usual' matters discussed. The directors only meeting would discuss issues relating to the business, planning and strategic matters. A significant change in behaviour occurred by taking a more innovative, risk-based approach to issues challenging the WOC. The influence of these changes is commented upon by a WOC manager. *'It was completely different. It was, like people were running riot. They still are a little bit, but it was so laid back. I mean you could go missing for two hours and nobody would know, or nobody would care. But I think now with the organisation (WOC) changing, new senior managers and new managers in place, I can see the difference, but I can see the difference because I make that difference as well'* (141104 001).

The importance and recognition of this is articulated by board member advises *'I think there's more pride attached. I think there's more ownership. They feel related to it. I think they were nervous whilst [named senior leader] was cleaning out some of the senior dead wood and so on and now they've gone I think they're blossoming a bit more that they did in the past.* (141106). Another board member also refers to the change in leadership style. *'The risk of choosing of [name] over [named senior leader] would be were taking the bureaucracy that came from the former POS [department]*

*and impose it on the WOC, because he was more comfortable with that, I thought that was far too dangerous and that's why [name] didn't get it.'* (141110).

Discussions with employees evidenced that managers expected further change. This was commented on by a senior surveyor. *'You know, if I was honest, it isn't different enough. It's on a path and it's getting better. I think we're getting some evidence that there is a shift. Culturally, we are shifting; people are.... we're now at a point, probably, where 80% are with the journey and are on course. 20%, yes...15% are lagging behind but are following the...they've got their eye in the right direction, 5% are probably never going to get there.'* (141111). One of the board members discusses the impact of these changes and explains *'the relationship of the board needs to move away from bureaucratic discussions and focus on operational aspects, that is what I want to do, seemed to me it wasn't working before because of the contributions of senior managers from the POS when they came to the board, preventing us from moving forward'* (141110\_001). A senior manager also comments on the changes *'as one would predict when you actually give people the pass to do it, praise them, publish these things, communicate, you are consciously changing culture through values, symbols, procedures and fuse with new practices, so very happy'* (140111\_002).

In my field notes, I recorded how the legal representative had suggested changing the meetings to directors and non-directors only to limit information shared with the representative from the POS department. This change was implemented to limit sharing confidential information with POS lower and middle managers and reduce disturbance to WOC strategic management. At this point the head of the POS [department] is limited to the non-directors only part of the meeting, with the main strategic discussion and direction of the WOC being discussed in the director's only part of the meeting. The effect of this has been WOC has gained control of managing the messages and communications, direction, as well as managing the information that is shared with the POS.

The new leadership team pre-empt change in structural, governance and management process. New leaders in the WOC either came from lower positions in the WOC, or from departments in the POS, such as HR and change management. A senior leader explains *'A lot of it was about the people stuff, bringing in (external person) to come in really helped with the cultural change'* (140829). Another leader continues *'Now, that's the kind of change that we need to go across the business. Its ever changing, so you plan in one environment and it changes quickly'* (140289). Also, a member of staff from the frontline suggests *'I think we're more open to innovation, staff generally are challenging and questioning more now, which is positive.'* (110492).

## 5.6 Governance Structure: Changes, Procedures and Processes

The governance and structure changed in the WOC with a new structure being implemented at the board level. In my field notes I noted that the structure of the board previously consisted of two strategic directors from the POS and three politicians from different political background; the chair of the board is representative of the political party in at the time. Due to a restructure in the POS one Strategic Director left, which left just one Strategic Director and the Politicians on the board. The remaining Strategic Director advised that he was now longer comfortable with the position, as result 3 none-executives were appointed from outside the POS and two of the political representatives were also changed at the same time. The WOC leadership team response to the changes at board level is explained as *'the tricky bit, really trying to keep the majority of people on board; still delivering a service still needing to grow; and make savings: and change the culture at the same time; and with the governance processes – not the board, supporting the board and the changes at the same time'* (140829). A stronger relationship developed between the board and the senior leadership team. Coaching and development was introduced as result of the change of governance *'In terms of the board I found it was my role to coach and mentor WOC senior staff into their role, as board members and senior leaders, rather than – because normally when I join an organisation I learn a lot about the organisation and try and build up my own expertise, but also provide coaching and support'* (120901).

Observations of the board meetings and analysis of the minutes of the board meetings showed a step change in the discussions focusing on the business delivery, commercialisation of the organisation and the development of the employees. In my field notes I wrote: New board members have been appointed and new Chairman appointed, the agenda of the meetings has been split and limited the involvement of junior managers from the POS with a specific split between directors only and non-director's agenda. The agenda is more focused on planning ahead and business aspects including change management and business objectives including finance, service delivery, performance management and future business opportunities

This point was reiterated by a senior leader discussing the board meetings *'there is acknowledgment that we are a company that has to turn in a profit and that we have to be as streamline as possible and would be harder to achieve in the POS'* (140298). One of the change agents' comments on the changes with the board to explain how *'since then the drive of the structural change has shown that*

*the unit operates with formal processes and greater definition around the business and how it focuses and organises and addresses challenges from outside and the POS'* (151111-001). The leadership team challenged the Board with issues concerning performance management, relationship management with the POS, and the original contractual governance relationship between the WOC and POS. In one of the informal discussions a board member discusses the previous tensions between them. My notes reflect these changes the leadership team presented a number of papers regarding decisions which were taking place by the POS affecting the WOC. This included the transferring of services from the POS to the WOC and the importance of independent due diligence. This was dismissed by the POS, but the board members registered that it was in their interest but acted in accordance with the shareholder request. There have been a number of e-mails of challenge issued by board members, who are also Councilors and interviewed. There have been presentations and papers presented by the leadership team regarding the performance of the WOC to the board, which has included financial performance, KPI, HR information and governance matters which have also included breaches of exclusivity between the POS and WOC as agreed in the contract. These points are reflected on by a WOC leader in relation to the remaining restrictions to the WOC, *'WOC has the worst of all worlds forced to comply with POS standards in IT, HR, Legal and Finance, but treated as an outside organisation in some processes like procurement, the effect of this is over £1.1million in overheads'* (103073). This is reflected by another leader *'in a fairly short period we have dealt with complications of the cultural change, the process change, building a business case regarding the IT and moving out of the PSO premises as well as saving £1.2million due to efficiencies to deliver'* (140289).

## **5.7 Power and Control**

Reduction of power of the POS [department] over the WOC meant a reduction of interference the WOC previously experienced. The impact of this loss of control is commented upon by a WOC surveyor. *'I think [named senior leader] and the management team have tried their very best not to wrap people up in bureaucracy, I think you've got far more ability to develop your own style. So, rules and regulations I there's a great taking away of the heavy weight of bureaucracy, if you like.'* (141024). A board member also discusses the impact. *'I let it happen, led by examples, provide all the things we needed to change the culture; the heroes; the new norms; the statement of values; the publicity for doing it right and the listening to the staff on how to change to improve for the better, and I thought we made steady progress from a bureaucratic organisation.'* (141111).

Observation of the meetings evidenced this change in power and control. In my field notes I noted how the meetings had moved to more of a business strategy since the appointment of the new managers, with discussions moving more to products, plans, future business and performance management. There is still focus on some current issues and concerns about the supplier contract with POS, but there is a much greater focus on strategic discussion. One of the front-line managers who attends the meeting discusses the change *'there is more strategy and thinking about it, which I like'* (140915). This view is supported by another manager. *'I would like to think they're getting an understanding that they're now getting better, leaner service.... cutting some of the red tape...responding quicker, we're improving'* (140917). Key areas of discussion included business direction, commercialisation of the WOC, business development, performance management, audit and governance, risk management, people matter and forward planning. One senior leader describes this in terms of how *'we're looking at now is bringing guidance and added value to our customers, how we like to help and provide options and change the mid set to deliver improved performance'* (141008). Another manager discusses the changes in his team suggesting that *'there are some good debates, some good interaction with some guidance but I allowed them to discuss and debate between themselves, resolving issues an improving performance'* (141008\_001). Relationship discussions with the POS, still influenced and on occasions dominated the meetings, but became more pro-active in terms of action. A board member explains *'where I am unhappy, continue to be unhappy not necessarily with the WOC, but with the POS – it would be in the way they are dealing with the change in contract suppliers and effect on the WOC'* (141106). A new innovation in the WOC was the introduction of additional meetings inviting other employees to the meetings to discuss the operation of the business, performance management, governance and front-line issues. A front-line manager praises this idea explaining *'oh, it's helped me massively, because, well, I say me personally, its well your kind of take credit and pride in your work as well, it's given me some of the tools to do the job I'm doing'* (140822\_005).

WOC employees attending the meetings felt the impact had been positive and could contribute to the WOC direction and changes that are carried forward. An architect discusses one of the meetings, and how *'I learnt a lot and I got involved in lot of stuff which I really enjoyed, and it was suggested I did the Bristol University course because you have abilities'* (140903). A manager discusses the meetings and feeling engaged. *'If you want to move forward, I always put it down to like, it's almost like, if you want a fruit tree to have fruit, you have to cut back, you have to get rid of dead wood, you have to prune, and I think we've got an opportunity now to do that, and become leaner, make money, become successful, make money for the POS, add value.'* (140822\_001).

A number of external change agents supported the transfer and transition between the POS and the WOC of moving the services. This included holding relevant meetings and discussions to ensure that there was collaborative working between the WOC and the POS. A change agent explains *'It was important that we made sure that there was support across the two organisations to ensure that it was smooth move, but recognition of what each organisation required and how it was managed.'* (151110). A senior leader discusses *'the kind of change that we have seen across the business is ever changing and it is great that we are receiving the three new services, difficulty now is taking people through the change curve and imbed the new services'* (140829). A key change with systems and processes is the change regarding the invoice processing. This system was previously causing the POS problems. This change enabled the WOC to trade under the Teckal legislation (Teckal Sri v Commune di Viano Case C – 107/98 (1999) ECR I-8121) to enable it to trade with private sector organisations by increasing its turnover through introducing a process of their own invoices. One respondent change agent discusses;

*'lots of people have been put to the issues that the business have faced and we have resolved and there are a lot of collectively how we respond to some of the issues that we faced around that particular project and lot of guys have been very willing, positive and supportive of the actions that we have been taken so I think it's been really good actually and it does show that there is the capacity within the business for people to pull together and pull together in a common direction for a common goal at the end of the day so from that perspective that has been really good.'* (151111)

Another change agent explains *'I would say the most impressive one I've seen is that from day one they had backlogs of unpaid invoices inherited from the POS and couldn't seem to get to the bottom of why they weren't paid. The contractors had never been paid on time, ever, before in the POS, as far back as anyone can remember...we're told relationship with the POS, and they were quite used to it. The systems, I think I'm right in saying that to pay an invoice there was 34 interventions from start to finish for an invoice to be paid, and a lot of this was paper and files passing from individual to individual. And because of the difficulties of that and because of the complaints it became high profile, both within the POS and were starting to go viral in the industry, so this has been sorted, improved 1000%.'* (140823).

## **5.8 Key Performance Indicators**

The WOC obtained the data from the POS that was used to calculate the performance indicators from the POS, and subsequently their knowledge base expanded. This was challenged by the POS,

who did not want to release this information. To obtain and take responsibility the WOC used the contract and legal advice. A legal adviser for the WOC explains *'we referred to the contract and the role of the WOC and advised the key paragraphs to support the release of the data and information from the POS department'* (05121972). The WOC installed new processes and systems in relation to the calculation of the information and innovatively introduced a weekly forward forecast to enable it to predict the performance of the contractors in line with the KPI's they needed to achieve. New skills and training were introduced for the employees to enable them to undertake these changes and activities. A senior manager discusses *'We brought new systems in, or we're using new systems, new procedures. Clients are getting more confident in us. Trust is starting to build again, which I alluded to, and our KPI's are going green.'* (140822).

Overall this increased awareness of what the KPI's were and the importance of achieving them. An administrator provides an example of the perceived changes. *'I hear it talked about lot, you've got to perform, you've got to do this, you've got to do that. So, I hear it quite a lot now whereas I never used to hear it before.'* (001). A marketing manager also discusses how *'the KPI's, more like a measurement, isn't it, and I know I hear a lot about them and that they are improving turning green, so I've got an understanding of it.'* In informal discussions employees indicated an awareness of the KPI's, discussing the allocation and responsibility amongst the team, which they hadn't experienced before, and the weekly publication of the results and discussions all of which were new to them. A surveyor discusses *'now we are WOC I think those KPI's are now being brought to the forefront on what we do on day to day basis'* (14010\_001). A middle manager looks to the future *'I think staff are under the knowledge now that meeting the KPI's is in everybody's interest, they are there to give us a future, if we don't get them right then goodbye to WOC'* (140915\_002).

Changes in WOC routines include behavioural change, which is evidenced by KPI performance management. A manager discusses the initial issues regarding the management of the KPI's *'yeah, I think, I mean again talking from a personal point of view, let's take KPI's and monitoring contractors, I don't even think we've really had the tools or place, or the processes in place, to manage them properly.'* (140833). Changing routines was reflected in the fundamental governance structures of the WOC, including the Key Performance Indicators (KPI), audit, data analysis, contract management, legal and contractual governance. An administrative member of staff talks about performance measurements *'the KPI's more like a measurement, I know I hear about the call center about they've got to answer the calls with this time and they've got to deal with them in that time'* (101123). Another front-line manager refers to the changes in processes and procedures regarding

the KPI's *'Well we brought new systems in we're using new systems, procedures, again talking from (WOC department) point of view, the KPI's are turning around now. I know we are not 100% there yet, but I think for months they were red.'* (140711-001). A member of the admin team in informal discussions refers to the importance of the change in the KPI's *'Now that the KPI's are green that shows lots has happened to get there, there is no doubt about it, it shows a lot happened'* (141111\_001). The importance of the changes in KPI's is acknowledged by a senior leader *'We're actually delving behind it to see how we can change it or improve it. It's about the systems, processes performance...when we start to look at those systems, processes, performance, individuals, ownership, the we are starting to see change.'* (141008). A member of the finance team refers to the impact: *'I think they've made it a tighter ship more efficient. So, that we can sort of meet the KPI's and the contract. It's definitely had an impact, it's been a positive one.'* (151117).

Improvement in performance management indicators improves the confidence of POS management political leadership. An external change agent discusses why this is important: *'one of the critical success factors for the organisation is to drive towards clean KPI's in this particular area, if we're not successful in again getting the basics right then with the business the way it is at the moment then we are not likely to move forward'* (15111). A front-line member of staff explains the service change: *'We told clients what they had to get, where now, I think we're more customer-focused, or getting more customer-focused, and we're actually listening to what they need.'* (140811\_001). A senior leader refers to the importance of service delivery to the POS *'It is important to make sure that the senior people in the POS – the opinion formers and decision makers – are happy with the service'* (140982). A senior strategic POS manager reflects on the improvement in relationships: *'Yes, that's having an impact on the way that some of the relationships within the organisations are working, they have the capacity to manage relationships that's where its impacting'* (252222). A board member refers to some recent business development work *'I like the way that they're moving forward (WOC)...I think winning of the contract with (Commercial Business) for the stations was excellent and you don't get on the (Commercial Business) list of suppliers if you're not performing well and providing value for money and so on We start to win more contracts and develop new business contacts.'* (141106).

Senior WOC Leadership were enabled to have more productive, progressive and strategic discussions with the political and POS strategic leadership. This leads to more innovative and creative solutions to the issues facing both WOC and POS, particularly concerning the continued austerity challenges. A board member discusses this constraint as being able to *'manage the*



*ambiguity of being part of the POS yet separate from it. This is especially true for executives who are leaders of their own (quasi-independent) organisation yet remain senior officers in the POS.'*

(141105). Opportunities present regarding commercial aspects so that the WOC is allowed to *'use initial period to build a commercial track record that will be necessary to win tendered work. This might mean partnering with other service suppliers to build knowledge, skills and experience'*.

(141105). One employee discusses impacts of the changes regarding the clients and explains how the impact of effective performance improves client satisfaction *'I think there for a few years, it was almost like we were treading water. You really didn't know what you'd achieved, where no I think we can start to see, well yeah, actually, I've had input here. I've had a bit of an impact here. I'm starting to build relationships with some of these [names clients]. They are turning around. Some of the clients are getting happier. You take a little bit of personal satisfaction out of it as well.'*

(140282).

## **5.9 Institutional Differences Managing Data and Information**

The WOC developed new ways of working and moved ownership and responsibility for managing elements of data from the POS to the WOC. A member of the commercial team discusses how the data behind performance indicators was previously managed *'it was ridiculous, the POS department would produce the report, use the data, produce it six weeks late and blame us for it being red, why aren't you green, but how could we manage it, we need the information, quickly and the data'*

(250369.0101). The change in ownership provides a positive effect in the WOC as they take ownership for the processes and responsibilities directly from the POS. An external change agent discusses *'there is very little consistency logic a considerable amount of interference form areas of the POS where you wouldn't anticipate in a normal commercial environment that makes the whole thing very, very unpredictable and very difficult to drive the change within the business and bring people along with you with this ambiguity around the business'* (151111). A business analyst discusses how *'we spoke to the POS department and said we want the data, and we will produce the report not you, it is our role, so we did. We also set up data forecast management to enable us to manage the contractors and see in advance where performance was, as such introducing interventions to ensure everything turned green...some difficult conversations and ticks but we got there'* (08061944) A supervisor explains why the changes needed to take place. *'I realised we needed to change when a team member dealing with invoices for which we are red on said she spent 2 days a week chasing surveyors for information. When I queried it, she said it's always the way – I said, "no it won't" and that's not the case now, that's a success changing processes in terms of changing the*

*way we do things'* (150289). A member of the commercial team discusses the change in procedures *'It was important for us to establish our own procedures and management of information, people were not used to following any kind of procedures, so when we put procedures in that were very robust, we saw results'* (130718).

Employees discussed the impact on confidence and the follow-on effect to clients relating to increasing performance of the organisation. A senior WOC leader summaries how a *'professional approach has changed that, and it's been difficult because the inherited employees that did that role in the past didn't see the need to change, weren't happy to change, had problems with changing, and kicked back considerable to the procedures, and also the [named discipline] that were part of that process wouldn't play ball either. So, there's been a lot of pushing a shoving to get them into place.'* (140829).

### **5.10 Behavioural Change**

Behavioural change is shaped by Board influence, confidence of WOC ability and WOC control of the POS systems. A board member discusses these changes *'we started with the processes and procedures and systems of the POS and some we couldn't get rid of, but some we needed to change and some we needed to replace altogether, so we've had major change on things like accounting systems, legal, HR, ledger and how we face and deal with our customers, giving our customers better service and being a more responsive organisation than a POS department'*. (141111). The Board also shows a strategic awareness of the operational impact of such mechanisms. Board members express their views in board meetings explaining how. *'the manual cost of servicing those KPI's is still enormous, but we're actually meeting that. So, that means now that we can hold our heads up and we can start to feel more confident that we can't be chastised.'* (1401111 02). At the front line, accountability and responsibility is evident in the employees' behaviours. Employees embrace new systems, procedures and routines to enable them to distribute information, monitor and improve client interaction. An engineer states. *'I think our interaction with the clients, with the contractors, has moved up a gear, we have brought the contractors into the WOC world'* (140915 001).

Positive effect on behavioural change is reflected in individual performance changes. The changes in the processes and the procedures are fundamental in changing organisational effectiveness by taking control of its destiny. A manager explains how *'we're actually delving behind it to see how we can change it or improve it. Again, it's about the systems, processes, performance. And only when*

*we start to look at those systems, processes, performance, individuals, ownership, then we started to see the change. That's why they've improved as they have in the last six months.'* (141008).

Management recognition of the routine change's influences change within the WOC and improves front-line confidence.

