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Article

Benefits of hybridity in organizations: Views from public, private and the third sector

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Table of Contents

- 1 **BOARD COMPOSITION AND PERFORMANCE IN INDIAN FIRMS**
SH. D. CHATTERJEE, MESRA, INDIA
- 16 **BENEFITS OF HYBRIDITY IN ORGANIZATIONS**
ESA HYYRYLÄINEN, University of Vaasa, Finland
OLLI-PEKKA VIINAMÄKI, University of Vaasa, Finland
- 55 **THE ROLE PLAYED BY KNOWLEDGE INTENSIVE BUSINESS SERVICES IN
KNOWLEDGE ECONOMY**
JOÃO J. FERREIRA, University of Beira , Portugal

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**BENEFITS OF HYBRIDITY IN ORGANIZATIONS:
VIEWS FROM PUBLIC, PRIVATE AND THE THIRD SECTOR**

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Abstract

We have recently seen research examining the origin and functioning of hybrid organizations. The growing practical and academic interest in hybrids is a clear manifestation of the changing and blurring roles of governments and private sector organizations. It also reveals new ways of thinking about governments' relations with various commercial and community organizations as well as ways of reorganizing service delivery and production. While there is a growing body of research and practical knowledge, there are still significant gaps in definitions and understanding of the hybrid organization. It also constitutes an ambiguous field of organizing and leadership. This article represents a variety of definitions and approaches to the hybrid organization and addresses the particular challenges for structuring and managing the hybrids. We also put forward six measures which foster getting benefits and favorable outcomes from the hybrid organization.

Keywords

Organization, hybrid, hybridization, governance, public organization, private organization

Introduction

We have recently seen a lot of research examining hybrid organizations, which combine features of public and private for-profit and non-profit organizations. The growing importance of hybrids is evidenced in the rise of academic research, the interest of students of public and private sector management studies, the interest of practitioners in governments and the private sector, and in the increase of consulting services devoted to giving advice about how to maximize the benefits of this new type of organization. "Hybrids have moved from being a minority scholarly interest to centre stage in mainstream political discourse" (Billis 2010, 4).

The restructuring of governmental activities during and after the era of New Public Management-influenced reforms has resulted in opportunities to introduce new organizational solutions in several countries. In state administration the question has largely been about establishment of more or less autonomous governmental agencies (Verhoest, Van Thiel, Bouckaert and Laegreid 2012). Generally hybrids originate from main three sources: communities or the third sector, markets and governments (Karré 2011a). Examples of hybrids with a community organization background are environmental movements, trade unions, professional unions, and cooperatives which provide services. A good example of a more market-originated hybrid organization is the field of social entrepreneurship (Aiken 2010). Even if the legal form of those organizations is that of a business organization, often a small business venture, these organizations are not driven by just market-oriented objectives. In many respects they are not comparable to typical business ventures at all.

A huge source of hybrids is the government. In governments, hybridization represents at least partial privatization of its activities. The total number of organizations involved in carrying out government functions has increased, but fewer of them are on the far end of the public side of the continuum, and more are somewhere in the middle, if not on the private side (Wise 2010, 165). Furthermore, despite their 'publicness', many public organizations are also expected to act more and more as if they were private. The lucidity of entirely public or private organizations seems to be largely over. Accordingly, some former governmental organizations have taken a more autonomous role, and can now be understood as hybrids. The government is also involved in funding or supervision of some non-governmental organization to the extent that they are now more or less dependent on the government.

Academic and practical discussion on how hybrids should be managed and organized is still emerging. There are already several studies representing the introduction of hybrid organization as well as suggestions to improve leadership by taking organizational hybrid nature into account (see e.g. Karré 2011a 2011b; Niiranen et al. 2010; Kickert 2001; Cooney 2006; Brown, Waterhouse and Flynn 2003; Savage and Scott 2004). However, a systematic analysis of the benefits and thresholds which we face in running, structuring, and managing hybrid

organization is missing. This contribution is meant to encourage other researchers to take this challenge into consideration. We specifically focus on four questions:

1. How hybridity can be understood in relation to organizations?
2. What benefits there are for hybrids in the current societal and political environment?
3. What are the key challenges of hybrids in that environment?
4. What measures are required to create a successful hybrid organization?

Hybridity in organizations

The hybrid organization has evoked a lively discussion on its role, origin, importance, and benefits. The growth of the hybrid organization is evidenced in the rise of academic conferences and research, the interest of practitioners and newsletters, business plan contests, and consulting services devoted to the topic. However, the bulk of textbooks and academic research on hybrids are yet to come. Thus, it is not always clear what the hybrid organization refers to and what it stands for, and how we are able to manage the hybrid organization and what leadership style and practices we would need.

A starting point to define the hybrid organization is to follow Walter Kickert's (2001, 148) note that "hybrid organizations are situated between the public and private spheres. On one hand they are supposed to function like customer oriented and efficient firms. On the other hand, they carry out intrinsically public tasks". Hybrids often have multiple purposes, combining the goals of value change, service provision and mutual-aid to various degrees, and a deliberative mix of organizational forms borrowed from volunteer-run associations, social movements, and non-profit service organizations (Hasenfeld and Gidron 2005, 98; Putnam 2000; Kriesi et al., 1995. Moreover, hybrids fund their activities from a variety of sources which may include grants or contracts, sponsorship, or other form of partnership arrangements with business or profits from unrelated business ventures (Lyons 2001, 23).

If there must be only one who introduced the term 'hybrid' into research, we are tempted to say that it was Oliver Williamson (1991). He used this term for a governance model which exists between the extremes of markets (buying from others) and hierarchy (in-house

production). Thus, for Williamson, the term hybrid organization stands for a certain kind of alignment of organizational transactions with certain governance structures. Most current views on hybrids do not originate from Williamson. NPM has a bigger role. Current hybrids are more an indication of post-NPM governance discourse. That view becomes obvious when we remember that internationally hybrids have been discussed also in terms of agencies, non-departmental public bodies, fringe bodies, non-majoritarian institutions, quasi-autonomous public organizations (quangos), quasi-government and distributed governance (Wettenhall 2005, Christensen and Lægreid 2006, Roness 2007, Lægreid and Verhoest 2010, Verhoest, Roness, Verschure, Rubecksen and MacCarthaigh 2010; Kosar 2011; Verhoest, Van Thiel, Bouckaer and Lægreid 2012)

Organizational and leadership theorists have speculated further about hybrids whose structures lie in between atomistic markets and formal hierarchies. Moreover, the notion of hybrid social systems has been widespread and important and has a long standing in academic fields such as sociology. Organizations being an in-between or intersection of the public and private sectors, and furthermore, the proverbial blurring of the public and private sectors has penetrated the study of public administration for at least the last fifty years (c.f. Moulton 2009; Dahl and Lindblom, 1976; Bozeman, 1987). On the other hand, some hybrids, like the BBC in Great Britain or the Finnish Broadcasting Company (YLE) in Finland, have existed for much longer than that.