### 5.11 Innovations

The WOC introduced an innovative idea of working with the POS's own audit department to develop a WOC Audit universe, with terms and conditions, new processes and procedures and accountabilities across the senior management team and the board with the WOC. The introduction of self-audits to identify weaknesses and address those before external departments such as the POS [department]. A senior surveyor manager discusses how *'systems have now been placed on the [operational] systems, programme trackers, surveyor information and audit systems. [Operational system] is not the best system in the world, but using it is making it easier on some systems. Self-audits are improvement, reducing interference from POS (department) who don't know how to do audits'* (141111\_002). The resulted in the removal of the POS [department] undertaking audits. In my field notes from a board meeting it was noted that the WOC is performing at very high level across 2/3<sup>rd</sup> of the business with KPI scores well more than those required by the POS. A department manager also discusses the advantages of the new audit process *'it was important to establish our own audit process and universe to understand what improvements, interventions that need to take place and increase accountability and responsibility across the organisation, to be done in professional way, we have trained and developed internal auditors which was important.'* (140819). The WOC innovation enabled a quartile assurance statement to be produced and improved collaboration. An interview with a senior manager suggests how *'it does seem to have become more collaborative, and again I think that probably started at a higher level. I think it's obviously like, again [name] having meetings with [name] and they had these discussions.'* (140822 001).

Respondents reported how the WOC was developing new ideas to change routines to save income and generate greater efficiencies. A finance officer discusses this point.

*'I think staff generally are challenging and questioning more now, which is positive. I can give you examples - we had a £250 financial limit on mechanical maintenance for emergencies, which really was causing more headaches to the clients than us. That was raised by staff, so that was moved. They've lifted the threshold now. It's up to £750 now, which means they can get the smaller little jobs done. It keeps the clients happy. It's*

keeping the staff happy. It's keeping the helpdesk happy, because people aren't moaning at them. It's just little innovations like that help move thing forward.' (140924).

The initiatives employees introduced were traced to worth relationship building. A senior manager explains *'Now I know we know relationships are key, it was littered with that kind of conversation. The conversation now is not always about that. It's moving into how we can improve service, how we can become even better than we're generating at the moment'* (140924.1). Board meetings identified that becoming a more commercial organisation with little resource was a major challenge. A board member discusses: *'What opportunity is there for me to reinvent the way that we currently do things and that's very different conversations. A very different conversation.'* (101112).

An engineer advises *'The evolvment in the thought process and the way those things are done, again, everyone's on a journey, that group aren't excluded from that at all, but I think there are very recently actually, some very good signs of our operating at a certain level. Is it innovation? Is that too grand a title? It's definitely changes that I've seen. So, innovation then that will fit into that category quite nicely.'* (789109). Innovation as a theme is taken up by an energy officer *'the innovation for me is in changing the way things have been done previously within the old framework and then realizing there's a different way to do it.'* (1412110). Moving the WOC forward as a commercial organisation is recognised as the most important innovation. A manager discusses *'So they were shifting their mindset and moving it into a space where they had to develop and create something for the first time. I think that's very innovative, very, very, and innovative. So, I think there are some things like that'* (141105). An administrative member of staff also refers to innovation. *'There are some workshops that I've seen that are done, that were engaging with people at the time, it was about looking at values and the missions, and people signing up for those kinds of things. So, I think those kinds of things, it's not that I haven't seen that done in other organisations, but I think innovative compared to what was done previously within the POS.'* (162204). At board level there is positive recognition of WOC workforce agility and WOC independence. A board member reflects on the improvement. *'Well, it could do and move back to the POS, but I'd say it was a mistake, because the service quality that they got from the in-house departments wasn't very good. And if you look at the length of time it's taken us to do things, like, fix the telephone system, fix the helpdesk, fix the software, fix various other aspects of the organisation, with no help from the head of service POS [department] and the kind of POS mindset, but never mind, then those things would just go backwards, the WOC can move quicker'* (141110). Another board member agrees *'So, I would say that it would be a terrible mistake to go back into the POS. And it's much better, the POS itself gets real benefits from having us at arm's length in my view'* (141106\_002).

### 5.12 The Hybrid nature of the WOC and its Relationship with the POS.

These routine changes showed how front-line employees, who are directly delivering the WOC service, embrace the idea of a hybrid organization that manages both commercialism and public sector values. A surveyor advises *'I just think the ethos and culture has changed, and again, it's from, and I'm not just saying this, but it's almost like at the top table it's changed now completely, and that will start to filter down'* (002). WOC employee empowerment and engagement filtered from senior leadership teams creating confidence and building support. A board member discusses this in relation to clients *'I think there has been a change regarding structure, I particularly like the way that we are moving out of the POS premises into our own premises, it clearly identifies independence and makes us more attractive to private sector clients and not dealing with the POS'* (140116). A line manager explains the speed of change *'for me, yes, I 've had to change the rigor and the robustness of even individual coaching sessions with individuals, because the pace of which some of the people I'm working with need to move at is quite aggressive'* (140924.1). The Public Sector Ethos and the delivery for the POS is very much evident the WOC discussions. A senior manager explains *'I do think there is a market there, we look after (public organisation) and look after (public care center), elderly (care center) and think like that. We do have that duty of care still, but private sector doesn't always, so I think it's a good mix, if you can get both right'* (140822.004). A member of the admin team discusses *'I think there is difference, and to be honest, I think this probably for the WOC, one of their unique selling points is that maybe we're getting the balance of both'* (140811.002). A Board member discusses how WOC has *'more freedom to actually market their services as the Chairman of the last meeting kept reminding us, quite rightly, but gives more freedom. It takes the name of the POS away from the organisation and that helps with marketing, because as you are aware there has been strong feeling towards the POS by other organisations and public sector organisations like the POS'* (140116).

### 5.13 Behavioural Additionality and Public Value

In my field notes I referred on how communications in the organisation have improved and employees are encouraged to discuss the new ideas in a variety of ways. Planned engagement sessions had been introduced and received positively by the front-line employees. An engineer explains *'We're now trying to get people to think and be encouraged and come forward, not sit back and say "oh you could have done it this way or that way" after the event not I didn't have time to say beforehand, so I think that's the change. People are.... they know those ideas, it's bringing them out.'*

(140915). A senior manager supports this view and discusses how *'I encourage ideas, thinking, bring things up. I think in terms of the management teams, the one to ones, as I said the example I gave earlier, I think staff's starting to get, if they start to think we'll come up with an idea and someone might run with it, do something with it, I'd congratulate them for coming up with an idea whether we use it or not just to day get that encouragement and start coming up with ideas.'* (141008).

In my field notes I also reflect on how the journey of establishing the WOC and moving from the POS has been a challenging one. Changes in routines and behaviours have taken place under the umbrella of austerity and reduced resource. In a formal interview a manager discusses this challenge. *'Honestly, I think it would probably be a backward step. I think POS across the country now, they're outsourcing. I think we should really; they've had a great opportunity there. They could quite easily have given this out to a big company like [names private sector company] or [names private sector company], and we were all TUPEd across, Again, I think they initially said to us, well, your destiny's in your own hand. Make it work, and you're there – you've got an opportunity.'*

(140822). A senior manager holds a similar view *'I think all that work would be undone'* (141008).

Also, an administrator agrees, *'it will just fall back to the way things were in the past'* (162204).

Employees talk about the training and development they have received recently in the WOC and being able to acquire new skills. A manager discusses the management development *'I am doing more management and more monitoring that I used to, also doing more interaction with the teams and the clients rather than getting involved in the nuts and bolts and the nitty gritty. I am delegating that down lower down and develop others and try and get positive outcomes'* (140915\_001). From a commercial perspective this is a return on investment from the WOC. Providing employees with the time to acquire new skills improves the talent pool. A board member discusses the development of employees *'we looked at encouraging talented people and I've seen talented people coming through in the rank in WOC and proving their worth and I'm delighted with that, but I want to see that continue to see the next strata coming through well'* (141106\_001). Hence the talent capacity of the WOC increased the behavioural capacity for a commercial organization, that also holds on to public values.

A senior leader discusses how the WOC and POS are tied in relation to delivery of a public service and public values *'The way it relates to the WOC is that the focus for a lot of the employees for many years will have been on servicing that process, making sure that all of the things that go with that – public sector approach of looking after its citizens; looking after the interest at large – are serviced,*

*as opposed to private sector company, which, essentially, is about income generation. The bit about WOC that's different is that we will never be able to – and never want to be, because that's not what the POS would want us to be – a cut-throat, hard-nosed, commercial sector organisation, because once we move away from the ethos of client first, client focus – if you like – or doing what's best for the citizens and businesses of POS, then we've lost the plot' (140829).*

Another board member continues regarding thoughts of moving back to the POS: *'If the WOC was move back to the POS we would be looking at the end to the majority of the service. It would retain the statutory function but that would have been it' (141111\_002).* Employees recognise differences between the POS and the WOC and discuss reluctance to move back to the POS but recognise sharing the same public sector values and ethos. A front-line member of staff explains *'It's going back in time isn't really, it would feel like failure and what would be go back to more process. Quite detrimental for people who feel they want to make change and improve themselves and grow themselves. It would be a shame for them, but we continue and want to deliver to clients and the citizens returning back to the POS and the public purse' (141104).* A member of the finance team continues *'What benefit is that going to have for the POS really because if they went back to the POS, how is it going to benefit...no I wouldn't want to go back I do still want to work with the POS though and work with the public sector as well as new customers.'* (140111\_01). The view of moving backwards if the WOC was to be moved back to the POS is discussed by an IT officer *'I think it depends on where you work as to the extent to which you'd feel that perhaps you were being dragged back in the stone age. There are different areas of the POS that aren't or haven't changed by comparison to the WOC, we have built on and changed the ways that we are doing things but can still deliver to the public in a more commercial way. The ICT team have definitely changed in the WOC it would really difficult to step back, very difficult' (141022).* Recognition of changes but still sharing values of the public sector between the two organisations because of the movement from the POS. A member of the energy management team discusses how behaviours have changed *'I think you could look at it as possibly being a backward step really. Working with the POS there is a certain amount of institutional and summation. I think moving to that would have a detrimental effect on the WOC really and people who had experienced it before they share the public sector value but understand the commercial delivery to improving services for the tax payer'' (141110).* A member of the finance department is very specific about not wanting to go back to the POS *'Well I'd be sorry to see that happen, actually. I think we have got more freedom to make decisions and be away from the POS policies. Although I know we still are governed by some of them. I don't want to go back to the POS environment – I think this gives us more freedom to make our own decisions and sort of*

*mold our future better for the public.'*(151117). A surveyor discusses how shared public sector values are added by the WOC '*I enjoy the fact that it's an arm-length business. I see the WOC as a greater opportunity to move the service along. Working in the WOC means that we are empowered than in the POS we are empowered to deliver more for citizens.* (141024).

During the period of the research the WOC received new services from the POS as result of the positive impact the changes have had on the organisation providing greater confidence and better relationship management between the two organisations. A discussion with a senior leader discusses the initial relationships '*it is a complex multi-dimensioned relationship with the POS is owner, rule-setter, service provider (IT, HR etc.) and customer, it is fair to say the WOC has suffered from opposition within the POS. there remain doubts about the WOC concept from both extremes of the political spectrum. There are those that favour straight outsourcing to the private sector and do not trust that a public-sector solution will deliver the necessary savings. Conversely, there are other who do not see the need for any separation of these services from the POS, the wish them to be delivered by internal departments.* (04011943)

The WOC took the opportunity to re-negotiate it's contract with the POS, which reduced the ability of the POS to interfere in the day to day running's of the organisation and ensured decisions regarding the organisation were managed at the appropriate strategic level as opposed to the operational level that had previously happened within the organisation A manager discusses '*the contract needed to be renegotiated as it enabled junior members of the POS to interfere in the business without know what they were doing, this tied lots of staff up for no reason and distracts, the POS department didn't have the expertise and continued to interfere, removing these power enables the business to operate as a business*'. (250369\_002). An employee involved in the contract management side discuss the changes '*I think that has moved on 100% from where we were two years ago*'. (130111)

## **5.14 Conclusion**

The findings have shown in the hybrid organisation the impact of negative aspects have influenced changes in routines, behaviours and encouraged innovation and creativity to tackle and deal with challenges and issues. The nature of the routines and change of routines between the organisation is evidenced in relation to the institutional relationship between the two organisations and as such the



legitimacy of the WOC. This has provided evidence within the findings changes and challenge to the power relationship between the two organisations. The changes with how tasks and governance have been developed demonstrate and independence of the WOC from the POS. The literature discussed the aspects of changes in power relations and cultural and social changes in relation to routines which is also reflective within the Institutional Theory (Tolbert and Zucker, 1983; Suchman, 1995) research and has evidenced changes within strategic behaviour and structure. There is also evidence from the findings that learnings have been gained within the organisation from some of the challenges, constraints and disagreements between the two organisations that have also led to creativity, knowledge creation and strengthened leadership and management.

From understanding changes of behaviour within the WOC the aspect of Public Ethos (Carr, 1999; Horton, 2003), has been evident within the findings from the discussions and interviews with the employees. The literature refers to collective behaviours and attitudes of managers and employees within the public sector. These are evident within the WOC, whilst showing changing management and leadership practices are essential towards establishing a commercial organisation. The changes within the routines also link to the aspect of public value and aspects of outcome, input and process measures. The aspects of governance links with Public Value are evident through the changes within organisational routines and related to the literature with New Public Governance (Osborne, 2006) and Public Value (Bennington and Moore; 1995, 2011) regarding political, organisational and managerial changes including the measurement of performance. The frameworks developed within the organisation to measure its performance and the performance of others was important to those interviews and the value that they delivered to the public.

The changes seen with regarding the findings and the evidence provided by the changes in the routines provides an interesting insight into the literature regarding New Public Management and view of efficiency being driven by services being contracted out or moved into Hybrid or arm's length organisations. Using the concepts of Behavioural Additionality and organisational routines provides a tool to understand and examine this. However, where there is a conflict is the relationship between the PSO and the WOC and the aspect of power and the challenge between the two and the inter-organisational relationship. The behavioural change and working relationship the PSO has regarding the Hybrid and the negativity that is generated as a result which provides an interesting challenge regarding the New Public Management literature

## **6 Discussion**

### **6.1 Introduction**

This chapter relates the findings to the research questions, theory and established literature. The literature review in chapter 2 resulted in 4 questions that this research seeks to address. This chapter first provides an overview of the key research findings before moving on to address the findings in relation to the research questions in more detail.

### **6.2 Overview of the key findings of this research**

This research aimed to explore how a hybrid organisation, created from a public sector organisation due to austerity policy pressures, deals with the challenges of balancing commerciality and public value. The findings show how using the theoretical concepts Behavioural Additionality (Gok, 2006; Georghiou, 2007; Falk, 2007; Busom and Fernandez-Ribas's, 2008; Hsu et al., 2009; Hsu and Hsueh, 2009; Clarysse et al., 2009) and Organisational Routines (Becker, 2004; Nelson and winter, 1982; Weiss and Ilgenn, 1985; Winter, 1986; March and Olsem, 1989; Gersick and Hackman, 1990; Cohen, 1991; McKern, 1993, Nelson and Nelson, 2002) it is possible to explore how the concepts, governance, risk, power, relationships, and leadership are critical in theorising how a hybrid organisation adapts and flourishes in the continuing environment of austerity and dynamic stakeholder relationships. The key findings grounded in these concepts include:

- Behavioural Negativity and Behavioural Additionality is shown as a paradox. Evidenced through the lens of organisational routines this reveals the paradoxical influence on organisational change, and the opportunities and constraints this creates.
- Inverse Behavioural Additionality is directly related to Austerity Policy
- Management of the conflict between commerciality and public value is mediated through the concepts of governance, risk and relationships. This circumvents the hybrid organisation exerting independence from the parent organisation.
- Behaviour negativity is institutionalised through legislation, culture, resources of power, control, risk and change in relationships between the hybrid organisation and the parent organisation.
- Changing Social structures within the hybrid organisation is characterised by the Governance of positive and negative behaviours, changes in power, governance, culture and relationships.

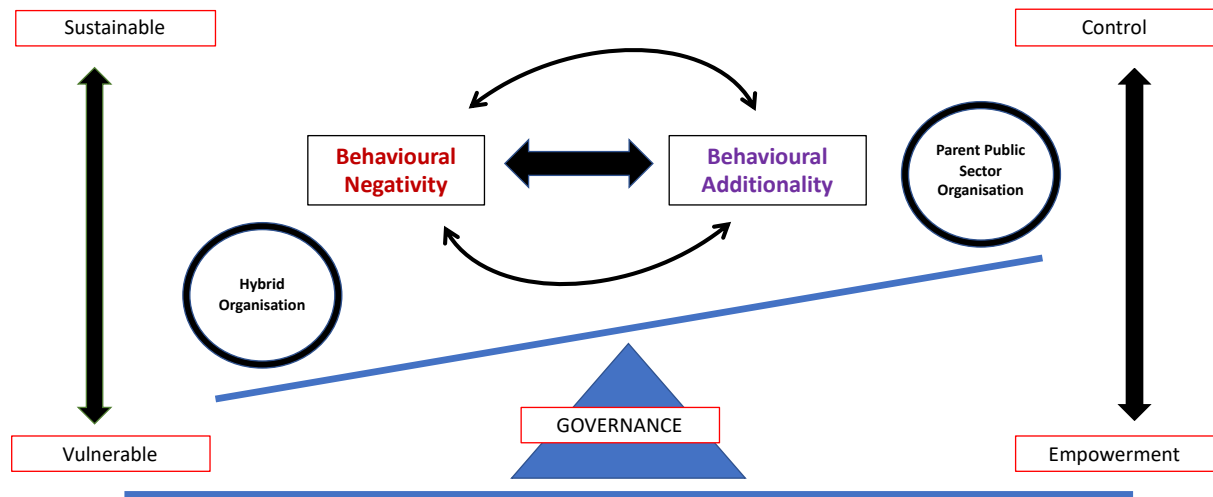
- Public sector policy, austerity and ethos creates constraints and opportunities that move the hybrid organisation to become more commercial, legitimate and independent.
- Together these findings can be evidenced empirically through the change in Leadership and Governance and theoretically through the established literature on Behavioural Additionality, New Public Management Literature and Institutional Theory

The literature review explored several studies involving Behavioural Additionality, Organisational Routines, Public Sector Ethos, Public Value, New Public Management, New Public Governance, hybrid organisations, Institutional theory and Leadership, identifying gap within the literature to which this research could contribute. There have been several propositions identified from the literature review that explains the transitional, social and behavioural change in a hybrid organisation when formed from a Public Sector organisation.

The steps in answering the research propositions was to undertake qualitative research, including ethnography, focus groups and formal semi-structured and informal interviews to explore in more depth, observe process and routines in action, and gain insight of a deeper level of understanding in a contextually and historically specific context.

### 6.3 Generalisable Model

A generalisable model has been developed to illustrate the hybrid organisation and the dynamic relationship with the Public sector organisation. This shows the paradox of



*Fig 6.1 The generalisable paradox model of institutional Behaviour Additionality and Negativity between parent and hybrid Organisations.*

institutional Behaviour additionality and Behavioural Negativity between the hybrid organisation and the Public sector organisation. The model is generalised by its dependent relationship with the Parent organisation and the interaction of Behavioural Negativity or Additionality. The strength or weakness of Governance acts as a balance between the two organisations influencing both sustainability and empowerment.

Through the discussion what influences the model will be explored and how this influences the balance of the relationship between the hybrid organisation and the Parent public sector organisation. The impact of the different aspects impacts the level of sustainability or vulnerability of the hybrid organisations and the dependency on the Parent public sector organisation.

The cyclical nature of Behaviour additionality and negativity are dependent on other factors which influence the relationship between the two concepts and the inter-organisational relationships between the hybrid organisations and the Parent organisation. The discussion explores these elements and how the balance can change between the two organisations dependent on the behaviours of the organisations and legacy aspects of the Parent organisation.

## **6.4 Understanding the change to Commerciality in a Hybrid Organisation**

The first question sought to understand how changes are affected in a hybrid organisation transitioning to a commercial organisation after being established by the parent Public Sector organisation.