Some definitions of hybrid organization use the findings and backgrounds of the third sector literature. However, the definitions are somehow vague, but Salamon and Anheier (1997) in their respective Johns Hopkins Comparative Nonprofit Sector project capture certain essences of these organizations; the organizations share similar characteristics, such as formal organizational structure, are independent of government and self-governing, not profit-driven and are notable for their philanthropic and/or voluntarism activities. Nonetheless, Kelly (2007, 1005) comments that in spite of Salamon and Anheier parsimonious model, practitioners and governments ministers and officials, commentators and the third sector itself use far less specificity and academic rigor. They deliberately categorize these organizations as being part of

the voluntary sector; not for profit sector; voluntary and community sector; non-profit sector; not for profit sector; the third sector and civil society.

The discussion above presents a variety and ambiguous nature of hybrid organization. It also reflects the difficulty to get a grip on the hybrid organization and its leadership. Recently Philip Marcel Karré (2011a 2011b) provided a model of a prototypical hybrid organization which clarifies the discussion. His model is by nature multidimensional, which we believe is the only rational way to depict the faces of this type of organization. Karré's model has ten dimensions which are grouped into three broader groups (Karré 2011a, 38-43; Karré 2011b, 3-5). These dimensions should be understood as continuums which allow for a variety of mixed types.

The first group is called the *structure and activities* of the hybrid organization. It consists of five dimensions:

1. Legal form: whether hybrids are governed by private or public law.
2. Ownership: whether hybrids are owned by private owners or the government.
3. Activities: whether hybrids are taking care of statutory or commercial activities.
4. Funding: whether hybrids are funded by fees or taxes.
5. Market environment: whether hybrids are monopolistic or in a competitive environment.

The second group is called *strategy and culture*. It consists of two dimensions:

6. Strategic orientation: whether hybrids have private or public interest goals.
7. Value orientation: whether hybrids have public or commercial values.

The third group is called *governance and politics*. It consists of three dimensions:

8. Relationship with political principal: whether hybrids are steered by politicians or professionals.
9. Managerial autonomy: whether hybrids have freedom of political or market-induced constraints.
10. Executive autonomy: whether hybrids have less or more autonomy to decide how they take care of their duties.

Karré's model allows for the measurement of dimensions, in which scores of individual dimensions, groups and overall scores would tell us more about hybridity in organizations. One problem in that is the operationalization of dimensions. It is easier to describe the extremes of a continuum than to know how to put a score on mixed types. Karré's dimensions are also overlapping to some extent. Whether he explicitly wants this or not, this leads him to put more weight on some hybridity dimensions in relation to others. In that sense the model is not a balanced one.

Key benefits of hybrids

First of all, the emergence of hybrids tells us about the development of a new kind relation between the private and public sectors. Whereas public duties were some time ago a monopoly of public organizations, numerous public duties are now carried out by private organizations. Especially government functions undertaken by for-profit or nonprofit organizations through contracting continue to expand. For example, in the US federal government, the total number of transactions by contract increased from 583,900 to 3,278,482 between 2000 and 2009 – an increase of some 650 percent (see <http://fedspending.org>).

The success of the hybrid organization is largely based on the effective adaptation to the changing environment of governments. In other words, how the hybrid organization and management within the hybrid organization is able response to stakeholders' needs, to find new markets or to better display the emerging market opportunities, and to adjust its internal organization to meet changes in the environment. We can point at several developments which have been beneficial for the hybrid form of organization. In the following some of these are discussed further.

Governments in many countries have made resources available to the hybrids to improve the infrastructure of these organizations and to provide new opportunities for hybrids to access policy making processes at the national and local levels (Kelly 2007, 1012). This is done in the hopes of getting people more involved in the planning and delivering of services, to improve citizenship and partnership practices, and to encourage community based activities. As such this

is made alongside government reforms where government and bureaucracy is criticized for the failures of the state supply of services, which is delivered by professional ‘expert’ bureaucrats whose primary concern is to ration supply, but resulted in poor quality services and not meeting the needs of the service users (Milburn 2001).

Another point of view is that ambiguity and fuzzy definition serves the diversity and heterogeneity of the hybrid organization, and especially this provides hybrids a great deal of flexibility and adaptability. As the hybrid organization is situated in the intersection or between the public and private spheres and sectors, they hold an important role in providing services and outcomes to citizens and a variety of customers. However, fuzzy definitions are often inadequate when one evaluates outcomes or the effectiveness of this organization. In this situation, a “blurring” of sectors is one of the key issues in understanding the logic and functioning of the hybrid organization, as well as in capturing the benefits of the hybrid organization. Further remarks on this blurring will be made in the fifth section of this chapter.

Though the issues above give certain coordinates for the benefits of the hybrid organization, the question of real benefits is somehow vague. On the basis of hybridity research Philip Marcel Karré’s lifts certain types on benefits related to hybrids, i.e. economic, performance-related cultural, and governance-related benefits (Karré 2011a, 217). Of course, hybrids have the possibility for other benefits as well.

Market-related benefits

The hybrid organization should be beneficial for the economic situation of the organizations in the sense that they open access to new markets. This is especially true for former public organizations, which have been limited by their organizational status. The University of Vaasa, our alma mater, is a good example of that. As long as it was a part of the Finnish government, legislation prohibited it from exploiting education markets. Now Finnish universities are no longer a part of the government, even if the majority is still legally public organizations. For instance, when our neighboring Estonia allowed more commercially active universities in the country, no Finnish university had the possibility to establish a campus there.

Current legislation allows and encourages universities to look for economic benefits wherever it is possible. We still have free education in the country, so fees are not an option for Finnish students and those students who come from member states of European Union and the European Economic Area.

Another example is Destia, which is a Finnish infrastructure and construction service company. Destia's roots date back more than 200 years as a government agency. In 1925, the state established the Road and Waterway Construction Administration (RWCA), which carried out the building and development of the road network. In 1998, the administrative official duties and road maintenance duties of the National Board of Public Roads were separated from each other into two departments, which were in charge of administration and production respectively. The era of the National Board of Public Roads came to an end in 2001, with the permanent split of production and administration into two separate organizations. The Finnish Road Administration remained in charge of public roads and continued as the coordinator of road maintenance. The production department was renamed the Finnish Road Enterprise, which began to compete with other earthworks contractors over road maintenance contracts. Competition was introduced gradually, until in 2005 the Finnish Road Enterprise was fully exposed to open competition. From the beginning of 2008 it was renamed Destia, and Destia became a wholly state-owned limited liability company. The key issue here is that the new organization form – state-owned company – made it possible to expand business operation abroad, and Destia has expanded its business to Sweden, Norway, and Baltic Countries. Of course, this kind of expansion was not possible for a government agency or department.

Possibilities to display markets should now be better for hybrids. Prior to the 1980's there was a strong preference for public solutions to most societal problems. They were seen as the legitimate field of public bureaucracies. This left very little room for exploiting the markets. In some cases they left very little room for having the markets.

The hybrid form of organization helps to find new resources. If the willingness to use taxpayers' contributions for fulfilling public interest objectives had remained the same, there would hardly be any room for the hybrid organization. One of the origins of this type of

organization is the need to find new resources to do something in which taxpayers' contributions do not cover all expenses.

Hybrid organization allows for wider societal support and the commitment of the audience. They have unique resources as they have significant deep knowledge of their client groups' needs and expectations, which traditional service delivery organizations often lack. Furthermore, the specialist knowledge held by hybrids bestows the capacity on them to represent users and provide the means to express their views, thereby empowering users to voice their concerns and needs.

In addition, expert knowledge networks within the hybrid organization provide individuals who can be co-opted/elected to work in partnership with policy-making and implementation governance bodies. The specialist knowledge and experience held by the hybrid organization mean that they are well-placed to monitor and evaluate the quality of services (Kelly 2007, 1010). Thus, hybrids are sometimes felt as an answer to quite a common phrase "*putting citizens first*" (e.g. OECD), which has also been a major concern of public managers and leading politicians in Western countries.

Performance-related benefits

Hybridity can have a positive effect on an organization's performance, as it can serve as an incentive to increase efficiency (Karré 2011a). A classic problem related to public organizations is the absence of effective incentives for increased efficiency at the organizational and individual levels. For example, the impact of the degree of change demanded and the culturally opposing nature of such change has been evidenced in the example of the Australian public service where the introduction of performance-based pay failed to achieve the desired strong performance culture (O'Donnell, 1998; Brown, Waterhouse, and Flynn 2003). The hybrid organization can be seen as one potential solution to this problem, especially because of its capabilities to seek and apply new incentives, performance-culture, and private sector conditions of employment.

Changing service delivery and structure to react to pressures in the operational environment is a lifeline for the hybrid organization. It has been proposed that the public sector experiences greater difficulties in regard to implementing corporate change than the private sector and that this is caused by the unique environment in which the public sector operates, for example, the need to deliver bureaucratically impartial outcomes (Doyle et al. 2000).

Compared to conventional suppliers of services, the hybrid organization tends to be more open and amenable to ideas and change. This is partly because of ambiguous structural organizational characteristics and the greater sensitivity of the hybrid organization, which gives the hybrid organization a 'competitive' advantage over other providers. Partially, the hybrid organization is seen as one solution to meet the challenges of a global economy and the increasing public demand for a smaller but more responsive government.

The pace of change is beneficial to the hybrid organization. It is a common assumption that the pace of change is increasing. Somewhat paradoxically it does not matter whether this is true or not. The assumption of the increased pace of change already affects the choices of organizations. They will choose solutions they think to be effective in changing environments.

Culture-related benefits

The hybrid organization is by its advocates seen as an incentive to combine the best of both worlds by bringing the most prominent values of the public and private sectors together. It is especially expected that the hybrid organization would facilitate a better custom-orientation which has been a classic problem of public organizations. When we operate under a hybrid organization we may find real incentives for better customer-orientation and a culture for rewarding high quality customer service. At the same time, hybridity is an alternative solution, instead of the adoption of private sector practices, which is very often offered to solve this problem.

The establishment of a hybrid organization has helped governments to apply and introduce managerial practices and principles that are often ideologically opposed to the traditional public service ethos. In some cases, government agencies are split in to two separate

organizations: purely public actions remain in the agency-model and the service and/or commercial actions are transferred into a hybrid organization. This has evidently facilitated change, because a new and established hybrid organization is more open to new culture and practices, and it does not merely share the history of the agency-model.

Furthermore, Karré (2011a; 2011b) argues that leadership culture and approach often has new elements in the hybrid organization. He observes that in new hybrids, the managing directors no longer see their organizations as mere executioners of a strategy devised by politicians, aimed at providing goods and services to their exact specifications. Instead, the managers had a larger autonomy than before (as an agency) to make their own plans. Also, the new strategy they followed was more entrepreneurial, in the sense that they managed businesses, the strategic goal to grow and strengthen their position in a certain market. Alongside this change in strategy, the managing directors also introduced new, more commercial values into their organizations.

Finally, the hybrid organization can be more open to confluence diverse organizational cultures, and thereby take the advantages of different cultures. As Karré (2011a) puts it, the separate cultures in a hybrid organization are often recognizable as such. In most cases, the existence of different cultures can be explained with the fact that they have multiple external relations, and they have to operate in the border area between different worlds, like state and market, and produce goods and services in relations based on public and private law. Thus, the hybrid organization cannot permit itself not to value one of those relations. But, as Karré (ibid.) notes, the hybrid organization has to deal with the powerful tensions which arise from the combination of conflicting sense-making patterns and values.