### **6.4.1 Changes of behaviour in the hybrid organisation**

The findings show how the WOC, now referred to as the hybrid organisation evolved and changed from a former Public Sector department located in the parent organisation to an established commercial organisation. From its inception the hybrid Organisation was underpinned by austerity policies imposed on the parent organisation (POS) by national Government. The journey of transition in the hybrid Organisation is evidenced by both positive and negative behaviour relating to the relationship with the parental organisation, imposed policies and systems, and the establishment of self-governance. Drawing on the concepts of Behavioural Additionality (BA) (Buisseret et al., 1995; Georghiou & Clarysse, 2006:12-13; Bach & Matt, 2005:37; Hyarinen & Rautianien, 2007:206; Georghiou, 2007; Georghiou & Keenan, 2006; Clarysse et al, 2006; Clarysse, 2009; Gok, 2010; Hall & Maffoli, 2008: 173) this phenomena was researched in-depth to provide insight through the lens of Organisational Routines (OR) (Teece & Pisano, 1994; Cohen et al., 1996; Madhok, 1997; Cohendet & Llerena, 2003). (Teece & Pisano, 1994; Cohen et al., 1996; Madhok, 1997; Cohendet & Llerena, 2003; Becker, 2005; Pentland and Rueter, 1994; Knott and McKelvey, 1999; Costello, 2000; Karim and Mitchell, 2000; Winter, 1990). This study establishes a qualitative study in the predominantly quantitative studies that characterise the Behavioural Additionality literature referenced above.

## **6.5 The Paradox of Behavioural Additionality and Negativity**

The research has been based on a case study in a newly formed hybrid organisation formed by a public sector organisation. Using the concept of Behavioural Additionality (BA) through the lens of organisational routines (OR) is to understand the transition within the WOC and gain an understanding of how those changes have happened. From the literature review BA has been modified in application for a qualitative study and developed to understand the impact of government intervention in relation to R&D and innovation (Gok, 2006; Georghiou, 2007; Falk, 2007; Buisseret et al; 1995; OECD studies, 2006) which has included a qualitative operationalisation of the concept. The concepts developed by Georghiou (2004) and Clarysse et al. (2004) underpin the

argument of policy being related to additionality of behaviour with the concept of the firm as an entity. In relation to this research we have taken the broad aspect of government policy regarding austerity requiring the parent Public Sector organisation to create the hybrid organisation from its own departments to operate in the market place and operate commercially to mitigate against imposed austerity measures. This aligns with the Macro, Meso and Micro method of analysis that Gok (2010) has developed, the point of Macro relating to Government Policy intervention and the impact at a Meso level of the Public-Sector organisation. Focusing and using part of this analysis framework at the micro level to focus within the hybrid Organisation the study draws on the black-box logic (REF) combined with organisational Routines (Gok, 2010; Becker, 2001).

Across the period of the research step changes occurred in the hybrid organisation towards becoming a more commercial organisation. This resulted in improved service and performance criteria such as KPI's, service delivery and the profitability of the organisation. These changes mirror the literature regarding the marketisation of the public sector through different models evolving in a context of New Public Management (NPM), and the blurring of lines between sectors (Antonsen and Jorgensen, 1997; Bozeman, 2002; Torres and Pina, 2002). The establishment of new routines supports the literature associating routines to behaviour patterns (Jones and Craven, 2001) and the support to Behaviour Additionality in relation to changes in general conduct of the firm and value-based intention and voluntary actions (Georghiou & Clarysse, 2006:12-13; Bach & Matt, 2005:37; Hyarinen & Rautianien, 2007:206; Georghiou, 2007; Georghiou & Keenan, 2006; Clarysse, 2009).

The research also shows evidence similar to the seven layers of Behaviour Additionality (Georghiou and Clarysse, 2006). Behavioural Additionality is based on a policy intervention, normally determined by a Resource and Development activity from a funding source to encourage innovation (Georghiou & Clarysse, 2006:12-13; Bach & Matt, 2005:37; Hyarinen & Rautianien, 2007:206; Georghiou, 2007; Georghiou & Keenan, 2006; Clarysse, 2009). The main areas of additionality evidenced through the research include project additionality, challenge additionality, innovation additionality and management additionality. However, a key contribution to this area of research is evidence of the negative aspects and, how austerity policy influences Inverse Behavioural Additionality as well as Behavioural Negativity. Behavioural changes through changes in organisational routines can also be associated with the seven layers of behaviour additionality. In the research the Behavioural Negativity involved tensions, challenges, unacceptable behaviour and withholding of knowledge related to the hybrid organisations commercial success. This was combined with controlling mechanisms plus an inherited legacy of costly programmes from the

parental organisation that controlled routines within the hybrid organisation and curtailed the key aim of commercialisation. The impact of this led to different sets of routines and interventions developed by the hybrid organisation to deal with these controlling mechanisms resulting in new ways of working after leadership change. The negative behaviours demonstrated by the parental a public sector organisation, are likened to a risk adverse and bureaucratic control, which tend to be typical of conflicting cultures. (Cohen and Kennedy, 2000). The research has identified that innovation, creativity and different ways of working can be derived from Behavioural Negativity after leadership change. This creates a paradox of Behavioural Additionality and Behavioural Negativity when applied to a hybrid organisation.

#### **6.5.1 Influence and importance of routines in understanding the Paradox of Behavioural Negativity in Hybrid organisations**

Organisational routines when being used in relation to black box analogy are described as regular behaviour patterns (Becker, 2001, 2008b; Dosi et al., 2002; Winter, 1964), behavioural propensities (Hodgson, 2008: 21; Hodgson, 2003, 2008; Hodgson and Knusden, 2004), rules and procedures (Becker, 2004; Becker et al., 2005; Cohen, 1991; Cyert and March, 1964; March and Simon, 1953) and generative systems (Pentland and Feldman, 2005, 2008). The organisational routines have been key to understanding the behaviours of the participants involved and the aspects of the relationships and the changes. From the discussions with the employees of the hybrid organisation there has been evidence of learnings, creativity and knowledge from aspects of the negative impact of the relationships. NPM refers to the improvement and efficiency of local government (Gregory, 2012; Hood, 1991, 1995), Management changed within the organisation and a new leadership team was formed during organisational change and implemented further changes, which were recognised amongst the employees. The research evidences how relationships have an impact on routines between the two organisations and evidence through Institutional theory regarding institutional contradictions (Seo and Credd, 2002), and understanding the set-up of the organisation, the objectives and performance including how this impacted the culture and employees within both organisations. This is evident in the NPM literature on the efficiency and effectiveness of private-sector practices in public sector organisations (Thatcher, 1995; Osborne 2010)

Power and influence of the parental public-sector organisation was evident from the research and the impact on governance, processes, systems and performance. During the research several new systems, processes and products were introduced by the hybrid organisation and challenged the

reduction of bureaucracy by the parent public-sector organisation installed and required the hybrid organisation to deliver more efficient services (Bel and Fageda, 2006; Hood, 1995; Osborne and Gaebler, 1992). To evolve the hybrid organisations knowledge regarding commerciality its commissioned change agents to develop new skills and a better understanding and challenge to the parent public sector organisation in creating capacity. Agencification or contracting out of services are evident in the changing nature of the hybrid organisation with a push to be decentralised from the practices of the parent public sector organisation (Greve and Hodge, 2011; Hefetz and Warner, 2013; Hood, 1991, 1995; Mohr, Deller, and Halstead, 2010, Osborne and Gaebler, 1992).

Visions and values were discussed in the research on the impact of change on employees changed understanding, requirements and objectives of the organisation. Employees and managers discussed being involved in developing the visions and values being something new, and something they wouldn't have been involved in if they were still in the public sector organisation. The Leadership behaviours and changes in the hybrid organisation being driven by ethical beliefs, values and motives (Trevino, Brown, & Hartman, 2003). The exercise showed changes with interaction of the management team and the discussions held between the employees and the management team.

There was a recognition by employees of changes in roles and responsibilities in the hybrid organisation and the impact on standards and work ethics, including empowerment and engagement by comparison to when working in the former public sector department.

The literature breaks Organisational Routines aspects into two key areas, the characteristics of routines (patterns, recurrence, collective nature, mindlessness vs effortful accomplishments, processual nature, context, embeddedness, specificity, path dependence, triggers) and the effects of routines on organisations (coordination, control, truce, economising on cognitive resources, reducing uncertainty, stability, storing knowledge) (Becker, 2004). The first aspect refers to behavioural regularities and the latter being cognitive, the former being recurrent interaction patterns and the latter being seen as standard rules and operating procedures (Winter, 1990; Cohen et al., 1996; Pentland and Rueter, 1994; Knott and McKelvey, 1999; Costello, 2000; Karim and Mitchell, 2000; Stene, 1940; Nelson and Winter, 1982; March and Olsen, 1989; Gersick and Hackman, 1990; Dosi et al., 2000). Employees recognised the changing standards in the organisation and the importance to improving performance and the managers role. Employees also recognised



the change in new systems and procedures and the effect on results and performance of the hybrid organisation.

Governance board meetings in the organisation evidenced change in the decision making and transitions to more risk-based decision making, taking a more innovative approach to the company decisions and discussions with the public sector organisation, evidencing changes in senior leadership driving strategic visions as well as organisational effectiveness (Galbraith & Kazanjian, 1986; Quinn, 1980; Ansoff, 1965; Porter, 1980). Board members referred to attachment, culture change and relating to the hybrid organisation by the employees and leaders as the result of changes. It was also evident of the changes regarding governance with movement in structures and new board members forming the board of directors of the organisation, and employees reflect the impact of these changes in the organisation. Friedland and Alford (1991: 250) discuss institutional changes being both symbolic and material “institutional transformations are therefore associated with the creation of both new social relationships and new symbolic orders”.

## **6.6 The influence of NPM on Behavioural Additionality within Hybrid Organisations**

Different models of organisations have evolved because of New Public Management (NPM) blurring the lines and boundaries between sectors (Antonsen and Jorgensen, 1997; Bozeman, 2002; Torres and Pina, 2002) as such new organisations, called hybrid organisations (Broadbent and Guthrie, 1992; Kickert, 2001; Koppell, 2003; and Kurunmaki and Miller, 2006). The research supports the literature in defining hybrid organisations created to address public needs and to produce services that are public in character, at the same time resembling private cooperation in the way they are organised and managed (Kickert, 2001; Koppell, 2003). The hybrid organisation through the period of the research transitioned in relation to organisational routines to a commercial organisation from a public-sector department as defined by Kickert (2001) who defined hybrid organisations as an organisation in the range between government agencies and commercial firms. The literature in relation to NPM refers to Government as being subject to the financial and budgetary constraints, and so the efficient management of resources is prime area of concern (Geys and Moesen, 2009; Perez-Lopez, Prios, Zafra-Gomez, 2014). The key features of NPM is the adoption of organisational structures and management techniques evidence in the private sector (Christensen and Laegreid, 2011), with the main purpose to improve the efficiency of local government (Gregory, 2012; Hood, 1991, 1995).

The research evidences change in organisational structures and management techniques through analysis of changes in routines and new services, projects and programmes developed in the organisation. This links with the literature in Behavioural Additionality, but as previously discussed the introduction of the techniques are because of negative aspects. An aspect of organisational change was the removal of the management team that had been transferred from the parent organisation and replaced with an entirely new leadership team to implement new practices and organisational change to become operate in a competitive environment. The literature refers to the assertion of private-sector managerial techniques over those of Public Administration (PA) on assumptions it would lead to efficiency and effectiveness of services (Thatcher, 1995; Osborne, 2010).

The research supports the “arm’s length” aspect of the hybrid organisation where policy implementation is organisationally distanced from the policy makers. The conflict and relationship aspects observed through the research was the distance by the policy making or public sector organisation was in many occasions not distance and directly involved and invasive of the hybrid organisation. The research evidenced audits performed by the parent organisation that were conducted at inconvenient times and often by untrained Public sector employees. The research showed changes in organisational routines, development of new practices and increased skills to deliver their own governance and audits. The literature emphasises inputs and output control and evaluation upon performance management and audit (Osborne, 2010).

The literature describes public management may have involved more rather than less ‘rules-based, process-driven bureaucracy because of increasing oversight and regulation and continuing stress on compliance-based rather than result-based evaluation (light, 1993; Jones and Thompson, 1999; Hood et al, 1999; Politt et al, 1999). The research evidenced behaviours of the public officers from the public sector or parent organisation applying increased regulation and compliance process driven mechanisms on the hybrid organisation. This increased costs and time burdens on the hybrid organisation and evidenced perceived negative behaviour of the parent organisation. The hybrid organisation dealt this by developing new systems, processes and challenges to the parent organisation to drive efficiencies and deal with the additional bureaucracy. This included changes concerning conduct of meetings, leadership and organisational structure of the organisation.

The literature on Behavioural Additionality OECD studies (2006) developed BA to understand the impact of government intervention in relation to R&D and innovation and operationalisation of the

concept. A study by Buisseret et al (1995) define the concept of BA from the informance of input and output additionality, linking the importance of measurement to the relationship between the two *'the change in the company's way of undertaking R&D which can be attributed to policy actions'* arguing that collaborative behaviours of the firms attributed to public support is Behavioural Additionality. The research evidenced the link between the aspects of NPM literature and that of Behavioural Additionality when understanding how they hybrid organisation developed and innovated due to the behavioural negatives from that of the public sector parent organisation.

## **6.7 The evidence and benefits of Public Value within Hybrid Organisations**

The literature distinguishes between Public Value (Van Wart 1998; Bozeman 2002, 2007; Beck Jorgenson and Bozeman 2007; Meynhardt 2009; Andersen et al. 2012) and creating Public value, which is defined as producing that which is either valued but the public, is good for the public, including adding to the public sphere, or both, as assessed against various public value criteria (Benington and Moore, 2011; Stoker, 2006; Alford, 2008; Alford and O'flynn 2009). It also refers to the public sphere or public realm as to which public values and value are developed and played out (Benington, 2011). The research findings showed evidence of public value from the discussions held. Employees at all levels understood the need to create the hybrid organisation and held a deep belief that what they produced from their work in the commercial or private sector was delivered back to the parental organisation by means of surpluses or profits. The sophistication of that understanding did vary dependent on the role and level of the employee with the hierarchical structure, but none the less was evident with all discussions.

The nature of the set-up of the hybrid organisation and contractual arrangements set objectives to deliver a surplus back to the parental public sector organisation, who then uses the surpluses for public services. Evidence in the research supported this, which describes the aspect of Public Value as the creation or extent to which public values criteria are met and or combined with input, output, and outcome measures (Kalamkodis, 2014). The hybrid organisation created sets of measures and performance criteria to understand the level of income, productivity, service delivery and financial information in relation to surplus delivery to understand the funding or surplus it delivered back to the parental organisation. This also included social value activities that supported policies produced by the parental public sector organisation. The research supported evidence of Public Value through the discussions and observations with the employees.

The link between the literature of Behavioural Additionality (Gok, 2010) and Public Value (Kalambokidis, 2014; Bozeman, 2007) is supported through the research in relation to the measurement of changes through organisational routines to understand the behavioural changes within the organisation. The research discovered a strong behavioural change and belief system regarding Public Value and the belief of those values inherited from the parent organisation in public sector. The research reflected the relationships between the two organisations and the aspects of driving public value in a commercial environment, the hybrid organisation evidenced the driving objective of public value. In some circumstances the parental public sector organisation didn't always understand or recognise this. The research evidenced circumstances of conflict with this. The literature supports the aspect that institutions and processes are necessary to forge agreement on and achieve public values (Davis and West, 2009; Moulton, 2009; Jacobs, 2014; Kalambokidis 2014).

#### **6.8 Public Value conflicts between parent public sector organisation and hybrid organisation.**

Moore (1995) refers to the public manager and their role relating to public value and how it is or could be devalued in an era of economic individualism and changing market forces, which is recognised by the changing aspect of austerity post 2008 and changes in the public realm (Bennington and Moore, 2001). The research evidenced there were conflicts between the two organisations when understanding the value and identity of the hybrid organisation, with the parental public sector organisation being confused at different hierarchical and political levels as to what the hybrid organisation was and how it fitted or didn't fit with the parental public sector organisations values or objectives. The public value account is referred to in the literature, which considers democratic processes, appropriate arbiters of public value when collectively owned assets of government are deployed (Moore, 2014). The research supports the point that assets of the parental public sector organisation being transferred to the hybrid organisation including the employees, but confusion being generated by the fact that the hybrid organisation still resides within the parental organisation property. Identity and understanding becomes confused between both organisations and are evidenced within the research. Reference to the strategic triangle is detailed in the literature, which relates actions of public managers to a model of strategy aimed at achieving 1, substantive valuable, 2, legitimate and politically sustainable and finally 3, operationally and administratively feasible (Moore, 1995, 22-23). The research evidenced managers in the public sector parental organisation working with the hybrid organisation, but applying continued bureaucratic pressure to alleviate challenges, risks and problems of the parental organisation

without a true understanding of the value or service provided by the hybrid organisation. The literature refers to the initiating and reshaping of public sector enterprises in ways that increase their value to the public in both the short and long run (Bennington and Moore, 1995, 2011) also referred to as 'restless value-seeing imagination'.

The research evidenced that employees understood this value and the value that the hybrid organisation provided to the public via its link to the parental public sector organisation and were proud of the fact and that they had a contribution to make. The adverse view was from many managers or employees in the parental public sector organisation. At an operational level, it was difficult for the public sector employees to connect the contribution the hybrid organisation made towards the citizens and the public sector account. There was an inability to move beyond day to day transactions or contracts to see an overall Public Value. Often the outcome of these views would result in conflict and actions that would result in the opposite of generating public value in line with the literature. From this perspective, the research found opposite to the expected values from the public sector organisation including effectiveness, efficiency, accountability, justness and fairness in the context of democratic governance as prime values, valuing citizens and elected officials with public managers playing an important role (Bryson, Crosby, Bloomer, 2014). The evidence shows the hybrid organisation would expect and look to see these values demonstrated in the public sector organisation. Often conflict between the two organisations would be evident through using the concepts of Behavioural Additionality and organisational routines when these were not evident or in some circumstances the opposite to what is expected.

## **6.9 Politicians and Public Value in Hybrid Organisations**

The research evidenced different relationships that both produce support and conflict in the hybrid organisation about Public Value and the roles that each of the actors play in the organisations and the relationships. The literature discusses the importance of politics and elected officials in the aspect of public value and challenges some of Moore's (1995) view regarding overly emphasising the role of public managers, placing much trust in public organisations, private sector experience, and the virtues of public servants (Rhodes and Wanna, 2007). Through the interviews and observing the behaviours and changes in organisational routines, it was evident that the relationships are intertwined between the three parties, being politicians, public officers and managers and the employees within the hybrid organisation. Often these relationships were complex and difficult to navigate between the different stakeholders and typical and supportive of the literature with

regarding to hybrid organisations described as ‘cultural phenomenon and organisational form that operate in the border area between state and market and which should combine conflicting cultural orientations (Demil and Lecog, 2006:3). The research evidenced the hybrid organisation would work with the different stakeholders at both political and public manager level to manage the conflicts driven to understand the benefits of the organisation delivering Public Value to various levels of success.

#### **6.10 The evidence of Governance as a mediator to managing conflict between commerciality and Public Value**

Aspects of governance in Public Value look at archetypal forms which include hierarchy, clans of professions, networks and markets (Anderson et al., 2012). It also includes legislation, rules and regulation and opinion polls (Beck Jorgensen and Bozeman, 2007; Bozeman, 2007; Jacobs, 2014). All of which the research evidences and is reflective of the parent public sector organisation, with some of the characteristics also evident in the hybrid organisation. There is reference to how new public managers are not proficient to manage networked government, and how leaders and managers would deal with efficiency, accountability, equality and broader democratic values or other aspects such as completing organised interest, competing conceptions and divided government (Davis and West, 2009; Jacobs, 2014). Through the data analysis it was evident that these aspects and following appropriate governance protocols of the parent organisation would go from one extreme to the other, which included over bureaucratic processes and systems to ignoring both their own internal process and governance. The matter of competing organised interest was evident in the research by duplication of roles between the two organisations, breach of contractual arrangements and diverting funding and protection of jobs within the parental public sector organisation. This supports the literature that public managers use rhetorical strategies to protect and advance interest of bureaucrats and their organisations (Roberts, 1995; 291 – 307).