Governance-related benefits

The advocates of hybridization see it beneficial to organizations' relations with the society at large, and particularly with the politicians who are representing different interests in the society. The hybrid organization provides an alternative to government bureaucracy and organization which are strongly needed in reorganizing governments in Western countries. In the

1980s and 1990s there was growing criticism against the public sector, and the legitimacy of public sector solutions to societal problems has been put under question since the 1980s. Back in the 1980's the likes of Ronald Reagan in the USA, Margaret Thatcher in the UK and for instance Brian Mulroney in Canada were political leaders who thought that "*government is not the solution, it is the problem*" (a quote from Ronald Reagan). They were soon followed by politicians in other countries repeating roughly the same message; a public sector solution to societal problems is not as obvious as it has been prior to 1980's.

Also, because of its open nature, the hybrid organization tends to enjoy a better involvement of interest groups and self-help network groups to shaping, monitoring, planning and delivering services and products. (C.f. Kelly 2007 on the third sector organizations).

Milburn (2001) argues that this new kind of organization has an advantage in terms of organizing because it is free from the culture of conventional service delivery bodies and free from the organizational sclerosis, which is often found in conventional public sector bodies. This argument is based, for instance, on a notion that the hybrid organization may focus on results and not on structural and procedural matters that beset traditional bureaucracy. Secondly, hybrids are often uniquely well-placed in terms of their customers; they have close proximity to the services users and as such to meet their needs and aspirations. This close proximity gives an opportunity and capacity to provide new innovative ways of providing services for the public and customers.

The hybrid organization makes taking benefits from two worlds as the middle way. The main benefit of the hybrid organization is that it helps to avoid the trajectories of purely public and private organizations. This allows flexibility to operate effectively in a context which is different from the context in which purely private and public organizational types were originated. In the real world, one has to notice that private and public organizations come in many shapes. There is no one type of hybrid. In order to understand this better we have to make use of the idealized trajectory of private and public organizations in the similar sense as Max Weber used ideal types in his analysis of modernization in the society and in organizations. This allows for a comparison of actual empirical cases to this trajectory to find out where they depart from it.

Key challenges of hybrids

As discussed above, there are great pressures and multifarious opportunities as well as challenges for leaders to assess or reassess their organization's strategic moves, to develop roadmaps for personnel and production, to make operational plans detailed, and to evaluate projects and process implementation. Organizations are more dynamic than ever with increased global competition, complexity, rate of change, new technologies, economic uncertainties, and the movement towards a service-oriented economy (Millick 2009).

Unambiguity in value-base

One of the defining characteristics of many hybrid, as well as, third sector or voluntary organizations, is that they are values-based organizations (Lyons 2001, 22). The more the hybrid organization is engaged to the public or private sector, the more it adopts the values and operating mechanisms of the public sector or market (Eikenberry and Kluver 2004). Evers (2005, 738) notes that nowadays we face service systems and institutions that are shaped simultaneously by all three possible sectors (i.e. public, private, and third sectors), their values, and their steering mechanisms. Kickert (2001, 144) goes further by arguing that since the hybrid organization is situated between the public and private sectors, and thereby two different cultures, values, and norms, conflicts between these value systems frequently arise.

When the blurring of the public and private sectors happens, fears are often expressed that the hybrid organization may fail in the creation of solid value-base and integrity. The reason for this would be that the hybrid organization does indeed involve a complicate mixture of incompatible values and strategies. Particularly, this occurs when the organization pursues commercial precepts and guardian practices at the same time. Combinations of commercial and guardian activities within one organization evidently pose challenges for organizational design and integrity in leadership (Kolthoff, Huberts and Van Der Heuvel 2007). However, Bovens (1996, 130) speculates that the present public debate about integrity and organizational values can be helpful, as it exposes the possible dangers. Once most of the risks and pitfalls are charted,

protocols and guidelines can be drafted and procedures implemented that provide some normative guidance and institutional security.

The values espoused by the hybrid organization often form the basis of normative claims of legitimacy. However, such claims are subject to on-going debate with critics arguing that hybrids do not truly represent the views of those they are trying to assist or that they often fail to institutionalize their values in their relationships with service users (Nevile 2009, 71-75). Additionally, there is criticism that an over-reliance on external funding may be a threat to hybrid organization values-base, especially if its organizational values and outcomes are determined by the funding body (Kelly 2007).

Promoting and safeguarding substantive values such as civil rights, equal treatment, limited government, and liberty become much more complex in an environment in which multiple organizations of different points on the publicness-privateness continuum are operating. However, sometimes the hybrid organization is tempted to stick with old rules, values, and culture. People in the established hybrid organization may lean on, for example, bureaucratic procedures and structures while the new environment would require a more open and competitive approach.

Also, government accountability and the appropriate use of sovereign power are more difficult to specify and enforce when numerous organizations populate the functional area and are susceptible to various mixes of political and economic authority. (Wise 2002, 145; Wise 2010, 165).

Absence of clear goals

Since the issue of commitment is central to the hybrid organization, there has been considerable cross-fertilization between the two research traditions – business and public research, at least. Often the hybrid organization stands to explicitly aim to respond to the expressive needs of their members and to foster a collective identity (Hasenfeld and Gidron 2005, 106). As Gamson (1992, 56) notes “Participation in social movements frequently involves

enlargement of personal identity for participation and offers fulfillment and realization of the self". Thus, the hybrid organization, which operates in an especially fuzzy environment, between the public and private sector, often needs a straightforward goal and strategy. They usually establish a solid base for commitment and a purpose for the individuals inside the organization.

The rapid expansion of new forms of hybrid organizational modes combining public service and business enterprise raise questions regarding the compatibility of public service mission and commercial goals (Young and Salamon 2002; Cooney 2006).

Organizational commitment is related to individuals' strong identification with the goals and values of the organization (Cho and Lee 2001, 85). However, as Cho and Lee (ibid. 86) remark, organizations are not undifferentiated wholes but composites of multiple goals and values, each of which attracts individuals.

The organizational goals are often seen as a shared set of symbols as well as concrete criteria of achievements. Moreover, Snow and Benford (1988) use the term "frames" and they propose that the more these frames resonate with the belief systems held by potential and actual members, the more these frames will be incorporated into their own social networks and 'lifeworld', and the greater will be their commitment to the hybrid organization.

Difficulties to use rewards

Rewards are an evidently essential part of management and motivation. But how to motivate and reward people in the hybrid organization, especially if the hybrid organization absorbs goals, values, strategies, and actions from the public and private sectors? One way to answer this question and this challenge is look at the literature on the motivational elements of both sectors.

Reviews of the relevant literature reveal that work motivation among public sector employees and managers is very different from that of their private sector counterparts (Rainey and Bozeman 2000; Wittmer, 1991; Buelens and Van den Broeck 2007). Often, it is presented

that employees in the public sector are motivated by a strong desire to serve the public interest (Perry 2000), by a sense of service to the community that is not found among their private sector counterparts (Houston 2000), and by an urge to promote the public interest (Box 1999). Public sector employees also show a stronger ethics than private sector employees (Wittmer, 1991). Motivation among public employees is also related to elements such as the opportunity to have an impact on public affairs, commitment to serving the public interest, and an interest in achieving social justice (Perry and Wise, 1990). On the other hand, it is proposed in the research that private sector employees and managers value economic rewards more than people in the public sector (Wittmer, 1991). Buelens and Van den Broeck (2007) compared public and private sector work motivation and their findings confirm that civil servants were significantly less motivated by salary. Moreover, Leete (2000) found that nonprofit organizations rely disproportionately on intrinsically motivated employees, and this also seems to hold in the case of the public sector.

Buelens and Van den Broeck (2007) address the large body of studies that generally public sector employees are strongly motivated by security and stability, which also encompasses the need to work in a friendly, harmonious, respectful atmosphere. Also, they represent research results on some evidence that government executives consider their coworkers, colleagues, and bosses significantly more important than do business executives, and public employees seem to respond more favorably to a people-oriented leadership style than do private employees. Additionally, they conclude that public sector employees want respect for their own working rhythms, their personal lives, their quality time, and their family priorities. Also, Buelens and Van den Broeck (ibid. 70) add that the key issue for the nonprofit sector employees in terms of motivation is a balanced work-family relationship.

Difficulties in establishing a new identity

Sometimes the hybrid organization may operate in the “shadow of hierarchy” (Sharpf, 1994). In simple terms this means that the hybrid organization is, for example, an agent to government bureaucracy but not formally acknowledged or established as an independent organization nor it is not incorporated into government. Also, the government may continue to be

highly centralist and use top-down mechanisms such as regulation inspection and steering through guidance and advice (Kelly 2007, 1015). These pressures may make the hybrid organization vulnerable to ‘drifting’, ‘muddling-through’ and too consensual leadership. In addition, with a lack of a statutory role, the hybrid organization may suffer difficulties in getting income and funding.

As a mixed type of features of private and public organizations, hybrids need to think about their identity. Identity is important since it makes an organization distinguishable from other organizations. It is a normative and an empirical question. As a normative feature identity refers to what an organization would like to be. In this sense it could be defined in the mission, vision and strategy of the organization. As an empirical feature identity stands for what an organization is, mainly in the eyes of external observers. In this sense identity is defined by the actions of an organization.

5. How to create a successful hybrid?

No commercial, community or public organizations can proceed towards the hybrid form of organization without the active role of its management core. Generic wisdom about management is valid here. Just like in any organization, those responsible for management in the organization should do certain things (Drucker 2008, 133). They are also critical success factors in the hybrid type of organization.

The management should define the function and mission for the organization, to decide “what our business is what it should be” (ibid.). In a hybrid organization as well function, as mission should be reflections of past and future models in the process of hybridization. It is important to know what to look for, but in the case of hybrids it is at least as important to know that going to that direction will take time. The management should also be patient in their quest for getting forward.

The management should derive clear objectives and goals for the organization from this definition of the organizational function and mission (ibid.). If a hybrid organization is moving

from public towards private organization, objectives and goals are first close to those of public organizations. After a while this opens up possibilities to find greater resemblance to private organizations.

The management should set priorities that enable them to select targets, set standards for accomplishment and performance, set deadlines, go to work on results, and make someone accountable for expected results (ibid.). The whole nature of accountability is a big concern in hybrids. It should be defined in terms of hybridization instead of just following the standard logic of public and private organizations. During the process of hybridization, a hybrid organization is constantly trying to find its own way of doing things. Partly this means that it should constantly be prepared to skip old practices, partly that it should be willing to adopt new ones.

The management should define suitable measurements for performance as the basis of self-control by results (ibid.). These measures should always reflect the state of hybridization in a certain organization. Performance measurement is functioning differently in those organizations, which are closer to traditional public organizations. The same system would not be valid for all kinds of hybrids.

The management should have a review of objectives and results to weed out those objectives that no longer serve a purpose, have proven unattainable, are somehow outdated, are unproductive, or are too costly in relation to the results (ibid.). This is extremely important in a hybrid organization, which carries traces of its organizational history. For instance objectives, which were absolutely right ones in an earlier state of hybridization, can be wrong ones in a later state of that process. This asks for active managerial monitoring, and courage to make necessary decisions in time.

Alternative routes to a hybrid

We might find at least three alternative routes to a hybrid organization. First, there is the route from a commercial organization to a hybrid organization. In the case of a commercial organization hybridization is the plausible result of a long-term partnership with the government.

The question is most often about government contractors, and the environment for that partnership is that of public procurement (e.g. in the field of infrastructure investments such as road-building, public buildings, bridges, etc.).

A second route is from a community organization to a hybrid organization. In the case of community organizations long-term partnership is also a likely cause of hybridization. They can also be government contractors. In all cases the question is not about organizations having a formal contract with the government. The nature of cooperation can also be informal in every sense of the term. Yet, the process often leads to the establishment of some kind of hybrid organization which incorporates features from both the community organization and public authorities.

Thirdly, we are able to track a route from a public organization to a hybrid organization. Here, the driving force behind developing the hybrid organization is some form of market-type mechanisms or market-orientation. In the public sector, market-orientation has been an essential part of the New Public Management (NPM) doctrine, which has been adopted by several countries as the leading principle of government renewal. In a sense NPM is an amalgamation of managerialism, the adoption of a generic management style instead of specifically public management style, and contracting, the adoption of key ideas of Institutional Economics, i.e. Principal-Agent Theory, Transaction-Cost Economics and Public Choice (Pollitt, 1990; Hood, 1991; see also Bemelmans-Videc, Nelissen, Godfroij and de Goede, 1999).

We specifically want to argue for six required measures, which would allow hybrids to adopt a constructive pattern and to avoid a destructive one. Those six measures are described in the following in relation to these patterns.

Acceptance of change

You do not have to choose blurring. It happens whether you approve or not. In the case of hybrids the road to success starts from accepting the blurring of former organizational boundaries. Academics and practitioners have noted and documented the blurring of the public

and private sectors, although the “blurring” may rather be attributed to a variety of factors in the environment of public and private organizations (Wise 2010, 164).