The hybrid organisation through the evidence in the research challenges and exert its independence from these behaviours and routines from the parental public sector organisation by introducing its own governance frameworks, processes and systems to counter act ‘attacks’ or ‘undermining’ from the parent organisation to enable development of stability and limit distraction. The literature refers to Institutional structural forces can be both enabling and constraining as to the efforts of

change agents who undertake institutional work (Jones and Messa, 2013; Lawrence and Suddaby, 2006; Lawrence, Suddaby and Leca, 2009; Suddaby, 2010). An example was the notice the hybrid organisation gave the parent public-sector organisations that it was pulling away from services that the parent organisation provided, and contractually the hybrid organisation was forced to use for the first three years. This was not received well by the parent organisation but was necessary by the hybrid organisation to limit control, power, interference and to improve service, to the parent organisation. “when institutions are in conflict, people may mobilize to defend the symbols and practices of one institution from the implications of changes in others. Or they may attempt to export the symbols and practices of one institution to transform another” (Friedland and Alford 1991:255). This enabled the hybrid organisation to empower itself and space to concentrate on developing commercial activity and profit or surplus back to the parental organisation regarding its public value and public ethos belief.

Evidence from the research though the changes in routines and Behavioural Additionality and part of the drive from Behavioural Negativity developed new process, systems, roles and capabilities to provide governance in the hybrid organisation to challenge the parental organisation regarding evidence of Public Value and continued improvement of the organisation. Battiliana (2006) refers to where actors are unhappy with dominant institutional order are potential change agents or institutional entrepreneurs. In many circumstances the hybrid organisation evidenced to the parental public sector organisation where it didn't comply, act in line with or completely ignore its own governance processes and frameworks to which a public sector organisation should comply. Carr (1999) and Horton (2006) refer to characteristics of public sector ethos, including accountability, bureaucratic behaviour, public interest, motivation and loyalty. Whilst this didn't remove the conflict between the two organisations, it provided occasions of 'equal footing' between the two organisations. The public sector organisation would on many occasions react in negative ways when shown its own breaches concerning governance and the management and compliance.

The initial set up of the organisation, when separated from the public sector organisation and established as a stand-alone organisation, was not set up correctly in the first instance, as evidenced in the research. The establishment and development of governance frameworks and processes were developed out of negative behaviour through the relationship between the two organisations. The literature refers to the aspects of New Public Governance as being the 'relational organisation' and multiple inter-dependent actors contribute to the delivery of public services (Osborne, 2006). The literature also refers to the emphasis on design, evaluation and continuing Interorganisational

relationships, which are focused on trust, relational capital and relational contracts as the core governance mechanisms (Bovaird, 2006; Teicher et al., 2006). The evidence from the research shows how in New Public Governance there is an inter-organisational relationship, but the aspects of trust are challenged and conflicted, resulting in new processes, governance and systems being developed. The aspects of early governance if inter-organisational relationships are at its early stages (McLaughlin and Osborne, 2006, Hudson, 2004; Huxham and Vangen, 2005). Within the environment and context of a hybrid organisation the research evidenced the importance of this and the hybrid organisation developing its own governance to manage itself, but also to attempt to manage the relationship with the parent public sector organisation. Part of this process was to forward a governance structure for the parent organisation to manage the number of organisations it had as a shareholder, which was absent from its own governance processes. This helped manage the political, public managers and employee's relationships in the hybrid organisation and the parental public sector organisation as well as managing relationships in the public sector organisation.

The governance frameworks enabled the hybrid organisation to triage the way it managed its relationships with the parental organisation through the governance and audit frameworks it developed. This was evidenced through the research by using the Behavioural Additionality frameworks and measuring this through the changes in routines. These being the creation of new routines, processes, systems and management responsibilities across the organisation to managing these frameworks. The research evidenced the paradox of Behavioural Negativity and Behavioural Additionality through new frameworks regarding governance being created from challenging inter-organisational relationships between the two organisations as identified in the literature for New Public Governance.

### **6.11 Changing institutional relationships between Hybrid Organisation and Parent Public-sector Organisation**

Hybrid organisations in the literature reflect heterogeneity at the meso level, combining the different approaches rather than a simple mix of them with the typology dividing hybrids into the two categories: external and internal (Karre and Riberio, 2005). Distinguishing between the two depends on where boundaries are drawn in the organisational field. The research found that there was confusion concerning identity as a hybrid organisation and discussed earlier in the chapter concerning the tensions at an inter-organisational level between the two organisations. An external



hybrid is indicated or defined as two or more legal entities decide to co-operate based on the idea that neither fall into the pure market or pure hierarchy structures (Martin, 2002). An internal hybrid comes into existence as a single legal entity to deal with at least two contradictory governmental mechanisms or organisational arrangements (Martin, 2002).

The research supports the definition in the literature that the hybrid organisation in this case study is defined as an internal hybrid organisation. Definitions in the literature are extended by advising the internal mixed governance mechanisms (originally, hierarchies infused with elements of markets) (Zenger, 2004). Powell (1987) advises two traditional organisational arrangements – the formal organisation rule by authority relations (hierarchy, state) markets (contractual, non-bureaucratic relations) or a network form (partnerships, joint-venture, outsourcing).

Governance is an important factor in the literature and previously discussed in the research concerning the relationships between the two organisations and the cultural aspects, organisational routines and processes including establishment of governance routines. Internal hybrids are described as managed with overlapping governance mechanisms, broader performance control the two organisations but also the drive behaviourally to develop innovative and creative ways in relation to governance and resources to work with the parental public-sector organisation. The research evidenced the changing shape of the organisation and the social constructs of relationships between the two.

## **6.12 The importance of Hybrid Realm**

The structural set of hybrid organisations is important understanding relationships between the different organisations evidenced in the research and the understanding of ownership, governance and responsibilities between the two organisations. The research evidenced the importance of this and the effects on the behavioural aspect and organisational routines, culture, relationships in the hybrid organisation and interactions with the parent public sector organisation. The literature refers to the importance of identifying the dominate structure features of organisations and the emphasis of the role of ownership and funding in a comparative analysis of public and private sectors (Bills, 2010; Walmsley and Zaid, 1976). The hybrid organisation, evidenced in the research has a complicated set up, where it is trading in a competitive environment whilst delivering majority of its services to a public sector organisation, but is required to grow its commercial activities further even though 80% of its contract work has to come from the parent public sector organisation. It is set up

as a limited company with a board and the public sector organisation as the shareholder, however, is still classed as a public sector organisation. This complex set up caused confusion across both organisations and it was evident throughout the research referring to constraints felt by the employees in the hybrid organisation because of this. It was also evidenced through the contractual aspects and often lead to conflicts between both organisations.

From the literature studies comparing structures of private and public sectors 'are uncommon and typology of the organisations concluded (a) ownership, (b) funding and (c) mode of social control (Bozeman, 1987:24; Perry and Rainey, 1988). This was extended further with the exploration of quasi-government hybrid organisations producing a simplified typology of institutions, which leave only ownership and the funding as the key variables (Koppell, 2003). Evidence from talking to the employees regarding the ownership and independence from the parent public sector organisation refers to challenges of the public sector organisation, but it was clear that independence and feeling separate from the public sector organisation was evident and matters concerning funding support, differences in how the organisations were perceived was also expressed. The impact of austerity is evidenced in the research and a feeling of being outside the immediate challenges that the public-sector organisation was enduring. The research evidenced employees experienced challenges with former colleagues employed in the public sector organisation concerning feelings of unfairness and even retribution regarding the perception the hybrid organisation was in a beneficial situation by being outside the public sector organisation and not directly impacted by the austerity challenges. This resulted in relationship challenges and governance misunderstandings between the two organisations. The literature describes the five core elements of hybrid organisations as described by (Bills, 1991, 2010:49) (1) ownership, (2) governance, (3) operational priorities, (4) human resources and (5) other resources. In this study inter-organisational conflict was also evident as a core element.

The hybrid organisation and its relationship with the public sector organisation links into each of these aspects and the social structure and relationships. The research has already evidenced this in relation to the ownership and how this related to governance. The operational priorities have also been identified as source of conflict and where organisational routines and behaviours have changed in relation to the organisations. It is also key regarding conflicts and changes in relationships, which have occurred between the two organisations being a key driver of change. The markets and the environments the hybrid organisation operate in has an influence identified by evidence in the

research and is an influence on the culture, relationships, behaviours and inter-organisational relationships.

Van de Donk (2001) discusses the society triangle adding three dimensions to the existing three sectors of state, community and market (Evers, 1990; Pestoff, 1992; Zijdervel, 1999). These comparators include the characteristics of organisations by comparing publicness, their profit-orientation and their formality. The definitions of Van de Donk (2001) characteristics are public, formal and non-profit; market orientations as private, formal and for profit; and community organisations as private, informal and non-profit. The reality of distinctions is often described as fuzzy and where hybrid organisations reside (Karre, 2011:2). The mix of origins of different organisations is said to reside within a hybrid organisation including cultures, coordination mechanisms, rationalities and action logics (Bransden, Van de donk, & Putters, 2005: 750). The research and discussion have already identified that there is mix of cultures within the hybrid organisation and the development of different characteristics through the interactions, relationships, set-ups and governance between the two organisations. The hybrid organisation is in a state of transition and the research evidences the changes that are happening in the organisation using the concepts already discussed regarding Behavioural Additionality and Organisational Routines. It has evidenced the challenges from moving from a public sector organisation and being formed as private sector or 'arm's length' organisation and the markets it operates within. There are 9 realms identified for which hybrid organisations operate in as identified by the literature (Karre, 2011; Bills, 2010a:57; Bransden, Van de donk, & Putters, 2005: 750). These are identified as (1) public and third sector hybrid organisations, (2) public, private and Third sector hybrid organisations, (3) public and private sector hybrid organisations, (4) third and public sector hybrid organisations, (5) third, public and private sector hybrid organisations, (6) third and private sector hybrid organisations, (7) private and public sector hybrid organisations, (8) private, public, and Third sector hybrid organisations, (9) private and third sector hybrid organisations. This typology does not indicate the oscillating impact of the ties that bind, and the binds that tie these organisations.

The research supports a transition in a private and public sector hybrid organisation with markets in both public and private sector. The markets and understanding of this realm by both organisations is unclear and not understood but explains the aspects of conflict and challenge that is faced within them and the changes that have resulted in the hybrid organisation. In relation to the established body of NPM literature the research contributes towards an understanding of governance or the organisation, development of the innovation and the changing shapes of the organisational routines

of the organisation. The findings add to the complexities of the black box and view the 'recodifying' of management of change of innovation (Osborne and Brown, 2006).

### **6.13 Understanding the institutional relationships between the Hybrid Organisation and the public-sector organisation and the impact on culture, governance and behaviours**

The research has identified the relationship between the two organisations and the challenges as the hybrid organisation becomes a more commercial entity from a former public sector department. The essence of public sector ethos is the idea that the employees or managers working within the public sector differ in behaviour and attitudes than those demonstrated in the private sector (Lyons, Duxbury & Higgins, 2006). This has led to a variety of changes within the organisation regarding governance, creativity, innovation, behaviours, culture and changing routines and processes in the organisation. Evidence from the research has identified the public sector environment from which the hybrid organisation was formed having influence on the culture and ethos, which the employees identify. Vandenabeele, et al (2006 21:1, p 13-31) describe traits such as *'belief, values and attitudes beyond self-interest and organisational interest, that concern the interest of a larger political entity, which induce public interaction motivation for targeted action.'* John & Johnson (2008, p 105 - 123) describe public sector ethos as doing *'socially useful job's'*. The employees also recognised how aligned to the public-sector the organisation is whilst competing in the private sector and with other organisations. Challenges to the features of public sector ethos include the new business models in public sector, which describes the logic and principles that a firm uses to generate revenues and outlines architecture of revenues, costs, and profits (Hummel et al, 2010; Chesbrough, 2012; Chesbrough and Rosenbloom, 2002). This is reflected in the hybrid nature of the organisation and how it was set up and the influence this has on the development and change in the organisation. The research has considered the 'black-box' of the firm through the concepts of behaviour additionality and organisational routines to understand how this impacted on the organisation and what and how changes have happened in the organisation. Notably the concept of Behavioural Additionality relates the impact of the behavioural change of an entity from the input and delivery of the output using Organisational routines as measurement of change within the firm (Gok, 2010).

An important aspect that has been identified through the research is the relationships between the two organisations and how these have identified forces of behaviour between them that have influenced changes identified through the aspects of behaviour additionality and negativity dependent on aspects of collaboration or conflict. The sources of power and conflict are also

associated with the cultural change both in the hybrid organisation and between the hybrid and parental public sector organisation. The literature defines in general terms hybrid organisations as organisations created to address public needs and to produce services that are public in character, at the same time resembling private cooperation's in the way they are organised and managed (Kickert, 2001; Koppell, 2003). The research has already identified inter-organisational relationships through the two organisations and the relationship with the literature through New Public Management and Public Sector Ethos. Private sector involvement advocated by NPM is implemented through private-public collaboration (Greve and Hodge, 2011), this is an alternative to both direct public provision and the contracting out of local services (Bel and Fageda, 2010; Brown, Potoski, and Van Slyke 2012; Marra, 2007; Warner and Hefetz, 2008). Work regarding development of key management skills in an inter-organisational context (McLaughlin and Osborne, 2006) and the governance of inter-organisational relationships (Hudson, 2004; Huxham and Vangen, 2005) have started to explore this work, all be it further work is required at micro and macro level regarding the development of NPG paradigm (Osborne, 2006).

#### **6.14 Institutional Theory and the power of Legitimacy**

The literature considers institutional theory (Tolbert and Zucker, 1983; Suchman, 1995) when focusing and understanding the main social structures which includes the role of norms, rules and typifications. From a research perspective, the findings align when pulling together the complex concepts and numbers of findings when looking at individual actors, groups and larger entities when interacting in social structures and pursuing organisational objectives. The evidence from the research has identified during the period of the research that the organisation was in a state of constant change and flux, and through several initiatives and changes in routines has continued to look for a state of stability, this has related to the number of governance systems, routines and processes that were set up to help the organisation manage an improved relationship and position with the parental public sector organisation. The literature from institutional theory refers to how institutions secure stability by shaping organisations, fields, identities as well as with the effect of institutions as actors (Meyer and Rowan, 1977; Powell and DiMaggio, 1991; Scott, 1987). It also examines how institutions are diffused, adopted and function in practice over time and space as well as how they affect society, including the identification of sources of power and force, which influence behaviours and organisational procedures (Meyer and Rowan, 1977; Powell and DiMaggio, 1991; Scott, 1987). An example of this being corporate procurement management procedures amongst others.

Findings from the research evidence several references to conflicts with the public sector organisations departments regarding policies, processes, measurements and governance. Many of which would lead the hybrid organisation into developing new governance processes or seek advice to challenge the parent organisation regarding its demands or requirements when considered or conflicting with the objectives of the hybrid organisation. The enabling and conflicting relationship between the hybrid organisation and the parent organisations within the social constructs and understanding the differing and changing behaviours of the actors within both organisations and principles that interfere with each other (Dacin, 1997). Power and force were very evident with the findings with discussions and challenges happening at different levels within the hybrid organisation with the public sector level. This would be at both political and public manager level to change views, policies and processes when deemed as in conflict with the overall objective or even sustainability of the hybrid organisation. The aspect of deployment of power and the aspect of influence in line with legitimacy is offered through the analytical concepts to gain insight to how, why and where particular social actors and the organisations legitimise both through myths and governance (Scott, 2001).

There is also evidence of power and control within the hybrid organisation itself with the leadership team that transferred with the organisation from the public sector organisation and how the impact of their behaviour on the changes or lack of changes within the organisation. Leadership exchange relationships of low exchange are described as focus on followers in formal relationships such as meeting deadlines, following procedures or accepting instruction from the leader. Rewards or benefits are often formal and associated with work tasks (Wilson, Sin & Conlon, 2010). It was described as active inertia and influencing the culture and behaviour within the organisation. The result of this was the entire leadership team being changed by the hybrid organisation to enable changes and move the organisation in a different direction. An important element in the literature to understand the dynamics of the changes within the organisation and the links regarding the changes of governance because of behaviour negativity is the institutional concept of legitimacy (Dehordy and Jones, 2008). In the quest for legitimacy the hybrid organisation forged a new way removed from the public sector organisation, forming a new identity, a new relationship and different relationship with the parent public sector organisation and the introduction of new governance, behaviours and routines. Through the change and seeking stability in its operation as an independent legitimate organisation the hybrid organisation re-invents itself partly because of the Behavioural Negativity. These aspects are also related to transformational leadership with key

characteristics which include idealised influence, individualised consideration, Inspirational motivation and Intellectual stimulation (Bass & Avolio, 1990).

### **6.15 Importance of Institutional Legitimacy in the Hybrid Organisation**

Legitimacy is considered internally as the justification of who has the power and control and co-ordination; externally, it influences which organisations can gain access to resource, it does not refer to what is desirable, appropriate, good, and valid (Dehordy and Jones, 2008). The research evidenced a continual conflict and battle regarding power and control being exerted between the two organisations and evident in numerous focus groups and interviews with different groups of employees at different levels in the organisation. The impact of the conflicts being of a challenging nature and in some circumstances a threat to the sustainability of the hybrid organisation because of impact of decisions and actions by the parental public sector organisation. Dimaggio and Powell (1983) refer to legitimacy as the connection between institutional arrangement and the shape of organisational and individual practices and routines. It is also said that for organisations to survive they must conform to prevailing rules and belief systems in the environment, because institutional isomorphism, both structural and procedural, will earn organisational legitimacy (DiMaggio and Powell, 1983; Meyer and Rowan, 1977; Dimaggio and Powell, 1991; Scott, 1987; Suchman, 1995).

Evidence from the research refer the set up and shape of the hybrid organisation when it was set up and how change of the organisation happened during the time of the research and the impacts on the employees because of this. The leadership team changed, new systems and routines were developed, and new governance and performance arrangements set up to help the organisation understand its performance and management better, including managing its relationship with the parent organisation. Battiliana (2006) and Greenwood and Suddaby, (2006) refer to this as actors who are unhappy with dominant institutional order are potential change agents or institutional entrepreneurs. The culture of the organisations has been formed out of that of public sector organisation and was relevant in the discussions with the employees with their reference to the delivery of income from their commercial activities back to the public sector organisation. The belief that this was the right thing to do and the importance of it to the employees, the new leaders and the board of the organisation in relation to public value and ethos. John & Johnson (2008, p 105 - 123) describe public sector ethos as doing '*socially useful job's*'. Existing and new practices were developed during the research, regarding developing business cases to change the IT provider, which was a bone of contention between the two organisations in relation to the delivery service and the

cost of the contract imposed by the public sector organisation on the hybrid organisation. NPM literature refers to debates regarding values, institutions, systems, processes and people, analytics regarding perspectives including public policy, management, economics and political (Andrews 2011; Andrews and Van de Walle 2013; Da Cruz and Marques 2011; Hood and Dixon, 2013). Another example of changing practices and routines including the development and management of the KPI's and the challenge of the public sector organisation regarding the ownership and management of data and not allowing the hybrid organisation to manage its own data to understand the impact and management of the KPI's. The resulting change of the practice, challenge and movement of the ownership of the data, resulted in a power challenge between the two organisations.

The literature discusses where actors are unhappy with dominant institutional order, are potential change agents or institutional entrepreneurs (Battiliana, 2006; Greenwood and Suddaby, 2006). Seo and Creed (2002) assert that institutional phenomena are seen to produce and reproduce in various locations and levels, thus making the co-existence of several institutional logics possible, which can support, depending on or weaken each other (Friedland and Alford, 1991)

The result was a better performance and a complete turnaround of performance by the hybrid organisation in the period of the research. The research also revealed that the hybrid organisation had started a business case and conversations regarding moving out of the public sector building and moving into its own premises regarding the movement of becoming a more commercial organisation. The research revealed the discussions and observations of interactions regarding these conversations and interactions between the two organisations and internally within the hybrid organisation. This provided power challenges in both organisations and support and fear in relation the behaviours and changes of the relationship between the two organisations.

#### **6.16 Conformity and conflict through Behavioural Negativity between the Hybrid Organisation and parent public-sector organisation.**

The relationship between the two organisations has been a constant factor during the research and the source of many of the examples of discussions with the employees of the hybrid organisation in relation to the changing shape of the organisation and how it interacts with the parent public sector organisation. Many aspects revolve around the aspect of conformity to requirements by the parent organisation in relation to the view or thoughts of the hybrid organisation, in some occasions the hybrid organisation has been forced down certain paths it has not wished to do. The research has



indicated a learning from this aspect and the concept of or paradox of Behaviour Additionality being Behaviour Negativity providing changes in routines or systems to deal with the force conformity. The literature refers to organisations operating environment with different institutional arrangements reacting differently to a similar challenge, with the different responses mainly determined by the political, economic, social and legal factors that are part of the institutional structural arrangements (Jackson and Deeg, 2008; Kostova, Kendall and Dacin, 2008). These are evidenced in the research notably the commercial element of the hybrid organisation and the political aspect of the public sector organisation. However, where the research evidenced challenges within in the parental public sector organisation with political support from politicians but challenge from the public managers. The social structure and interactions between the two organisations and internally in the organisations provided a source of continued dynamic challenge, but in some circumstance's collaboration as well.