As more private organizations have become involved in public programs, services, and policies, academic research has been charting the “publicness” of what are considered private organizations and looking at their effects on public outcomes. However, in the current period and after the global financial crisis, involving greater penetration by public organizations in business may be indicative of the increasing “privateness” of public organizations, and furthermore, a diminution of the privateness of certain business (e.g. in the US, the federal government in a way buying controlling interest in banks, insurance companies and automobile manufactures. (Wise 2010, 164). Thus, Wise (ibid.) proposes that “given the dynamics in both ‘publicness’ and ‘privateness’ with respect to envisioning and analyzing organization of the future, it is perhaps most useful to conceive of a continuum of organizations, with those most characterized by their public features of the publicness end of the continuum and those characterized by their private features on the privateness end”.

Bozeman (1987) suggests that we look to the degree of influence by “political authority” versus “economic authority” facing organizations to characterize a particular organization. “To the extent that an organization is more constrained or enabled by political authority, it is more public; conversely, an increase in constraint by economic authority increases the privateness of the organization” (Moulton 2009, 890; see also Wise 2010). Wise (ibid. 165) continues that “it seems increasingly likely that public service configurations for the performance of particular public functions will consists of more hybrids that occupy neither end of the publicness-privateness continuum, but rather lie somewhere in the middle, and they will operate in an environment of increasingly numerous organizations with which they potentially compete and/or cooperate. Even very old and traditional federal bureaucracies seem to be sliding more toward the middle of the continuum.”

However, to evaluate the position of a specific hybrid organization is a challenging issue. Traditional measures of publicness often consist of descriptive indicators identified a priori as being “public”, typically functions of governments, such as the percentage of resources from

government, the frequency of communications with government, or the importance of government to organizational growth and survival (Moulton 2009, 890). While descriptive measures of publicness have explanatory utility for internal management practices and behavior, including quality management practices, measures of red tape, and decision making, such measures have provided less insight toward predicting public outcomes (ibid.). Moulton refers to Heinrich and Fournier (2004) that, in general, descriptive measures of publicness (e.g. financial and ownership status) were not significant predictors of differing public outcomes for substance abuse treatment facilities.

Thus, the first measure to establish and/or to manage the hybrid organization is to identify the organization's outcomes to be achieved in a particular context, or indicators of public/private values that will serve as measures of realized publicness/privateness (ibid. 894).

Mixing organizational values

The blurring of organizational boundaries inevitably challenges dominant values in the organization. The question is as well as about explicit organizational values as implicit personal values of those persons who have a stake in the activities of the organization.

Some values are going to be unsuitable for emerging situation after the process of hybridization. Values like public sector ethos belong to this type of values. For some values, the situation will be quite different. Values like efficiency and effectiveness are valid in all types of organizations. Therefore no change is expected in these values. They might become even more important due to hybridization and the blurring of organizational boundaries. Then it is likely that there will be new values which emerge during the process of hybridization. This part of hybridization is mostly unexplored by the current research on hybrids.

Inevitably, blurring brings challenges with it. Destructive and constructive patterns are inevitably present as the possibilities for the future development. If a destructive pattern wins, it leads to the confrontation of values. Just like any other conflict in the organization, it is difficult to be solved by the means available for management in organizations (Yukl 2010). In some cases

management is even one essential part of the problem. Conflicts can arise at different levels in organizations. There are conflicts between individuals, between departments, between affiliates, in the top management, between top management and lower levels of the organization etc. Usually conflict is understood as a dysfunctional feature but it may lead to something functional as well.

If a constructive pattern wins, it leads to a plurality of values. Plurality of values requires open-mindedness. Open-mindedness here stands for the will and ability to accept values which are different from our own. In the globalizing world cultural differences are a major source of variation on values. Even if globalization leads to some form of convergence, for instance business models are about the same all over, it cannot blow away all cultural differences.

In the case of hybrids, a major source of different values lies in different organization types which join together in the hybrid organization. In order to be open-minded a manager in a typical hybrid organization should be open to values of two or even three different worlds (see Table 1)

Table 1. Potential value-sources for hybrid organization: elements of public, business and third sector organizations as values-based organizations

	Public organization	Business organization	Third sector organization
Key institution	Government	Entrepreneur, company	Cooperative
Role for individuals	Citizen	Consumer	Volunteer
Motivational source	Public interest	Self-interest	Altruism
Mode of exchange	Taxes, fees	Market place, prices	Shared interests
Mode of interaction	Hierarchy	Contract	Mutuality
Examples of suitable values	Equality, welfare, citizen-orientation	Profitability, competitiveness, customer-orientation	Cooperation, voluntarism, human rights

Assume that we have a hybrid organization, which carries features of all three value sources at the same time. Management cannot take anything for granted in this kind of organization. Open-mindedness of management and employees is required as a crucial move towards finding solutions to the problems but it cannot solve the problems on its own.

Broadening the analysis of opportunities and constraints

You are always constrained by your world vision, so the best way to get beyond that is to talk to someone who has a different world view. Since values are a big part of our world views, this means that this is a way of lifting differences in values on the table. This is extremely important when the future of the organization is under discussion. Therefore, the plurality of values should be recognized very early on in the strategy process. They should be recognized already during the analysis of opportunities and constraints.

An essential part of that is some form of stakeholder analysis (Bryson 2004, 107-113). A typical product of stakeholder analysis is a stakeholder map. There are two kinds of maps available. Either it is presentation of all stakeholders with a link to the organization (ibid. 109), or a classification of stakeholders on the basis of their importance to the organization. Table 2 below is our version of Aubrey Mendelow’s power-influence grid which is often presented in the strategic management literature as variations of the original. In this case it gives a static view of stakeholders. Of course, the position of certain stakeholders can also become weaker or stronger due to developments largely outside the organization. A 2x2 is the simplest form of stakeholder mapping available. More complicated and accurate versions are also available.