Institutions within the literature are described as exhibiting distinctive properties, which include being multifaceted, durable social structures, made up of symbolic elements, social activities and material resource with localised interpersonal relationships (Scott, 1995). This is described as delivering stability, but being subject to change processes, both incremental and discontinuous (Scott, 2001:48). The social structures within both organisations are established, however it is evident that this changed between the two organisations when the hybrid organisation was set up and the dynamic of the relationship at a local level was prominent and, in some aspects, hostile and conflicted, despite many of the employees working with one another for many decades. For the hybrid organisation, there was evidence of confusion and some aspects a sense of loss. The changes within senior leaders provided the organisation with a sense of challenge to some of these negative behaviours demonstrated in relation to this matter and how changes happened in relation to the systems, routines and relationships between the two organisations. The literature refers to Institutional structural forces can be both enabling and constraining as to the efforts of change agents who undertake institutional work (Jones and Messa, 2013; Lawrence and Suddaby, 2006; Lawrence, Suddaby and Leca, 2009; Suddaby, 2010), The aspects of Behavioural Negativity can be understood through the changes from the institutional aspects of the relationship between the two organisations and the changing shape of the hybrid organisation reflecting, and in some circumstances inflicting reluctant change back to the parent public sector organisation. Friedland and Alford (1991: 250) discuss institutional changes being both symbolic and material "institutional transformations are therefore associated with the creation of both new social relationships and new

symbolic orders”. Ultimately what leads to change is the ideas and sense-making of organisational practice new language, new explanations and actions (Cooper *et al.*, 1996).

The effects of the change and nature of the relationship between the two organisations and seen through the concepts of Behavioural Negativity is evidenced in the research in new ways of undertaking work, the relationships between the two organisations and the governance aspects. The development of the hybrid organisation has been evident from how it was set up by the public sector organisation and how the hybrid organisation developed its own identity, power and influence, which in some circumstances has involved the conflict, power and challenge from the parent public sector organisation. “when institutions are in conflict, people may mobilise to defend the symbols and practices of one institution from the implications of changes in others. Or they may attempt to export the symbols and practices of one institution to transform another” (Friedland and Alford 1991:255).

#### **6.17 Cultural institutional influence on routines and behaviour within a Hybrid Organisation**

The changing social constructs between the two organisations is evidenced through the research and shown from Behavioural Negativity changes in routines, systems, process and governance. Seo and Creed (2002) refer to inconsistencies with behavioural expectations at different levels and sectors of society as individuals and organisations conform to different institutional arrangements at the same time. There is evidence from the employees of the changing nature of their interactions with colleagues within both organisations and the belief systems that are similar between the two, but also conflicted at the same time. The literature refers through Institutional theory (Tolbert and Zucker, 1983; Suchman, 1995). the pillars of structure to understand the different aspects of change and the links regarding the cultural shifts. There are three pillars referred to which shape and reinforce the institutional characteristics and they are known as cultural-cognitive, normative and regulative elements (Scott, 2001, 2008). Examples of how these are demonstrated include symbolic systems, relational systems, routines and artefacts, all of which we have referred to within this chapter in variety of forms. Evidence has been demonstrated through the systems sets up in the organisation and how the public sector systems were exported into the hybrid organisation but constrained the organisation and as such new ways of working and change were developed in the hybrid organisation. These involved a wide range number of changes, which included how meetings were conducted, systems were used or decommissioned and how services that were used from the Public-sector organisation were decommissioned or removed to enable more freedom or service

improvements in becoming a more commercial organisation. There were some paradoxical issues regarding the changes within these systems derived from challenging behaviours and power conflicts between the two organisations.

The research evidenced challenge with how the performance management of standards between the two organisations and how this was managed with retention of information and data being held by the public sector organisation and not being shared with the hybrid organisation. This made it very difficult for the organisation to complete on its objectives and performance delivery requirements regarding the contract. This was evident in relation to considering the aspect of related systems between the two organisations and the confusion and conflict that this caused. The negative aspect of the behaviours would look to produce different ways of working between the two organisations and the way that the routines and interrelationships work.

The regulative pillar (Scott 2001, 2008) is often related to the rules, laws and conveyances of power, that relate to how institutions constrain and regularise behaviour, which means organisational actors are influenced by complex public laws, regulations and agency directives and instructions (Wolf, 2005). When considered the research it was evident from Behavioural Negativity that the hybrid organisation changed aspects of governance and routines associated with this to enable a more productive relationship with the public sector organisation and manage the power dynamic between the two organisations to establish legitimacy and empowerment within the hybrid organisation. The invention of new ways of operating and or negotiating the development of new ways of operating and new institutional norms and practices (Judge et al., 2010; North, 1990) provide challenges regarding power and the control of the resources for these new ways of working and legitimacy (Judge et al., 2010; North, 1990). Actions that the hybrid organisation took in removing services provided by the public sector organisation, building a business case to move properties and an attempt to move away from the IT provider that the public sector organisation tied to the hybrid organisation are elements of the hybrid organisation exerting its own power and control in the inter-organisational relationship. Greenwoods and Hinnings (2010) model provide understanding of the rivalries, conflicts and power challenges between the groups and the intra-organisational dynamics. The literature discusses regulative pillar conveying carriers such as relational governance and power systems, standard operating procedures and objectivised mandates that service coercive mechanism, with the legitimacy supported by coercive mechanism and rules-based legal sanctions (Wolf, 2005). The new governance arrangements, management of performance management data and introduction of new systems in to the hybrid organisation are

examples within the evidence of the coercive mechanism and rules-based legal sanctions (Delemstri, 2008; Frideland and Alford, 1991). The importance that is evidenced in the research have often been derived from negative relationship aspects between the two organisations and behaviour including new routines or artefacts have been developed as a result. The discussions with the leaders, board members and employees' evidences this through the research.

#### **6.18 Social links between institutions of the Hybrid Organisation and parent public sector organisation**

The final two pillars of institutional structure are referred to in the literature as normative and cultural-cognitive. The normative pillar refers to systems of values and norms, implying expectations, social obligations, roles, professionalism, duty and moral responsibility (Parsons, 1951; Selznick, 1957; DiMaggio and Powell, 1983). The cultural-cognitive pillar refers to the focus on shared constructions of social reality and focuses on the role of stories, rituals, routines, symbols and scripts as carriers (Berger and Luckmann, 1966; Geertz, 1983, 2001; and Scott & Meyer, 1994) (Berger and Luckmann, 1966; Geertz, 1983, 2001; and Scott & Meyer, 1994). The research evidences the links between the social values and beliefs between the two organisations and those that the hybrid organisation has exported or inherited from the parent public sector organisation and how those are demonstrated in the discussions and observations with the employees of the hybrid organisation. It has also been reflected in the behaviours of the organisation and the changes of the routines in the way that it delivers its business, the change and reform to becoming a more commercial organisation and also relates to the aspect of conflict between the two organisations.

This has been evident when exploring the public sector ethos and links with a belief of the hybrid organisation and how it relates both to its parent public sector organisation but also to the public and citizens in relation to its legitimacy and value. There is a strong belief that the work and reason for being of the hybrid organisation is beyond that of a normal commercial organisation, and thus is a driver in the behaviours of the employees in the organisation and is linked between both how the hybrid organisation challenges the public sector organisation when the belief systems or behaviours are not shared. There is a paradoxical element when considering the role of a public sector organisation within the context of its role and responsibilities in a public sector environment. It is these aspects that drive the legitimacy of the hybrid organisation and identification as an autonomous organisation independent from its parent public sector organisation but sharing the same values. The literature refers to public sector ethos as based in in the public sector, a public

service ethic, ethos, or public service motivation (Carr, 1999; Horton, 2003, Chapman, 1994; Pratchett & Wingfield, 1994; Perry & Wise, 1990). Reference to the collective behaviours, views and attitudes that make up the ethos. The management of the public sector ethos is a balance of the internal management in the hybrid organisation and the change of the organisation towards that of a commercial organisation vs its belief in the delivery of operating in a commercial environment or market to deliver income or profit back to the public sector. In the literature, there is a reference to public sector ethos meaning that employees or managers work in the public sector differ in behaviour and attitudes that those that are demonstrated within the private sector (Lyons, Duxbury & Higgins, 2006). In the research, it was evident that there was a balancing of this ethos, and sometimes in the paradoxical behaviour of negativity that it was stronger than that of the parental public sector organisation. The common threads of public sector ethos include impartiality, accountability, trust, equity, probity and service (House of Commons, 2002). It is also said to be belief, values and attitudes beyond self-interest and organisational interest, that concern the interest of a larger political entity, which induce public interaction motivation for targeted action (Vandenabelle, et, al. 2006)

The leaders and employees in the hybrid organisation have a high sense of beliefs, values and probity when developing the organisation, value of what they are adding and how this links back to the set up and development of the changes. Linking to Ethical leadership and relating to servant leadership (Farling, Stone, & Winston, 1999; Graham 1991; Greenleaf, 1977; Smith, Montagno, & Kuzmenko, 2004) where leaders are described as serving followers, nurturing, empowering, and defending them. Empowerment is championed as dominant behaviour between leader and follower and characterised by trust through honesty. It is these value systems and the links back to the normative behaviours being developed in the organisation that caused challenges and resulted in new relationships, routines and systems being developed. The literature recognises the challenges of public sector ethos and challenges with new business models regarding structure and finance (Hummel et al. 2010). The belief that the delivery of the profit and income from the commercial activities and the better delivery of public services with other public sector organisations is evident within the discussions and the changes in the organisation from the operational and strategic discussions. The qualities in followers are often similar to those of the servant leader, seeking delegation of work that is meaningful, inspiring and championing corporate social responsibility (Greenleaf, 1977). New products and services are delivered as well as challenging decisions by the public sector organisation that affect the hybrid organisation and its ability to deliver against the key

objectives. It is also evident that the way to the two organisations interact with one another changes and thus the behaviours (Micheli, Schoeman, Baxeter and Goffin, 2014).

The changes that are evident in the research and the changing culture to that of a commercial organisation and moving beyond the original set up of a public sector department is relevant to the third pillar from institutional theory. Evidence relates to shared constructions of social reality and focuses on the role of stories, rituals, routines, symbols and scripts as carriers (Berger and Luckmann, 1966; Geertz, 1983, 2001; Scott & Meyer, 1994) (Berger and Luckmann, 1966; Geertz, 1983, 2001) The hybrid organisation has changed processes, systems, meetings, routines in relation to the way it operates. These changes have resulted in employees believing and staying with the organisation and challenging the parental organisation, as well as developing a changing culture. The research refers to employees discussing the visions and values and the importance of those to the hybrid organisation, and a lack of recognition from in the public sector organisation when the employees worked in the department. The public value and ethos have evidenced how this is important in relation to the employees and the organisation and is evident in the discussions at all levels.

## **6.19 Leadership**

During the research Leadership has been acknowledged as a dynamo of change, whilst this is not the main body of this research it would be remiss not to recognise its impact. To fully explore the strategic leadership elements there would be recommendation for further research in this area.

The research has discussed different aspects of behavioural change through changing routines and the impact on the organisation. Organisational behaviour is one of the most important areas regarding leadership (Zaccaron, 2007). This is further described by Hogan and Kaiser (2005) that leadership has critical effects on the performance of individuals, teams and organisations, and when performed well has a positive influence on individuals, groups and organisations.

The research has evidenced a number of key leadership interventions which are evidenced in the literature and also link to other aspects evidenced in other literature discussed in the thesis. The key leadership theories recognised include contingency theories, co-worker contingency model (LPC) (Fiedler, 1964); path-goal theory (House, 1971); situational leadership theory (Hersey & Blanchard, 1977); leadership substitutes theory (Kerr & Jermier, 1978); cognitive resource theory (Fiedler &

Garcia's (1987) and multiple linkage model (Yukl, 1981, 1989). Other influential leadership theories in the research include Leader-member exchange theory (Dansereau et al., 1975; Graen & Cashman, 1975), Transformational leadership (Piccolo & Colquitt, 2006; James McGregor Burns, 1978; Bass, 1985; Bass et al., 1996).

One of the influential leadership theories is that of 'Ethical' Leader where leadership is driven by ethical beliefs and describe associated behaviours, values and underlying motives (Trevino, Brown, & Hartman, 2003). Finally, all be it not very well covered in the literature (Carter & Greer, 2013) is Senior management leadership, which is important in relation to organisational outcomes (Finkelstein et al., 2009). These theories are important in relation to other literature used in the research in particular Behavioural Additionality, Behavioural Negativity, public value and Institutional theory. Ethical leadership and Senior management leadership is evident in relation to the changes in the Hybrid organisation transitioning from a public sector organisation to becoming an independent commercial organisation.

## **6.20 Conclusion**

This chapter has discussed the findings of this research in relation to the established literature and contributed to theoretical debate. In particular the findings of the research have introduced a new concept of Behavioural Negativity and inverse Behavioural Negativity in relation to the innovation of hybrid organisations, which contributes towards deeper understanding of the inter-organisational relationship between the public sector organisation and the hybrid organisation. The findings also show how in the current historically specific context hybrid organisations are influenced by New Public Management and recognition of the impact of governance in New Public Governance. The research findings show the changing shape of an organisation with public sector ethos and values inherited from being formed from a public-sector organisation into a hybrid organisation and commercial development. The importance of understanding the impacts of relationships on the behaviour and changes in the organisation is essential to the legitimacy and sustainability of the hybrid organisation and the link of organisational routines to the different literature elements when reviewing hybrid organisations. The findings also show how institutional theory systemises the concepts of Behavioural Additionality and organisational routines within hybrid organisations. The next chapter outlines the practical contributions and limitation of this research and highlights opportunities for further research.

## **7 Conclusion**

### **7.1 Introduction**

This chapter highlights the contributions that this research has made to practice and policy. It also examines the strengths and limitations of the research and outlines opportunities for further research.

### **7.2 The contributions of this research to practice and policy**

The research has provided insight into several aspects in relation to the literature regarding different concepts and theories in relation to the changes of a hybrid organisation being formed from a Public-Sector organisation through austerity policies.

#### **7.2.1 Change through the Paradox of Behavioural Additionality and Negativity**

The research has been based on a case study in a newly formed hybrid organisation formed by a Public-Sector organisation. Using the concepts of Behavioural Additionality through the lens of organisational routines is to understand the changes within the firm and an understanding of how those changes have happened. From the literature review BA has been utilised and developed to understand the impact of government intervention in relation to R&D and innovation (Gok, 2006; Georghiou, 2007; Falk, 2007; Buisseret et al; 1995; OECD studies, 2006) which has included the operationalisation of the concept. The concepts have been developed by Georghiou (2004) and Clarysse et al. (2004) to form the aspect of policy being related to additionality of behaviour with the concept of the firm as an entity. In relation to this research we have taken the broad aspect of government policy regarding austerity requiring the parent Public Sector organisation to create the hybrid organisation from its own departments to operate in the market place and operate commercially to mitigate against the austerity measures it faced. In the broad sense and reviewing the literature this aligns with the Macro, Meso and Micro method of analysis that Gok (2010) has developed, the point of Macro relating to Government Policy intervention and the impact at a Meso level of the Public-Sector organisation. Focusing and using part of this analysis framework at the micro level to focus within the hybrid Organisation and uses the black- box logic combined with organisational Routines (Gok, 2010; Becker, 2001).



The research supported the analyse framework at a micro level and evidenced because of establishing the hybrid organisation through the interviews and the observations that routines changed within the organisation and new routines and changes in practices were established. This result across the period of the research in a step change towards becoming a more commercial organisation, changes in leadership, how important key meetings were conducted and new projects and programmes. This resulted in improved service and performance criteria such as KPI's, service delivery and profitability of the organisation. In addition, this is supportive of the literature regarding the marketization of the public sector through different models evolving from NPM and the blurring of lines between sectors (Antonsen and Jorgensen, 1997; Bozeman, 2002; Torres and Pina, 2002). The establishment of new routines supports the literature associating routines to behaviour patterns (Jones and Craven, 2001) and the support to Behaviour additionality in relation to changes in general conduct of the firm and value-based intention and voluntary actions (Georghiou & Clarysse, 2006:12-13; Bach & Matt, 2005:37; Hyarinen & Rautianien, 2007:206; Georghiou, 2007; Georghiou & Keenan, 2006; Clarysse, 2009).

The research also evidenced elements of the seven layers of behaviour additionality (Georghiou & Clarysse, 2006) from the discussions and observations, but not in all occasions the main ones evidenced through the research included Project additionality, challenge additionality, follow-up additionality and management additionality. However, the research also evidenced through negative aspects behavioural changes through changes in organisational routines that could also be associated with the seven layers of behaviour additionality. Behavioural Additionality is based on a positive intervention, normally determined by some sort of funding or Resource and Development activity from a funding source (Georghiou & Clarysse, 2006:12-13; Bach & Matt, 2005:37; Hyarinen & Rautianien, 2007:206; Georghiou, 2007; Georghiou & Keenan, 2006; Clarysse, 2009). In the research the negative aspects involved tensions, challenges and removal of funding or interventions or interference from the parental organisation that disturbed routines within the hybrid organisation. The impact of this led to different sets of routines and interventions developed by the hybrid organisation to deal with these aspects instigate or initiated by the parental organisation and resulting in new ways of working or innovative and creative solutions to the challenges presented by the parental organisation. The behaviours demonstrated by the parental organisation being a public sector organisation are often derived from risk adverse and bureaucratic in nature, which tend to be typical of conflicting cultures typical of multiple external relations (Cohen and Kennedy, 2000). The research has identified that innovation, creativity and different ways of working in relation to projects or changes in systems and processes can be derived from Behavioural Negativity based on

the same analysis mechanisms in a qualitative aspect. This creates a paradox to behaviour additionality when applied within a hybrid organisation.

Power and influence of the parental public-sector organisation was also evident from the research and how this impacted the governance, processes, systems and performance. During the research several new systems, processes and products were introduced by the hybrid organisation and challenging to reduce the amount of bureaucracy the parent public-sector organisation installed and required the hybrid organisation to deliver. To enable the hybrid organisation to evolve its knowledge regarding a commercial organisation it brought in new skills from change agents to develop better understanding and challenge to the parent public-sector organisation in creating capacity.

Visions and values were discussed in the research about how the impact of change on employees changed understanding, requirements and objectives of the organisation. Employees and managers discussed how that being involved in developing the visions and values was something new, and something that they wouldn't have done or been involved in if they were still in the public-sector organisation. The exercise showed changes with interaction of the management team and the discussions held between the employees and the management team.

There was also a recognition by employees of changes roles and responsibilities within the hybrid organisation and how this was impacting the standards and work ethics, including empowerment and engagement. This was something different from the former public sector department.

The board meetings within the organisation evidenced a change in the decision making and a movement to more risk-based decision making and taking a more innovative approach to some of the company decisions and discussions with the public-sector organisation. Board members also referred to attachment, culture change and relating to the hybrid organisation by the employees and leaders as the result of changes. It was also evident of the changes regarding governance with movement in structures and new board members forming the board of directors of the organisation, and employees reflect the impact of these changes within the organisation.

### **7.2.2 Behavioural Additionality**

This research has extended further the understanding of Behavioural Additionality within the micro setting as a tool of evaluation of change within an organisation or Firm and the changes within that organisation due to interventions of public policy. Using a case study on a live situation to understand the impact of change within a hybrid organisation has extended further the understanding of behavioural changes and the influence in relation to innovation, creativity and the changing processes and systems within the organisations. In this case, the impact of policy intervention has been the result of austerity measures and the very reason for the creation of the hybrid organisation. The research has shown that behavioural Additionality can be used to understand the impact of funding reduction as opposed to added or extended to an organisation, hence the paradox of behaviour negativity which will be discussed later. The research has also demonstrated an application of the concept within a qualitative aspect and in a case study environment providing a practical application of the concept.

### **7.2.3 Organisational Routines**

Organisational routines have been used in the empirical study with Behavioural Additionality to understand analyse how routines have changed within the hybrid organisation and the consequences of those changes and impact. They have extended the understanding with the method of evaluation with Behavioural Additionality being used with a hybrid organisation to understand the changes as it develops to a commercial organisation from a public-sector organisation. Organisational routines being important to observe and evidence as part of the changes with behaviours is important to observe over a period, and as such the qualitative methods being based within an organisational context for period has been important for comparability and evolution over a period. The use of organisational routines along with Behavioural Additionality as a method of evaluating change within organisation and within a hybrid organisation has enabled an understanding and link to other concepts of understanding of the firm in relation to Public Value, ethos and NPM and NPG. All of which have pointed to understanding the changes at a micro level. Social structures and interrelationships between the organisations was also evident through the concepts of Behavioural Additionality and organisational routines including culture and power relations which has enabled a link with institutional theory. Through the empirical studies this has provided further understanding of behavioural change through negative aspects such as conflict,

constraints and power challenges thus leading to Behavioural Negativity changing and developing new routines.

#### **7.2.4 Public Value and Public Sector Ethos**

Linking the evaluation of the concepts with Behavioural Additionality and organisational routines with the context of the hybrid organisation formed from a public sector organisation has shown an understanding of the behaviours in relation to public sector ethos, and the relationship between commerciality and public value and ethos. It has provided a pragmatic understanding of how public value and ethos is extending in the change environment of delivering public services and the use within this model of hybrid organisation. It has also provided an understanding of conflict regarding power, control, cultural understanding and authenticity of the organisation during this change and in some circumstances the miss-understanding of the models of delivery that contribute to public value and public sector ethos, when not in a true or original public sector organisation.

The research has shown through using the concepts the operational aspects of the public value and ethos within a hybrid organisation and how the relationships between the hybrid management and leaders are different and changing to those within the public-sector organisation. In some respects, it has shown that there is a better understanding of public value within the changing routines and governance in the hybrid organisation than that of the parental public sector organisation.

Constraints, power, systems and controls imposed by the parental public sector organisation in some circumstances has evidenced through the research as a negative impact on public value and those and the research has provided a better understanding in relation to these Interorganisational relationships and the negative aspects. The empirical study has also extended at an organisation level the governance of public value and public administration of New Public Management by providing insight to how leaders, managers are dealing with efficiency, accountability, equality and broader political and democratic values between competing organisational requirements between the hybrid organisation and the parent public sector organisation. The study also extends a further understanding of how Public value and Public sector ethos are extending and working in the changing shape of different models of delivery within public administration in the environment of continued austerity and evolving hybrid organisations.

### 7.2.5 New Public Management and New Public Governance

Key features of the NPM literature is defined as the adoption of organisational structures and management techniques evidence in the private sector (Christensen and Laegreld, 2011) with the main purpose to improve the efficiency of local government (Gregory, 2012; Hood, 1991, 1995), and frequently interpreted from the aspect of cost reduction (Hood and Dixon, 2013). This is extended further as a variety of theories which favour the decentralisation of government (Hood, 1991, 1995; Osborne and Gaebler 1992) and the participation of private sector in the provision of the public services through cooperation agreement with local authorities (Greve and Hodge, 2011) contracting out of local services (Hood, 1995; Niskanen, 1971; Osborne and Gaebler, 1992; Savas, 1987) and 'arm's length organisations' (Osborne, 2010). The research has supported the key aspects of New Public Management and evidenced developing private sector practices within the hybrid organisation and the operation as a 'arm's length' organisation from the public sector organisation. The challenge between the two organisations does support some aspects of the NPM referring to (Greve and Hodge, 2011) contracting out of local services (Hood, 1995; Niskanen, 1971; Osborne and Gaebler, 1992; Savas, 1987) and 'arm's length organisations' (Osborne, 2010).

The empirical studies have also evidenced through observing the behavioural changes within the hybrid organisation increased efficiencies, processes, systems and governance. This has also included changes within management and leadership, all be it that this has been as the result of legacy challenges and challenges between the two organisations. The literature discusses increasing service efficiency of public services from the management perspective (Andrews & Entwistle, 2010). Responsibility remains with the public service organisation, but service delivery is provided by a private sector body (Warner 2012). The desired effect is to raise efficiency levels due to potentially lower production costs and more flexible and innovative structures of the private sector (Bel & Fageda, 2006; Hood, 1995; Osborne & Gaebler, 1992). The research through the hybrid model has also supported the examples of private-public operation, all be it a WOC that has been created (Da Cruz and Marques, 2012). The Hybrid model (WOC) through the research has extended the literature and understanding with the NPM context and how this is performed within the case study environment and has supported in the literature the conflict between mixed firms and the clashes between profits and social benefits (Vining, Boardman, & Moore, 2014). The studies have extended this further with the understanding of the behavioural changes within the organisation and a closer understanding of the clashes and challenges between the two organisations, linking both public value and ethos with the hybrid model and delivery of services back to public sector organisations.

The research takes forward and provides a further understanding of NPM when considering the practical aspects of New Public Governance at a hybrid organisational level and micro level. The literature discusses and argues that NPG can tap into a more contemporary stream of management theory concerned with the 'relational organisation' that the output and intra-organisational focus of NPM (Osborne, 2006). Through understanding of the behavioural changes through the inter organisational relationships between the hybrid organisation and the parental public-sector organisation provides greater understanding of how these relationships work in the delivery of services, the developing governance between the organisations and how these change through different systems, processes and organisational routines. The changes in outcomes and how these have evolved are evident through the research as well and evidenced regarding the inclusion and emphasises design and evaluation of enduring and continuing inter-organisational relationships which are focused on trust, relational capital and relational contracts as the core governance mechanisms (Bovaird, 2006; Teicher et al., 2006). This extends the work already evidenced in the literature regarding development of key management skills in an inter-organisational context (McLaughlin and Osborne, 2006) and the governance of inter-organisational relationships (Hudson, 2004; Huxham & Vangen, 2005) and in line with the recommendations by Osborne (2006) that further work is required at micro and macro level regarding the development of the NPG Paradigm.

#### **7.2.6 Hybrid Organisations**

The emergent model of hybrid organisation has been discussed in the literature emerging from the introduction of organisational forms and management techniques from private sector and the marketization of the public-sector (Antonsen & Jorgensen, 1997; Bozeman, 2002; Torres & Pina, 2002 Broadbent & Guthrie, 1992; Kickert, 2001; Koppell, 2003; and Kurunmaki & Miller, 2006). The research agrees with the terms of hybrid organisations from the literature in relation to the organisation as part of the case study and the references regarding aspects of New Public Management, Public Value and Public Sector Ethos. The literature defines in general terms hybrid organisations are organisations created to address public needs and to produce services that are public in character, at the same time resembling private cooperation's in the way they are organised and managed (Kickert, 2001; Koppell, 2003). The research extends the understanding of the journey of change regarding an organisation and from a public-sector organisation to a more commercial organisation. Aspects of cultural change, behavioural change and organisational, governance and process change are recognised. The aspect of cultural change and conflict is evidenced within the

research through the links with Behavioural Additionality and organisational routines with focus on how the conflict has shown beneficial changes within the organisation. The literature refers to the creation of dynamically mixed cultures (Cohen & Kennedy, 2000). Demil & Lecog (2006: 3) refer to hybridity as a “cultural phenomenon and organisational form that operate in the border area between state and market and which have to combine conflicting cultural orientations”. The research supports the challenge and paradoxes of managing the conflicting cultural orientations and mix of cultures (Ciesielska, 2010) but extends the literature further through the understanding of how changes impact the organisation through the concepts and the Institutional theory in relation to the systemisation of the Behavioural Additionality concepts and Organisational Routines leading to an understanding of Behavioural Negativity.

The research also extends the literature regarding the links of characteristics between institutional theory and hybrid organisations regarding the aspect of identification, competing identification and the links with authenticity and justification. The literature discusses competing identities, paradox structure and identity and alterity in the same time with identity inhabited by many voices (Puff, 2000). Albert & Adams (2002: 35) define three characteristics: it is inviolate (no element of a culture can be compromised), incompatible (the different orientation cannot melt into a single culture) and indispensable (is not possible to get rid of one of the identities). Thus, hybrids may grow in process of implementing institutional hybrids. Managers can redesign new organisational constructs (i.e. corporate social responsibility) by translating it into their corporate or field contexts (Ciesielska, 2010).

The research has discussed the relationship between the two organisations and the challenges as the hybrid organisation becomes a more commercial entity from a former Public-sector department. This has resulted in a variety of changes within the organisation regarding governance, creativity, innovation, behaviours, culture and changing routines and processes in the organisation. There has been evidence in relation to the public sector environment from which the hybrid organisation was formed having influence on the culture and ethos to which the employees identify with and how aligned to the public-sector the organisation is whilst competing in the private sector and with other organisations. This is reflected in the hybrid nature of the organisation and how the organisation was set up and the influence this has had on the development and change within the organisation. The research has considered the ‘black-box’ of the firm through the concepts of behaviour additionality and organisational routines to understand how this has impacted on the organisation and what and how changes have happened within the organisation.

### 7.2.7 Institutional Theory

A key cornerstone of institutional theory is the identification of sources of power and forces that influence behaviours and organisational procedures (Meyer & Rowan, 1977; Powell & DiMaggio, 1991; Scott, 1987). The research links institutional theory with the concepts of Behavioural Additionality and Organisational Routines to understand the changes within the hybrid organisation and the roles that public value and ethos play within the cultural changes of the organisation. The literature discusses the concepts of institutional dynamics at organisational level and the concept of legitimacy. Internally, legitimacy justifies who has the power of control and coordination; externally, it influences which organisations can gain access to resource, it does not refer to what is desirable, appropriate, good, and valid (Dehordy & Jones, 2008). DiMaggio & Powell (1983) refer to legitimacy as the connection between institutional arrangement and the shape of organisational and individual practices and routines. The research extends the literature further by understanding the changes within the hybrid organisation and the challenges through relationship dynamics as the WOC asserts independence from the Parent PSO and the legitimacy of that. The link of institutional theory with Behavioural Additionality and Organisational Routines enables an understanding through the theory of both changes in routines and thus the effect on behaviours both positive and negative. Aspects of this are understood through the research with regard to the evolving change within the organisation and the establishment of new governance processes and systems to enable the organisation to move forward.

The literature discusses for organisations to survive they must conform to prevailing rules and belief systems in the environment, because institutional isomorphism, both structural and procedural will earn organisational legitimacy (DiMaggio & Powell, 1983; Meyer & Rowan, 1977; DiMaggio & Powell, 1991; Scott, 1987; Suchman, 1995). It further discusses institutions operate at different levels of jurisdiction, from the world system to localised interpersonal relationships by definition connote stability but are subject to change processes, both incremental and discontinuous (Scott, 2001; 48). Institutional structural forces can be both enabling and constraining as to the efforts of change agents who undertake institutional work (Jones & Messa, 2013; Lawrence & Suddaby, 2006; Lawrence, Suddaby & Leca, 2009; Suddaby, 2010), thus institutions tend to bring stability and order in social life, institutional theory attend to both consensus and conformity as well as conflict and change in social structures. The research extends the understanding at case study level the changes and conflicts between the two organisations



through the lens of the hybrid context and the concepts of Behavioural Additionality and organisational routines. The relationship conflicts at different levels as well as collaborative working at different levels are assessed between the concepts. The constraints of legacy systems and processes being identified as change required in the organisation and the conflict between the WOC and the POS when trying to address these constraints. There is also evident from the research the challenge of power and control being another angle to the challenges of the hybrid organisation and the Interorganisational relationship between the two organisations. This extends the aspect of the literature in relation to Frideland & Alford (1991) arguing that most institutional theories focus on organisational homogeneity without contesting why the institutional arenas are patterned in a certain way and what conditions shaped the institutional forms they were developing.

#### **7.2.8 Leadership**

The research did not specifically focus on the changes or intend to look into leadership and management changes; however this was evident as the research progressed. There has been a key change in leadership behaviours and a change in leadership as the research progressed. There is limited literature in relation to hybrid organisations and the leadership styles in such organisations. The research evidences changing leadership as the organisation changes and the links between leadership styles and public sector ethos and values.

The key elements of the literature focused in this research is that of ethical leadership (Farling, Stone, & Winston, 1999; Graham 1991; Greenleaf, 1977; Smith, Montagno, & Kuzmenko, 2004) and senior management leadership (Carter & Greer, 2013). The change in leadership part way through the research was at the senior management level and was part of the changes undertaken shortly after the WOC was separated from the POS.). Senior leaders are described as being at the apex of the organisation dealing with complex demands to be managing the organisation (Carter & Greer, 2013). The management of internal and external activities which include identification of information (political landscape and current affairs), incorporated into strategy and implementation are described a key activity of top executives (Finkelstein et al., 2009). The new leaders in the hybrid organisation undertake changes different to the previous leaders to effect new practices, processes and procedures in the organisation. They dealt with a difficult client and shareholder when exerting independence from the POS whilst establishing new governance and working practices with key stakeholders.

The journey from Public sector organisation to a commercial organisation whilst retaining Public values and ethos was evident in the research. The research evidences the links between the social values and beliefs between the two organisations and those that the hybrid organisation has exported or inherited from the parent public sector organisation and how those are demonstrated in the discussions and observations with the employees of the hybrid organisation. The leadership skills in managing the balance between the two is important for the success of the hybrid organisation in establishing its identity and legitimacy with the parent organisation. There is also a relationship between moral values and sustained action, even if this undermines organisational performance. The qualities in followers are often similar to those of the servant leader, seeking delegation of work that is meaningful, inspiring and championing corporate social responsibility (Greenleaf, 1977). The importance of the values of Public sector was evident and important to the new leaders of the hybrid organisation and to those that they managed. Another key theory of ethical leadership is authentic leadership (Avolio, Gardner, Walumbwa, Kuthans, & May 2004; Illies, Morgeson, & Nahrgang, 2005), the characteristics are described as consistency in values and actions, high self-awareness, positive self-regulation and behaviour, and positive psychological capital (hope, optimism, trust). The positive core values of authentic leaders are described to motivate their behaviour and encourage the development of followers (Avolio & Gardner, 2005). These characteristics was evident in the research and in particular to the values that employees held important that had been exported from the public sector whilst becoming or transitioning to a commercial organisation.

The literature has been extending in both senior management leadership and ethical leadership by the research at a pragmatic level being evidenced in an actual hybrid organisation at the transition phase. The research, however, is limited and further research would be recommended in this area to provide a more in-depth study regarding leadership in hybrid organisations.

### **7.3 Limitations of this research**

This section addresses the limitations of this research

While the findings of the research provide some interesting results and contribution to knowledge, this research isn't without its limitations and these are acknowledged and discussed. One of the limitations is the issue of Longitudinal study. The research was based within one organisation and a case study ethnographical approach. The researcher was based within the

organisation for a long period of time, so not a true Longitudinal study. Although methods of the research took a Longitudinal stance, an example being many of the respondents in the interviews were also part of the focus groups, a true meaning of Longitudinal studies involving observation of the same variable over a long period of time, tracking the same people and the difference that occur over time (Menard, 2002) was not exact. Further research of this nature would benefit from a Longitudinal design to understand the change aspect further and the impacts of these of the changes on the organisation and the change in the processes and routines. The research also took a pure qualitative approach as such it may of strengthen the research further by taking a mixed methods approach with additional quantitative questionnaire. This could have added both a Longitudinal aspect to strengthen the research, and whilst triangulation was captured within the design of the research from a qualitative aspect, the quantitative triangulation would have added further strength.

A further limitation of the research was in the data collection from the case study approach within one organisation. Whilst some data was collected from the POS organisation and the researcher spanned both organisations during the research, majority of the data collection and observations were collated in the WOC as the hybrid organisation. All be it that this was essential for the research and has added to the body of the knowledge, it would have strengthened the research further if more data could have been collected from respondents within the POS organisation either by qualitative or quantitative methods.

#### **7.4 Contribution to Knowledge**

The strength in this research is how it has advanced several aspects in the literature by focusing and linking different elements of the literature by understanding changes within hybrid organisations that are formed from public sector organisations. The research has focused on the black box looking to understand the changes within the hybrid organisation. Institutional Theory has been used to systemise the understanding of Behavioural Additionality and Organisational Routines within the hybrid organisation.

Using a case study approach has taken the literature further regarding understanding of changes within organisation in relation to New Public Management and New Public Governance. The research has provided further understanding of change of public sector departments evolving into commercial or arm's length organisations. Public Value and Public Sector Ethos are also extended

regarding the research, the literature is extended by understanding of the impacts within changing culture of the organisation. It provides further understanding of the black box understanding of the behavioural changes within the new types of organisations emerging from public sector organisations and how they create public value.

Methodology has been extended in the literature by using ethnographical approaches and case study to understand at a deeper level the changes within hybrid organisations as they evolve into more commercially focused organisations. The case study approach has extended further understanding in the literature regarding the concepts of Behavioural Additionality and Organisational Routines.

## **7.5 Practical Contributions**

In addition to the theoretical contributions there are practical contributions to the nature of the research.

Whilst taking the research and setting in one particular organisation, there is an aspect of generalisability which should be considered when understanding the impact of change within these types of organisations within the public sector. The research has considered the changes of routines, behaviours and the impact of these within the hybrid organisation whilst moving away from a public sector organisation to become a more commercial entity.

With the onset of austerity policy on public sector organisations and in particular local authorities within public sector, the research provides an insight and practical applications for leader. Shared experiences within the public sector and the continued challenge of shared experiences of austerity, cost effectiveness measures, driving income generation, commerciality and political and social similarities will likely provide identification with key themes and findings from the data that has been collected within the research. The research will also provide useful data for the private sector and the emerging sector of hybrid organisations that has evolved over the last few years.

For practitioners in the field of behavioural organisational studies and general management studies the research will provide benefit of the impact of behavioural change through organisational routines and the impact of change within an organisation and the measure of the change a result.

The qualitative groundwork and methods conducted in the organisation contributes to the organisation by providing an insight to the impact of changes within the organisation and supports the fact that it has a lack of time and support they can provide to deeper understanding of the organisation. An external researcher and the research methods deployed provides a different set of understanding and information for the organisation to better understand and interpret the changes and the impacts of the information. In addition, it also provides them with resource savings.

Finally, the research adds to the knowledge on the importance of governance when setting up hybrid organisations and the clear definition of relationships between the organisations being created and those to which they have been created. It provides understanding for the public sector organisations on key interventions that are required when setting up hybrid organisations, and expectations of the challenges when they are set up and mechanisms that helps both organisations thrive.

## **7.6 Opportunities for further research**

The research has identified the changes within hybrid organisations through the aspects of Behavioural Negativity using the concepts of Behavioural Additionality and organisational routines to understand the impact. Furthermore, further understanding has been provided by exploring the firm through the box analogy to understand the impacts of NPM, NPG and Public Sector Ethos and Values. The research has provided further understanding of the development of new types of hybrid organisations that have been formed from public sector organisations in particular local authority and the changes in operation, behaviour and culture when operating within a commercial environment.

Institutional theory has been used to provide understanding and systemisation of the concepts regarding the hybrid organisation and its Interorganisational relationship with the parent organisation. This has provided further understanding of the conflicts, constraints and collaboration and engagement between to the two organisations, which has led to the paradoxical nature of behaviour additionality and behaviour negativity within the organisation and the impact of those changes.

Further research would benefit from further testing of the concept of Behavioural Negativity in other hybrid organisations or organisations within an inter-organisational relationship. This would be

initially being more beneficial within the public sector organisation that would test the concept further in the understanding of change because of negativity between organisations and the positive impact of that change through innovation and creativity. In addition, this would extend further understanding of how hybrid organisations develop from a public sector department through to a commercial organisation and how conducive environments can be created to provide the best opportunity of success.

A common theme within the research has been the changing of the structural relationship between the two organisations as well as the changes within the hybrid organisation as result of the structural inter-organisational relationship. This has been evident across the multiple concepts used within the research and through the lens of institutional theory. The main factor from the research has been the Behavioural Negativity has led to changes evidenced through organisational routines to positive outcomes which have included extensive changes within governance and the establishment of changes within the extent of the organisation routines. Further research would benefit from the understanding of how structural relationships effects change within organisations and in particular within the changes of public sector organisations when considering commercial activities and the relationships that are formed and change through these structural changes.