Table 2. An example of stakeholder mapping

	Stakeholders with strong interest to influence organizational choices	Stakeholders with weak interest to influence organizational choices
Stakeholders with strong	“Listen carefully”	“Pay attention to”

ability to influence organizational choices		
Stakeholders with weak ability to influence organizational choices	“Don’t forget”	“Who cares”

The basic nature of hybrids as mixed types will lead to an increased number of stakeholders. Managers simply have more interested parties to keep an eye on. In this situation it would be natural to limit the number of views listened to with stakeholder mapping. This would be sensible but then managers should remember the cost of limiting stakeholder views especially in the analysis phase of their strategic processes. Strong emphasis on just key actors, i.e. groups “listen carefully” and “pay attention to”, would cut down relevant information which would be useful for the purposes of the organization. In the case of hybrids which are more likely vulnerable in relation to their future than “pure” organizational types, this would be a bigger problem. It would have the tendency to restrict analysis of future considerations, and contribute in sliding towards a destructive pattern.

What we have proposed here is by large following the decision making of Franklin D. Roosevelt as it has been described in Drucker (2008, 302). Roosevelt had a habit of asking three to four individual cabinet members to think about the issue independently and to bring him a proposal on what to do. This guaranteed several things at once. Firstly, those who had to implement decisions had already thought them through. Roosevelt also knew, on the basis of that process, who were the best candidates to implement decisions effectively. He also got dissent since all members of the cabinet had differing ideologies, values, world views, arguments and interests. They even defined the issue differently on that basis. So Roosevelt got different definitions and solutions of the issue, which were already studied and analyzed from different views. He did not get a decision but a better situation in which to make that decision.

Creating opportunities

All challenges can also be seen as opportunities. This is also true for stakeholders which have weaker power to influence organizational choices. If they are listened to, they have the potential of lifting fresh ideas to the table. Most ideas would probably lead nowhere but some of them might be most beneficial for the organization. No one can be certain about the future. A quote from Peter Drucker (2008, 324) provides a good description about this question: “The measurable things are things that happened; they are in the past. There are no facts about the future. Measurable things are primarily inside events than outside events. The important things on the outside, the things that determine that the buggy-whip industry disappears and that IBM becomes a big business, are not measurable until it is too late to have control.”

A broad analysis of opportunities and constraints makes a good start towards a better future. The next phase is to decide on that future on the basis of the analysis. So far we have found out that the hybrid organization is mixed types, which have a greater number of values and interests to pay attention to than “pure” organizational types. It is almost guaranteed that decision making in the hybrid organization is more difficult than in “pure” types. So, how to make use of existing opportunities, and even encourage people to bring fresh ideas to the strategy process?

The answer lies largely in leadership. In the end even Franklin Roosevelt was showing his leadership and made the decision about the discussed issue from the top down (ibid. 302). If management is about what you should do in the management position of an organization, leadership is about how you can do it or about what resource you are using to do it. Top down is one way of doing it, probably the most classical one. It is based on a legitimate position in the hierarchy. It is just one base for leadership. We can mention rules and regulations, personality, traditions, superior knowledge or experience, support of powerful actors, just to name a few, as other bases. In reality, leadership is also about a mixture of different bases.

In the case of hybrid organization there are mixed sources for leadership as we previously recognized in the definitions, and there are also mixed expectations for it. Whereas hierarchy is seen as a legitimate base for leadership for a public organization, it has less importance in commercial and community organizations. So when features of those amalgamate with the

features of a public organization, it is likely that this affects possibilities and expectations on leadership as well.

The biggest practical problem is often located in making decisions about the strategy. This is where leadership will be tested for real. We agree with the likes of Alfred P. Sloan and Peter Drucker, who think that strategy is also the key to understanding the emergence of organizational structures. This is how Drucker (2008, 410) puts it: “Organization is not mechanical. It is not an assembly. It cannot be prefabricated. Organization is unique to each individual business or institution. For now we know that structure, to be effective, must follow strategy.”

Drucker (2008, 410) also thinks that “only things that develop spontaneously in an organization are disorder, friction and malperformance”. We are not willing to go this far in our interpretation but want still to speak about the importance of organizational strategies and about the importance of leadership in deciding about strategies. An effective strategy should be an interpretation of management about what they want to do, having opportunities and constraints in mind. Mintzberg, Ahlstrand and Lampel (1998, 15-18) provide four good reasons for a good strategy. It matters because it sets direction, it focuses effort, it defines the organization, and it provides consistency. All these are important in all organizations, and extremely important in hybrids, which do not necessarily have a clear organizational identity to build on.

Using the strategy

According to Bryson (2004, 1), in order to make use of their strategy in the best possible fashion, organizations and their managers should:

1. think, act, and learn more strategically,
2. be able to turn their insights and visions into clear-cut strategies which help them to cope with the challenges of their environments,
3. develop procedures for the adoption and implementation of their strategies, and
4. be able to mobilize interests into strong enough coalitions to adopt desirable strategies and protect them during implementation.

Having a strategy to play with is a good start. Having the ability to protect a strategy during implementation phase is a good companion to that. Nevertheless, they do not solve the problem of managers in hybrids. They need to find ways to maximize the use of strategy in the activities the organization is accountable for. We can think of four possible situations to do that with their distinctive management challenges (Table 3).

Table 3. Usability of organizational strategies

	Strategy understood by internal and external stakeholders	Strategy not understood by internal and external stakeholders
Strategy approved by internal and external stakeholders	Strategy is usable and used (best case)	Complexity of the strategy is hindering use of strategy
Strategy not approved by internal and external stakeholders	Resistance to change and lack of support is hindering use of strategy	Strategy not usable and not used (worst case)

The best and worst cases are possible but in terms of management challenges, the two remaining squares of this table are far more interesting in the case of hybrids. The blurring of organizational boundaries or hybridization is a change of that caliber that it affects the interests of internal and external stakeholders. Therefore it is reasonable to assume that some degree of resistance to change and lack of support will follow.

These problems can be tackled by several means. Edgar Schein (2004, 246-271) describes possibilities as primary embedding mechanisms and secondary articulation and reinforcement mechanisms. His terms originate from the fact that he has organizational culture primarily in mind. According to Schein, primary embedding mechanisms consist of:

1. what managers pay attention to, measure and control on a regular basis

2. how managers react to critical incidents and crises
3. how managers allocate resources
4. how managers deliberate role modeling, teaching and coaching
5. how managers allocate rewards and status
6. how managers recruit, select, promote and dismiss people.

Secondary articulation and reinforcement consists of:

7. organizational design and structure
8. organizational systems and procedures
9. rites and rituals of the organization
10. design of physical space, facades, and buildings
11. stories about important events and people
12. formal statements of organizational philosophy, creeds, and charters.