Leadership changes, behaviours were evident in the research and has been reflected in the thesis, however further and in-depth research regarding leadership in hybrid organisations would add further knowledge. In particular Ethical leadership and senior management leadership. Understanding how the impact of leadership impacts the changes in hybrid organisations and manage the challenges and conflicts that come with such organisations, navigating these changes and impacts on employees would add to both literature of hybrid organisations and that of leadership literature.

The research from a philosophical stance has explored the nature of the researcher moving from being an outside researcher to be a practitioner within the organisation that is being researched. Further research would benefit from understanding the impacts on research because of researchers becoming practitioners and the elements of bias within the research.

The design of the research was not a full longitudinal design, but an ethnographical case study approach. However, the researcher was based in both organisations for a long period of time and collection of data was over a long period of time. The study provides an understanding of change

within a hybrid organisation being formed from a public sector organisation and further research would benefit from use of longitudinal methods. A longitudinal design would allow the tracking of changes in behaviours and routines as well as the changing relationships between the two organisations and the impact of the changes throughout the organisation. The design could be further extended by considering a mixed-methods approach using the quantitative methods to triangulate the data including the changes over the period of the research.

## **7.7 Conclusions**

This chapter has provided an overview of the findings and conclusions taken from this thesis in relation to previous research and the identification of the limitations but also the opportunities for further research which expands our understanding. In addition, we have also expanded further understanding of the contributions to practical and academic aspects to knowledge. The research has found that the impact of austerity on a hybrid organisation has shown positive changes and development from negative and collective aspects. Using the concept of Behavioural Additionality and organisational routines has provided a paradox of Behavioural Additionality evidencing change and impact of these changes on the development of a public sector department changing into a commercial organisation. The research has extended several concepts by taking a case study approach and exploring the firm through a black box analogy. The unique findings and to the body of existing research on Behavioural Additionality, organisational routines, hybrid organisations and provides a better understanding at micro level of the concepts of New Public Management, New Public Governance and Public sector ethos and value. Institutional theory has enabled the systemisation of Behavioural Additionality and organisational routines to understand the paradox of Behavioural Negativity and its impact on the organisation.

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## Appendix

### Appendix 1 Demographic Questions

#### Demographic Questions

- What is your Age
  - 18-29 years
  - 30-49 years
  - 50-64 years
  - 65 years
- What is your gender
  - Male
  - Female
- What is the highest level of education you have completed
  - Secondary School
  - Trade/technical/vocational training
  - GCSE/O Levels
  - A Levels
  - Degree
  - Masters
  - Post Graduate
  - Doctorate
- Which of the following best describes your ethnic origin?
  - White
    - British
    - Irish
    - Any other White Background
  - Asian or Asian British
    - Bangladeshi
    - Indian
    - Pakistani
    - Any other Asian background
  - Mixed
    - White and Asian
    - White and Black African
    - White and Black Caribbean
    - Any other Mixed background
  - Chinese
    - Chinese
  - Black or Black British
    - African
    - Caribbean
    - Any other Black background
  - Any Other ethnic background

## Appendix 2 Semi-structured questions

### Background questions

- How long have you been working in (Private Company), and if you transferred over from the PSO how long did you work there?
  - Are there any differences in working in (Private Company) as opposed to the PSO?
  - How do you feel about working in (Private Company) by comparison to the PSO?
  - What would you be your view if (Private Company) were moved back to the PSO?
- What is your role in (Private Company)?
  - Could you tell more about your daily activities
  - What do you like about your role
  - What do you find challenging regarding your role?
- How long have you been in this role?
- Has this recently changed?
  - Could you tell more about the changes?
  - What has been the effect of these changes?
  - How easy was it to adapt to these changes?

### Organisational Routine Questions

- Since the set-up of (Private Company), what have you noticed concerning changes in processes, procedures or systems?
  - Could you tell me more about these changes?
  - How did these changes occur?
  - What has been the effect of these changes?

### Performance

- What Projects have you been involved in?
  - What have you achieved from this project?
  - How has the project performed?
  - What have been the benefits of the project?
- What has been the support for the project?
  - What would have been the outcome if the project weren't supported?
  - Can you tell me what would have happened to the benefits if the project hadn't happened?
- How do these differ between being in (Private Company) or the PSO?
  - Can you give me examples?
  - Could you tell me more about your thinking on this?
  - What makes you feel that way?
- How would you describe the changes in relation to set rules?
  - Can you give me some examples?
  - What has been the impact of these changes?
  - What are thoughts regarding these changes?
- What impact has these changes in processes, procedures or systems had on you and what impact have they had on the organisation?
  - Can you give me examples of when this has been positive?
  - Can you give me examples of when this has been negative?
- What impact has the changes had in relation to performance of the organisation?
  - How has this impacted you personally?
  - Can you give me an example of where this has been positive for the organisation?

- Can you give me an example where this has had a negative impact?
- How has authorization or referrals changed since the set-up of (Private Company)?
  - Can you give me examples?

### *Capabilities*

- How has performance been since (Private Company) has been set up?
  - Can you give me some examples both positive and negative?
  - What would be the difference if (Private Company) were still in the PSO?
  - What contribution has (Private Company) made to this performance?
- What capabilities have changed since (Private Company) has been set up?
  - Can you give me some examples both positive and negative?
  - What would be the difference if (Private Company) were still in the PSO?
  - What contribution has (Private Company) made to this?
- What have been the changes in your own personal capabilities since (Private Company) has been set up?
  - Can you give me some examples both positive and negative?
  - What would be the difference if (Private Company) were still in the PSO?
  - What contribution has (Private Company) made to this?

### *Activities*

Behavioural Additionality Questions (These Questions have been split across the organisational routine questions)

- What projects have been set up since moving from the PSO?
- Would these have been in place if (Private Company) had stayed in the PSO?
- What benefits have you seen as a result of these projects?
- Have these projects been conducted as a result of the austerity measures facing the PSO?
- What changes in capabilities have you seen since moving from the PSO?
- What would have happened if (Private Company) had remained in the PSO?
- What performance changes have you seen in (Private Company) since moving to the PSO?
- How would these of been any different if (Private Company) remained in the PSO?
- What would be the impact on performance if there were investment in (Private Company)?
  - Can you give me an example?
  - What other effects on (Private Company) would this have?
  - What are your thoughts regarding this?

### *Innovation Questions*

- What examples of innovation in (Private Company) have you seen since it's set up?
  - Can you give me some examples positive or negative?
  - What has been the impact of these?
- How are new ideas or suggestions developed in (Private Company)?
  - What examples can you describe?
  - What are your thoughts regarding these?
- How is this any different than when (Private Company) was in the PSO?
  - What are your thoughts regarding this?
  - Can you give me some examples?
- What do you think would have happened if (Private Company) stayed in the PSO?

- What feedback is given regarding ideas?
  - Can you give me some positive examples?
  - Can you give me some negative examples?
  - What are your thoughts regarding this?
- How are these communicated in (Private Company)?
  - Can you give me some examples?
  - What are your thoughts regarding this?
  - How is this different from (Public Sector Organisation)?

#### Organisational Change questions

- Have you seen any changes in behaviours of the employees since the set-up of (Private Company)?
  - Can you give me some examples?
  - What are the positive examples?
  - What are the negative examples?
- Have you seen any changes in behaviours of the management since the set-up of (Private Company)?
  - What examples have you seen regarding these changes?
  - How is this different to when the organisation was in (Public Sector Organisation)??
  - What have been the timescales of these changes?
- What impact has this been on (Private Company)?
  - How is this different to (Public Sector Organisation)??
  - What timescales have these changes been over?
- What changes have affected you?
  - What are your thoughts regarding this?
  - Can you give me some examples of these changes?
- What differences have you seen in (Private Company) by comparison to being in the PSO?
  - Can you provide some examples of this?
  - What are your thoughts regarding this?
  - What has been the effect of these differences?
- What effect do you think the visions and values have had on the organisation?
  - What affect has this had on the organisation?
  - What is the difference between (Private Company) vision and values by comparison to (Public Sector Organisation)?
  - What are your thoughts regarding this?

#### Austerity questions

- What effects have the austerity measures on the PSO influenced (Private Company)?
  - Can you give me some examples?
  - What has been the impact on (Private Company)?
  - What has been the impact on the citizens of City and the PSO?
- How do you think the set-up of (Private Company) has affected the service users of (Public Sector Organisation)?
  - Can you give me examples of both positive and negative aspects?
  - What would have been the impact if (Private Company) had remained in the PSO?
  -
- What effect have these changes had on (Private Company)?

- Can you give me an example of a positive change because of this?
- Can you give me an example of a negative change because of this?
- What has been the effect on you personally?

#### Management questions

- What are your observations of the senior management meetings?
  - Can you give me positive and negative examples of how these have changed?
  - What has been the impact of these?
  - What period has this happened over?
- How are (Private Company) managing risks?
  - What are the examples of this?
  - How has the impact of this affected you and the organisation?
- How does the (Private Company) Board affect you?
  - Can you give me some examples?
  - What impact has the board had on (Private Company)
- What changes have you seen regarding the (Private Company) Board?
  - Can you give some examples?
- What is your involvement with the PSO?
  - How has this changed since the set-up of (Private Company)?
  - What are thoughts with regard this?
  - Can you provide me with some examples?

#### Public Value and Commerciality questions

- What do you see as the differences in Private and Public sector ethos if any?
  - Can you give me some examples?
  - What are your thoughts regarding this?
  - How does this impact your role?
- How do these relate to (Private Company)?
  - What examples have you seen in (Private Company)?
  - How does this compare with (Public Sector Organisation)?
- What do you see as the reasons for setting up (Private Company)?
  - What are your thoughts regarding this?
  - How has this impacted the PSO?
  - How do you think this has affected the citizens of Birmingham?
- How does (Private Company) work with its stakeholders?
  - What examples have you seen regarding this?
  - How has this changed since (Private Company) has been set up?
  - How would you describe the relationship between (Private Company) and its stakeholders?
- What are the benefits you see of setting up (Private Company)?
  - Can you give some positive examples?
  - Can you give some negative examples?
  - How is this any different from the PSO?
- What are the disadvantages you see of setting up (Private Company)?
- How has this impacted on the employees, Management, systems and processes of (Private Company)?
  - Can you give some examples?
  - What are your thoughts regarding this?
  - How is this different to (Public Sector Organisation)?



### **Appendix 3 Conceptual Build for Questionnaire**

#### *Aspects of Organisational Routines to consider when thinking about questions*

Organisational routines - thoughts on habits and how these have developed overtime - this would be interesting to explore how these have come over from the Local authority and how would they be different in relation to a developing and competitive organisation.

Consideration of Organisational routines regarding the relationships between the processes, how this links to the Ostensive, Artefacts and the performative aspects of routines.

Routines are patterns - pattern of behaviour subject to change due to environmental change - patterns - action, activity, behaviour and interaction. Behaviour is observable, and interaction is subset of action.

Consider 'if-then' rules in relation to behaviour and cognitive regularities or cognitive patterns.

Recurrence is key aspect of routines - in the questions in time difference you will look for different changes between the recurrences in the routines.

Recognise the collective nature of routines - different actors involved and at an organisational level - distributed across space and across the organisation - in this case could be across 2 organisations

Recognition of knowledge that is held by the actors in relation to this, organisational memory.

Recognition of the different communities within the routines and the knowledge - such as hierarchical communities, homogeneous communities, communities of practice.

Individual vs collective routines and the impact of these.

Subconscious competence regarding routines, lack of use of cognitive input in to the routines - habitual without thinking.

Routines unit of analysis that is processual in nature - nexus between structure and action, between organisation as an object and organising as a process - Pentland and Rueter, 1994. Window to drivers of change - observe change in more details.

Think about time, individuals, links between organisations, the types of routines that are being observed and discussed. If organisation disturbed, such as a policy change etc., how or what do individuals do regarding routines

Routines specific to context - external components influence the routines are built on the past - interesting in relation to legacy and the Local authority aspect.

Triggers can change or introduce new routines, one to look out for in relation to (Private Company), links to the aspect of finding impact of changes within the organisation

Behaviour and performance linkage to routines.

Routines co-ordinate - effect on organisations - more efficient than contracts - could be

Notion of truce

Aspect of focus of organisation is on non-routines and the routines embedded are only cognitive from semi-conscious point of view for the organisation - this may be linked to the term Business as usual - links with systemisation and transfer of process.

Reduction of uncertainty

Stability aspect of organisational routines - bench line/benchmark

Storing of knowledge within the organisation - tacit knowledge

Organisational tasks, specialities and interdependencies between different organisational units regarding the specialities. Recurrent behaviours that carry out the tasks. Examples between marketing and finance etc.

This will be interesting in relation to the silo aspect of the organisation.

Look at reciprocal arrangements where it is important for performance between the 2

Technical tasks vs other tasks

Size of routine, process not too big but not too small

Ostensive part of routine - how it is described

Performative part of the routine - how it is implemented

Capture the as is aspect using organisational routine.

Identify the governance gap

Identify performance effects of recurrent routines and governance gap - this will be an element to explore regarding the organisation and where we are seeing any innovation or creativity here.

Solutions to governance gap?

Causal mechanism that brings about behavioural change - collective dispositions - enabling and constraining structures - linkage back to behavioural additionality

Generative routines - learning, creativity and knowledge

Aspects of Behavioural additionality to consider regarding questionnaire

The change in behaviour in relation to R&D attributed by Policy change

What difference happens in relation to the behaviour of the firm because of policy

Collaborative behaviours - observations

Co-production regarding innovation

Behaviour of agents and the improving cognitive behaviours to benefit the organisation

Layers of behavioural additionality;

*Behavioural changes at implementation of project*

- Project additionality
- Acceleration additionality
- Scope and Scale

*Behavioural changes after implementation of project*

- Network additionality - collaboration that the public funding created
- Follow up additionality - spin of projects that wouldn't have been in place if no funding
- Management routines - routines adopted because of the funding that wouldn't have been in place if no funding.

The difference in firm's behaviour from intervention

Knowledge acquisition - human resources - capital investment - market position - manufacturing service provision - corporate responsibility and sustainability

Resource based - competitive advantage - longer performance

Dynamic model - Gok/Gerghiou/Clarysse

Before and after the project - how would we define the project and how would this relate back to (Private Company)? problem to try and resolve in this conceptual framework

Agents of behavioural change

Method of analysis - micro level - meso level - macro level

Econometric background - evolutionary assessment as opposed to neo-classical

Consider this aspect - as we are probably looking at an evolutionary development of the model with regard to (Private Company) as an organisation and how it has been developed.

## Appendix 4

### Consent form

**Full title of Project:** The use value of Behavioural Additionality and Organisational Routines for understanding Innovative behaviour in a Public-Sector Organisation

**Name, position and contact address of Researcher:** [REDACTED]  
[REDACTED]

**Please initial box**

I confirm that I have read and understand the information sheet for the above study and have had the opportunity to ask questions.

☐

I understand that my participation is voluntary and that I am free to withdraw at any time, without giving reason.

☐

I agree to take part in the above study.

☐

***<Include the following statements, if appropriate, or delete from the consent form>:***

I agree that my data gathered in this study may be stored (after it has been anonymised) in a specialist data centre and may be used for future research.

☐

**Please tick box**

Yes

No

I agree to the interview / focus group / consultation being audio recorded

☐☐

I agree to the use of anonymised quotes in publications

☐☐

\_\_\_\_\_  
Name of Participant

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature

## **Appendix 5**

### **Draft Questions**

#### **Focus Groups Schedule**

##### **1. Introduction**

General introductions

Basic Logistics including advisement of toilets, refreshments, special needs

Discuss the research objectives and check understanding

Acknowledge importance and the value of the participation

Discuss the aims of the focus groups and how the group will run

Check for any questions through out

Work through the group rules and understanding – discuss good to have differences, respect all contributors and how this done – there is no right or wrong answers, group confidentiality –

‘Chatham House Rules’ – whatever’s said stays in the room

Use of audio recording – can it be recorded? Details regarding the data storage and e

Ethical compliance

Breaks and timing

Turn off mobile phones

Any further questions

##### **2. Background for Participants**

Check everybody knows one another already?

If not run through introductions – start with brief element and then introduce yourself, would be useful to know everybody’s names and what area (Organisation) you come from.

##### **3. Questions**

#### **Background questions**

- How long have you been working in (Private Company), and if you transferred over from the PSO how long did you work there?
- Are there any differences in working in (Private Company) as opposed to the PSO?
- How do you feel about working in (Private Company) by comparison to the PSO?
- Prompt changes within roles or differences and similarities between roles
- Has there been any changes in roles or duties recently?
- Prompt about the changes, effects and how these have been adapted
- What would you be your view if (Private Company) were moved back to the PSO?

#### **Organisational Routine Questions**

- Since the set-up of (Private Company), what have you noticed concerning changes in

processes, procedures or systems?

- What can you tell me about the process changes?
- What examples of procedures that have changed?
- What examples of systems that have changed?

Prompt regarding the following

- How has this affected you?
- Can you provide me with examples where this is working well?
- Can you provide me with examples where this is not working well?
- How would these changes in process been dealt within the PSO?

### *Performance*

- What Projects have you been involved in?

Prompt regarding any of the below

- Who else was involved in the project?
  - What have you achieved from this project?
  - How has the project performed?
  - Can you provide me with examples on which projects went well and which projects didn't go so well?
  - What have been the benefits of the project?
- What has been the support for the project?

Prompt regarding any of the below

- What would have been the outcome if the project weren't supported?
  - Can you tell me what would have happened to the benefits if the project hadn't happened?
  - Can you tell me who has supported you regarding the project?
- How do these differ between being in (Private Company) or the PSO?
  - What impact has these changes in processes had on the organisation?
  - What impact has these changes in procedures had on you and what impact have they had on the organisation?
  - What impact has these changes in systems had on you and what impact have they had on the organisation?

Use prompts form below regarding the above questions

- Can you give me any examples of when this has worked well?
- Can you give me any examples of when this has not worked well?

- What impact has the changes had in relation to performance of the organisation?
- - How has this impacted you personally?
  - Can you give me an example of where this has worked well for the organisation?
  - Can you give me an example where this has not worked so well for the organisation?
- How has authorization or referrals changed since the set-up of (Private Company)?
  - What are the differences by comparison to being in the PSO?
  - Can you give me examples where this is working well?
  - Can you give me example where this isn't working so well?

### *Capabilities*

- How has performance been since (Private Company) has been set up?
- How have capabilities changed since (Private Company) has been set up?
- What have been the changes in your own personal capabilities since (Private Company) has been set up?
  - Can you give me some examples of where this is working well?
  - Can you give me examples of where this isn't working well?
  - What would be the difference if (Private Company) were still in the PSO?
  - What contribution has (Private Company) made to this?

### *Activities*

Behavioural Additionality Questions (These Questions have been split across the organisational routine questions)

- Can you describe any new projects that have been won since moving from the PSO?
- Who tenders and negotiates for these new projects?
- Would these have been in tendered for if (Private Company) had stayed in the PSO?
- What benefits have you seen because of these projects?
- Have these projects been conducted because of the austerity measures facing the PSO?
- What changes in capabilities have you seen since moving from the PSO?
- How is this different prior to (Private Company) moving from the PSO?
- What performance changes have you seen in (Private Company) since moving to the PSO?
- By performance this would relate for example to Key Performance Indicators, Customer Service, delivery of projects and general services.
- How would these of been any different if (Private Company) remained in the PSO?
- What would be the impact on performance if there were investment in (Private Company) in the form of either funding, resources, expertise or time?
  - Can you give me an example?
  - What other effects on (Private Company) would this have?
  - What are your thoughts regarding this?
  - Can you give any examples of where this has worked well?
  - Can you give any examples of where this hasn't worked well?

### Innovation Questions

- What examples of innovation in (Private Company) have you seen since it's set up?
- How are new ideas or suggestions developed in (Private Company)?
- How is this any different than when (Private Company) was in the PSO?
- What feedback is given regarding ideas?
  - Can you give me some positive examples? As above
  - Can you give me some negative examples?
  - Any ideas about improving feedback regarding this?
- How are these communicated in (Private Company)?
  - Can you give me some examples?
  - What are your thoughts regarding this?
  - How is this different from (Public Sector Organisation)?