So, the road to success is a combination of active management style and cultural features that reinforce that management style. In the case of hybrids, the latter may be a bigger concern. Similarly as in the case of organizational amalgamations, the hybrid organization needs its own culture with rites, stories, institutionalized practices and procedures and philosophies. This takes time.

Defining accountability in broader terms

In the end the question is about people and what they do in organizations. “Work, to say it once more, is objective and impersonal; the job itself is done by a person” (Drucker 2008, 411). In the end the question is about what these persons are obliged to, and also want to do in carrying out their work-related activities. This also concerns accountability. Currently, accountability stands for practically everything connected to good governance in public, private and hybrids¹ (Bovens 2007). We are convinced that a successful definition of accountability links organizational “needs” and individual “wants” together. There should be no major contradiction.

¹ Originally accountability as a term was linked to bookkeeping. Apparently the term originated in Britain during the time of William I, just after the Norman Conquest of England. Property-owners were asked render a count of what they possessed for taxing and for describing what was in the King’s realm. (Bovens 2007).

Often hybrids as well as the public organizations are accountable to the public at large for three separate but interconnected dimensions of accountability. These are that 1) money has been spent as agreed upon and in accordance with legitimate procedures 2) that possessed resources have been used efficiently, and 3) that resources have been used to achieve the intended result (Flynn 2007, 125-126). The first dimension is relatively easy, and can be controlled without difficulties by the means available in accounting. In the second dimension some form of measurement problem is already present. Since public organizations do not have a natural “bottom line”, we can always discuss about how to measure their outputs. This often holds in hybrid organization also. The third dimension is the most difficult one. There are numerous ways to see and arguments for certain measures to meet certain needs. It is actually more a political concern than a technical question. At least political standpoints affect assessments of people on this dimension of accountability.

Accordingly, the accountability problem of the hybrid organization is to know what they are accountable for. When they are using taxpayers money, their accountability is comparable to that of public organizations. However, they may be accountable for something else too. As a mixed type they also have mixed accountability. Instead of being accountable for something which is easily described, they might be accountable for a combination of things. The dimension of accountability can be utilized to assess their accountability. The first dimension of accountability is once again the easiest dimension in that respect. Even there it may be possible that the same procedures would not be valid for all use on organization’s resources. The second dimension is more critical. It may be possible that there even is a “bottom line” for some activities, even if it does not exist for others. Then it takes several simultaneous measurements to gain a picture of the whole situation. Once again, the third dimension is the most challenging one. This will be assessed in relation to the intended results of action, and in a mixed type, one easily finds several intentions simultaneously.

A summary of the required measures towards a successful hybrid

In order to get the best out in the creation and management of the hybrid organization, we discussed the six essential measures above. Below, Table 4 summaries the six measures that we propose in relation to patterns which choices in the organization aim to promote or avoid (the measures are presented in the middle section of the Table 4). In Table 4, the constructive pattern presents the elements of the successful establishment and management of the hybrid organization. On the other hand, the first column addresses the critical factors that we often face in the management of the hybrid organization and issues that we should find a solution for.

Table 4. Measures toward favorable hybrids: balancing between the destructive and constructive patterns of hybridization

Destructive pattern	Measures	Constructive pattern
Blurring of organizational types	Acceptance of change	Blurring of organizational types
Confronting values	Mixing organizational values	Plurality of values
Biased analysis of the environment	Broadening the analysis of opportunities and constraints	Detailed analysis of the environment
Restricted strategy	Creating opportunities	Unrestricted strategy
Ineffective action	Using the strategy	Effective action
Distorted understanding of accountability	Defining accountability in broader terms	Proper understanding of accountability

6. Conclusion

Hybrid organization is an important organizational form today, and will remain so. There is still confusion about the definition of hybrids. There is also ongoing discussion about appropriate management approaches within the hybrid organization. Being a mixture of public and private organizations, the hybrid organization adopts benefits and challenges from both sectors. Walter Kickert (2001, 148) noted years ago that a strict separation between the public and private spheres reflects an unwillingness to face reality. As far as we are concerned, this cannot be said much better. Critical success factors of management in the hybrid form of

organization are undeniably related to leaders' and decision makers' ability to adopt the best features of both sectors.

We see two conceivable patterns. If a destructive pattern wins, the hybrids face numerous hard to solve management challenges on a daily basis. Their values clash, their analysis of the environment will be biased, their strategies will be restrictive, actions ineffective, and their whole idea of accountability will be more or less distorted. But we also see plausible solutions to the challenges. For instance, it is not impossible to learn to be open-minded, and to turn value clash into a positive plurality of values. It should not be impossible to bring more views into an analysis of the environment, and to make an unrestricted organizational strategy a better one. It definitely should not be impossible to use that better strategy to guide actions in the organization. And finally, we see no problems in learning to define accountability in broader terms. If all this happens, a constructive pattern wins.

Both patterns have the same starting point, an assumption of blurring of organizational boundaries and features. The best way to understand blurring and its effects in organizations, is to start from basic values of organizations. Values tell us about organizational and individual preferences concerning courses of action and their anticipated outcomes. In hybrids values are inevitably different from purely public or private organizations. Since their values stem from two quite different worlds, some kind of value clash is always imaginable.

Every organization has to monitor its environment. Values play a major role in that analysis, and in that sense, the analysis of the environment is always value-based. In fact there is no direct link from the environment to the organization. The actual link is much more complicated. An organization depicts its environment as a combination of challenges and opportunities using its own value-based analysis of the environment as the basis of assessment. Analysis leads to a strategy, which can be seen as a road-map for the organization.

If values clash in an organization, it affects the strategy as well. In worst case strategy remains ambivalent, the road map is not usable or used. Since actual organizational action is at least provoked by its strategy, this creates a problematic situation. It can for instance distort

accountability of managers. In principle managers are accountable for providing the results and the future for the organization as defined in the strategy. If the strategy fails to define clearly what you are expected to achieve, you cannot actually be accountable for that either.

The likelihood for management problems is greater in hybrids than in purely public and private organizations. At the moment we have good reasons to assume that the number of hybrids is still increasing. Their importance in public policy delivery is also increasing at the same pace. Therefore they remain a main concern of public management and organization studies for quite some time.

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