### Organisational Change questions

- Have you seen any changes in behaviours of the employees since the set-up of (Private Company)?
- Have you seen any changes in behaviours of the management since the set-up of (Private Company)??
- What impact has this been on (Private Company)??
- What changes have affected you?
- What differences have you seen in (Private Company)? by comparison to being in the (Public Sector Organisation)??
- What effect do you think the visions and values have had on the organisation?

### Austerity questions

- What effects have the austerity measures on the (Public Sector Organisation) influenced (Private Company)?
- How do you think the set-up of (Private Company) has affected the service users of (Public Sector Organisation)?
- What effect have these changes had on (Private Company)?

### Management questions



- What are your observations of the senior management meetings?
- How are (Private Company) managing risks?
- How does the (Private Company) Board affect you?
- What changes have you seen regarding the (Private Company) Board?
  - Can you give some examples?
- What is your involvement with the (Public Sector Organisation)?

#### Public Value and Commerciality questions

- What do you see as the differences in Private and Public sector ethos if any?
- How do these relate to (Private company)?
- What do you see as the reasons for setting up (Private company)?
- How does (Private company) work with its stakeholders?
- What are the benefits you see of setting up (Private Company)?
- What are the disadvantages you see of setting up (Private Company)?
- How has this impacted on the employees, Management, systems and processes of (Private Company)?
- Finish with a question asking if there is anything that you should have asked that you have not asked.

End

Reiterate thanks

Reiterate confidentiality

Any final questions?

Debrief

## **Appendix 6**

### **Research Participants Information Sheet**

**Study Title: The use value of Behavioural Additionality and Organisational Routines for understanding Innovative behaviour in a Public-Sector Organisation.**

#### **What is the purpose of the study?**

The research aims to explore how innovation within a Public-Sector organisation flourishes as a result of austerity using the concepts of behavioural additionality and Organisational Routines. There will be specific focus on how Public Value through commercialism is introduced into the organisation through the aspect of innovation. The initial case study is with a Public-Sector organisation that has recently become a wholly owned company of a Local Authority.

#### **Invitation Paragraph**

We would like you to take a few minutes to read this information sheet before making up your mind about whether or not you would like to help us with our research. This study aims to understand how innovation flourishes in an organisation as a result of austerity measures. We invite you to take part in an Interview or Focus Group to understand your views on this issue.

#### **Voluntary Participation?**

Your participation is voluntary. We would like you to consent to participate in this study as we believe that you can make an important contribution to the research. If you do not wish to participate you do not have to do anything in response to this request. We are asking you to take part in the research because you are a stakeholder in the project and we believe you can provide important information to us that may be relevant to the evaluation that we are undertaking.

#### **What will I do if I take part?**

If you are happy to participate in the research we will ask you to read this information sheet, sign the consent form and return it. After this you will be asked to take part in a one on one interview or focus group.

#### **What are the possible disadvantages and risk of taking part?**

There are no identified disadvantages to participants of this study. The researcher is not aware of any reported cases where participants in this type of study have suffered adverse effects as a result of the study. All responses to our questions and information provided by you will be **anonymised** i.e. no personal details relating to you or where you work will be recorded anywhere. Only members of the research team will have access to the information you provide to us.

#### **What are the possible benefits of taking part?**

Whilst there may be no personal benefits to your participation in this study, the information you provide can contribute an improvement in your job role and the overall improvement of your department.

#### **Will my taking part in the study be kept confidential?**

All information you provide to us will be kept **confidential**. Only members of the research team will have access to it. All data collection, storage and processing will comply with the principles of the Data Protection Act 1998 and the EU Directive 95/46 on Data Protection. Under no circumstances will identifiable responses be provided to any other third party; all findings will be fed back in themes to avoid breaking confidentiality. Information emanating from the evaluation will only be made public in a completely unattributable format or at the aggregate level to ensure that no participant will be identified. We must however inform you that if you disclose information that may result in you or anyone else being put at risk of harm we may have to inform the appropriate authorities. If this situation arises we will discuss all possible options for ourselves and you before deciding whether or not to take any action.

**What will happen to the results of the research study?**

All information provided by you will be stored anonymously on a password protected computer with analysis of the information obtained undertaken by the research team based at Aston University. The results from this analysis will be available in one or more of the following sources; scientific papers in peer reviewed academic journals; presentations at a regional, national and international conference; local seminars; final PhD thesis and other supporting documents; reports for participating organisations. The findings will be available from the research team upon completion of the research.

**Who is organising the research?**

The study is organised in partnership with Aston University, (*Company Ltd*) and (*Public Sector Organisation*).

Thank you for considering this request.

## **Appendix 7**

### **Case study approach and Background to set of WOC**

The thesis was partly funded by the organisations to which the researcher was conducting the said research and as such part of the design was not only to contribute theoretically to the academic literature, but also considers practical requirements for organisations. The element of both being researcher and practitioner was an important angle to the research as the researcher spent time in both organisations as a researcher but also as a practitioner whilst undertaking the research. The researcher was imbedded in both organisations for the period of the research, which was for a period of 2 and half years, whilst simultaneously completing research methods training at the university whilst developing the research questions, design and programme of research for the thesis. In the first organisation, the researcher was working as a senior HR leader with the strategic HR department for a period of 6 months, this enabled the researcher to understand organisational changes from a senior, strategic and policy point of within a large Public sector organisation. The researcher then moved to the Hybrid organisation as a change agent operating outside the main leadership and management structure but supporting a change programme that was being undertaken. The importance and benefit of this for the researcher was to obtain a clear picture of the two organisations inter related with one another and how policy changes were impacting both organisations at a strategic and practical level. For the latter part of the research, the researcher moved into a leadership position within the organisation. The embedment within both organisations has provided a rich and unique ability to see changes, strategic impact, access to data and individuals during the research. The results of the research will be of benefit to both organisations from a business perspective in understanding how hybrid organisations develop, and throughout the research several reports detailing findings, recommendations and observations for practice were provided.

### **Reasons why the Parent Organisation set up the Hybrid Organisation**

Due to the austerity pressures facing the Local authority, it commissioned an options appraisal to consider what would be the best way of managing its capital expenditure work to drive down costs and expenditure to the PSO. Several options were considered, which included outsourcing the services to a third-party provider. The options considered at the time included different combinations of services. The third-party outsourced organisation was (PRIVATE SECTOR

ORGANISATION), however the relationship with the organisation through its (SERVICE) partnership was strained and as such the option was rejected. Through the previous experience and knowledge from a Strategic Director the concept of a Wholly Owned company was explored based on the (WOC1) of (LOCAL AUTHORITY 1).

The (WOC1) was set up in 1988 as a response to CCT. The (WOC1) remains wholly owned by the (LOCAL AUTHORITY1) but has totally separate management, payroll, finance and IT arrangements and operates independently. Strategic Director having first-hand experience proposed this model as a viable means to continue to deliver services from the public sector but with a necessary commercial edge.

(WOC1) has been highly successful. It is a £240m revenue business with a broad-based facilities management, property consultancy services and care services offering. It employs around 8,500 employees and has joined forces with other local authorities to set up 28 joint venture companies with the equity sharing arrangement plus other forms of partnership.

The belief of (WOC1) is that the public sector could become as efficient as the private sector and deliver excellent services, but only if it changed its operating model. It needed faster decision making; better data management and management information systems; quicker financial and HR procedures; and a lower cost base with space to develop its reward model without the complications of job evaluation and equal pay.

The launch of (WOC1) was well supported politically and there has been hardly any subsequent political interference. The organisation has been backed by LOCAL AUTHORITY1.

The Key points (WOC1) operates as follows;

- Establish a simple governance structure akin to a shareholder (Public Sector Organisation) with a board of directors. Use expert advisory support as and when needed.
- Detach the organisation as much as possible from (Public Sector Organisation) systems and procedures to operate with its own HR, Finance and IT methods
- Reengineer processes to be as efficient as possible using lean or other methodologies
- Ensure the organisation develops financial independence, especially the ability to borrow money
- Avoid being too dependent on the parent organisation for business.

- Manage the ambiguity of being part of the LOCAL AUTHORITY<sup>1</sup> yet separate from it. This especially true for executives who are leaders of their own (quasi-independent) organisation yet remain senior officers of the (Public Sector Organisation).
- Move towards partnership models with customers and avoid traditional client/contractor relationship. (This particularly is seen in the joint venture approach to working with councils)
- Use this initial period to build a commercial track record that will be necessary later to win tendered work. This might mean partnering with other service suppliers to build knowledge, skills and experience.
- Keep communicating with trade unions and explaining the business goals. Remain 'honest and respectful' of their representative role. They may well be supportive if they see your approach as a way of keeping public sector jobs.
- Introduce a sales and marketing function – when affordable – to project your offering and deal with tendering processes.
- Determine the business model. In the debate about service spread, Norse argues for diversification: using existing processes and acquiring the required skills, if necessary, to work in wide variety of service functions. The benefit of this strategy is to 'hedge' against negative market change. There may be areas where the organisation may choose not to work as a matter of policy but others where it will do so where it can acquire the necessary skills such as through partnership.

### **Changing Objectives of the Hybrid**

the Hybrids vision is to transform the company from a traditional local authority approach of service delivery to a commercially viable vehicle for meeting the following objective:

*To be first class service in our industry – outranking competitors on value for money, customer service and technical excellence.*

There are also references within the data to the implications of confronting the cost cutting agenda (austerity), by generating profits. It is also acknowledged that this would require cultural shift from current rules-based system to a task based one. In addition, there is also acknowledgment the

performance change necessary for success varied across the work areas involved in the transfer with some under-performing activities requiring special attention and resources.

Some of the Key performance objectives that the Hybrid organisation achieved through the change process are detailed below.

- Increasing profit being transferred to the (Public Sector Organisation) - £19m on an £120m contract, although this will be much lower than budgeted in 2013/2014
- Higher per capita productivity – fewer people are doing more work
- KPI's generally met or exceeded – all be it there where initial problems regarding this area and we will discuss this later when dealing with issues regarding power and control between the two organisations and the challenge of there being multiple roles between the two organisations.
- Improving customer satisfaction and recognition of customer satisfaction and client improvement
- Helpdesk improved to Green performance standards
- Meeting ISO 9001 standard, there have been further improvements regarding the different quality assurance standards and again these will link back to the governance improvements within (Private Company) by comparison to when it was a (Public Sector Organisation) department
- Lower cost base (£1.2m smaller than before) – both reducing payroll costs and better value from suppliers. In addition, the Hybrid has continued to return lower costs to Parent organisation
- Numbers of staff have reduced in (Private Company) from the restructure, which was initiated in September 2013 and completed in March 2014. The number of staff reduced during this period from 210 to 189 FTE. This includes 21 staff that chose to leave under voluntary redundancy, including three senior management team members. This has been smoothly accomplished.
- the number of agency staff has fallen from 60 to 15.

The financial modelling of the organisation is complicated, as it should report accounts in the format of a public-sector organisation, private sector organisation and a combination of the both. As well as the internal reporting to the (Public Sector Organisation), the Organisation itself, the Hybrid board it also should have the accounts externally audited as well due to operating in the private sector. This

provides additional burden to the finance team, which would be above and beyond any normal private sector organisation. It also provides a challenge regarding understanding for those individuals that have only operated in the private sector or the public sector. In addition, it has proved a challenge to external auditors when trying to understand the combination of both finances.

The reasons and purpose for using the Hybrid organisation as the case study of this research relates to the uniqueness in how the organisation was set up and the changes regarding the movement from the public sector and the development of it as a commercial organisation within a competitive market. The organisation has been set up as a Wholly Owned Company (WOC) and the nature of the relationship between the two organisations and the way they operate between the two of them is also of interest. The changes from a public-sector environment to a competitive environment whilst working with traditional public sector values, political and bureaucratic aspects. On entering the organisation, it was undergoing considerable change whilst being under considerable pressure from the parental organisation regarding contractual, performance, process and governance aspects.



## **Appendix 8**

### **Leadership and Behaviours**

Challenges to personality trait approach led to a focus on and conceptualisation of leadership behaviour, which is characterised by two elements: focusing on people and focusing on tasks (Fleishman, 1953; Halpin & Winer, 1957; Hemphil & Coons, 1957). Two categories of leadership behaviour were identified: consideration and initiating structure. The former refers to behaviours that are characterised with trust and value by followers, the latter is concerned with the managerial processes that ensure followers perform required tasks. The research was further endorsed by studies undertaken by Katz & Kahn (1952) and Likert (1961) where they concluded leadership behaviour as relations-orientated and task-orientated.

Critique of these studies over time has led to the understanding and influence of causality and context that influences leadership effectiveness (Judge, Piccolo, et al., 2004).

### **Context of Leadership**

Situational factors have been argued to influence leadership effectiveness (Stogdill, 1948) and contingency theories of leadership have focused on the situation rather than the individual. The characteristics of the situation or context include work task, characteristics of the followers the leader has influence over or other environmental factors.

There are a number of theories that make up contingency theories and these include co-worker contingency model (LPC) (Fiedler, 1964); path-goal theory (House, 1971); situational leadership theory (Hersey & Blanchard, 1977); leadership substitutes theory (Kerr & Jermier, 1978); cognitive resource theory (Fiedler & Garcia's (1987) and multiple linkage model (Yukl, 1981, 1989).

Fiedler's (1964) co-worker contingency model (LPC) assesses 'relational orientated' leadership and 'task orientate' leadership by asking leaders to assess their 'least preferred co-worker'. The effectiveness of the leader was dependent on situational characteristics, based on the power and influence the leader held, relationships the leaders had with their followers, and the structure of the work (complex or simple). Combination of factors would result in different levels of 'favourability' i.e. highly favourable situations being denoted as those where leadership is powerful and tasks

highly structured and followers being positive. Critics of the theory refer to the lack of explanation of processes which link LPC scores to situation and performance (Peters, Hartke, Pohlmann, 1985).

Path-goal theory (House, 1971) proposed that goals are created by offering reward to followers for completion of tasks, and by clarifying the way to achieve goals. The effect is to create clearly defined path for work goals to be accomplished. It was based on expectancy theory (Georgopoulos, Mahoney, & Jones, 1957) where individuals are motivated through expectation of rewards they value as well, as by the belief that those rewards are attainable. Path-goal theory categorises leaders into four types: directive, supportive, participative, and achievement-orientated. Interaction is with the follower and task characteristics, to influence their effectiveness. Consistency in research findings is not conclusive (Podsakoff, Mackenzie, Ahearne, & Bommer, 1995).

Situational leadership theory (Hersey & Blanchard, 1977) links the maturity of the follower with influence and effectiveness of the leader. Follower maturity is the confidence of followers to complete tasks, and leadership is defined as being directive and supportive. The leader addresses and changes from task focus to relation focus as the maturity of the followers increases. Support for this theory is weak, but does recognise adapting leadership styles (Graeff, 1997).

Leadership Substitutes Theory (Kerr & Jermier, 1978) proposes that situational environments eliminate the need for task-orientated leadership, while others made relations-orientated leadership redundant. The characteristics are known as substitutes and neutralisers, with substitutes directly affecting work environments by eliminating the need for leader input. An example being the knowledge of followers and operation with little supervision. Neutralisers prevent leaders acting to improve performance, an example being a leader without authority or experience.

The multiple linkage model (Yukl, 1981, 1989) draws on previous contingency theories and proposes mediating and situational variables interact to influence leadership effectiveness. The theory is based on broad spectrum of variables as opposed to previous specific of fixed theories. Situational variables including nature of work, external influence, follower ability, moderate the leader's ability to influence mediating variables such as work task, teamwork and resources. The theory argues that effectiveness can increase by situation and mediating variables being changed. However, there is no explanation on how the variable will be changed or any empirical testing due to complex nature making the theory weak (Yukl, 2015).

## **Relationship between Leader and Follower**

There are a number of theories which refer to the specific aspects of relationships between leaders and the followers. Leader-member exchange theory (Dansereau et al., 1975; Graen & Cashman, 1975) describes the relation between leader and followers and how the relationship influences organisational outcomes. Transformational leadership theories (Piccolo & Colquitt, 2006) are described as the most dominant leadership theory. The theory was introduced by James McGregor Burns (1978) contrasting it with transactional leadership and arguing that transformational leadership behaviours show real significant effects on individuals, groups and organisations (Judge & Piccolo, 2004; Lowe et al., 1996; Bass, 1985, 1996).

Leader-member exchange theory (LMX) refers to personal compatibility influence the leader-follower relationship. Leaders spend more time with those followers who they feel are trustworthy and competent and over time the relationships grow, and interdependence evolves between the leader and the trusted followers. The opposite is said to reflect less time the leader spends with followers that don't fall into the former group and thus relationships are more formal. The high exchange relationships benefit both leaders and followers by allowing leaders to control rewards which followers desire, these include career advancement, delegating work and financial rewards. Followers who receive such benefits are expected to provide benefits to the leader such as hard work, loyalty or additional work tasks (Wilson, Sin & Conlon, 2010). The low-exchange relationships focus on followers in formal relationships such as meeting deadlines, following procedures or accepting instruction from the leader. Rewards or benefits are often formal and associated to work tasks.

Reviews into LMX have shown that attitudes and performance can be predicted by leader-follower relationships (Nahrgang & Morgeson, 2007). A number of studies indicate that leadership development programmes using the LMX model led to subsequent follower improvements in performance (Graen, Novak, & Sommerkamp, 1982).

Transformational leadership extends House's (1977) theory of 'Charismatic Leadership' which includes intellectual stimulation and individualised consideration (Lowe et al., 1996). There are three transformational behaviours as part of transformational leadership theory (Bass, 1985) and fourth being added later (Bass & Avolio, 1990) they are: Idealised influence, individualised consideration, Inspirational motivation and Intellectual stimulation. Idealised influence references a leader's

behaviour which instils respect, emotion and pride with followers. Individualised consideration is encouragement treating followers individually and with respect by a leader. Inspirational motivation is a leader's ability to successfully communicate a vision which engages the follower and finally Intellectual stimulation the leader encourages followers to address problems with new ways of thinking, emphasising reasoned through before actions.

Trust, admiration and loyalty in followers are key traits in transformational leadership and thus followers are motivated beyond their job commitments (Bass, 1985). Bass (1985) argues that an effective leader will use combination of both transformation and transactional leadership behaviours.

### **Ethical Leadership**

Ethical theories of leadership describe associated behaviours in relation to leadership driven by ethical beliefs, values and motives (Trevino, Brown, & Hartman, 2003). The relationship of leadership and integrity on how integrity influences leadership behaviour (Trevino, Weaver, & Reynolds, 2006) is key aspect of theory.

One of the key influences in Ethical leadership theory is servant leadership (Farling, Stone, & Winston, 1999; Graham 1991; Greenleaf, 1977; Smith, Montagno, & Kuzmenko, 2004) where leaders are described as serving followers, nurturing, empowering, and defending them. Empowerment is championed as dominant behaviour between leader and follower and characterised by trust through honesty. There is also a relationship between moral values and sustained action, even if this undermines organisational performance. The qualities in followers are often similar to those of the servant leader, seeking delegation of work that is meaningful, inspiring and championing corporate social responsibility (Greenleaf, 1977). Key elements of servant leadership, although limited in the research include organisational citizenship behaviour, commitment, and self-efficacy (Liden, Wayne, Zaho, & Henderon, 2008; Neubert, Kacmar, Carlson, Chonko, & Roberts, 2008; Walumbwa, Hartnell, & Oke, 2010).

Another key theory of ethical leadership is authentic leadership (Avolio, Gardner, Walumbwa, Kuthans, & May 2004; Illies, Morgeson, & Nahrgang, 2005). The theory combines three previous theories of leadership effectiveness with ethical leadership theory, although descriptions of authentic leadership vary (Illes et al., 2005; Shamir & Eilam, 2005). The characteristics are described

as consistency in values and actions, high self-awareness, positive self-regulation and behaviour, and positive psychological capital (hope, optimism, trust). The positive core values of authentic leaders are described to motivate their behaviour and encourage the development of followers (Avolio & Gardner, 2005).