

## **Hybrids and professional communities: comparing UK reforms to health care, broadcasting and postal services**

Many countries use state-owned, for-profit, and third-sector organizations to provide public services, generating ‘hybrid’ organizational forms. This article examines how the hybridization of organizations in the public sector is influenced by interaction between regulatory change and professional communities. It presents qualitative data on three areas of the UK public sector that have undergone marketization: health care, broadcasting, and postal services. Implementation of market-based reform in public sector organizations is shaped by sector-specific differences in professional communities, as these groups interact with reform processes. Sectoral differences in communities include their power to influence reform, their persistence despite reform, and their alignment with the direction of change or innovation. Equally, the dynamics of professional communities can be affected by reform. Policymakers need to take account of the ways that implementation of hybrid forms interacts with professional communities, including risk of disrupting existing relationships based on communities that contribute to learning.

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## INTRODUCTION

Many countries now use mixed economies of supply for providing public services in which state-owned, for-profit, and third-sector organizations can deliver services. One explanation for the emergence of such plural or ‘quasi-markets’ (Bartlett and Le Grand 1993) is policymakers’ desire to improve service delivery by exposing state-owned providers to competition, while also needing to safeguard public services’ welfare role (van der Heijen 2013). In the UK, use of mixed economies of supply is linked to a broader turn towards use of ‘business-like’ management practices that aim to modernize state-owned organizations across the public sector (Hood 1995). This article explores market-based reforms in relation to three areas of the UK public sector. In the English National Health Service (NHS), state-owned hospitals have been corporatized and granted more financial freedom, while service providers from the private and third sector have been encouraged. In broadcasting, a compulsory quota for commissioning programming from the independent sector was imposed upon the British Broadcasting Corporation (BBC) in the early 1990s, and extended through subsequent organizational reforms in the mid-2000s. In the postal industry, the state-owned provider, Royal Mail, was converted into a public limited company (owned by the government) in 2001, followed by privatization in 2013 through floatation on the London stock exchange.

An influential way of interpreting market-based reforms is to describe the emergence of ‘hybrid’ forms in public service delivery. Hybrid forms of organization – that combine coordination through price, authority, reciprocity and trust – fall somewhere between the distinction between market and hierarchy found in transaction cost economics, and suggest a blurring of the boundaries between the public and private sphere in how providers deliver services. Hybridity is often approached by distinguishing between ideal types of organization – e.g. public, private, and third sector – and assessing how each is influenced by the need to

respond to a regulatory context that emphasizes both the public interest and market-like behaviour. The emergence of hybridity may be seen as a 'coping strategy' in response to these contrasting demands (Evers 2005). The influence of multiple demands on hybrid organizations has generated both optimism, such as opportunities for new income, and pessimism, due to the risks of losing independence and changing values (Billis 2010). Studies at the meso (organizational/structural) level have assessed the impact of multiple demands on public sector organizations by examining the relationship between the regulatory context and providers' structural form, including their ownership, funding, and relationships with other providers.

An alternative way of analysing hybridity, which has emerged in the public administration literature, aims to provide a theory of agency to analyse the processes through which hybrid forms are practised at the micro (service) level, including the responses of groups and individuals (Skelcher 2012; Skelcher and Smith 2015). Rather than privilege structural characteristics and forms of authority, these approaches explore the practices through which hybrid forms are produced and experienced to explain how potential tensions between different demands on hybrid organizations are negotiated. For instance, hybrid organizations may be associated with financial, cultural and political risks (Brandsen and Karre 2011). At the micro level, processes such as situated knowledge use, argumentation among stakeholders, and local resistance in response to organizational change help to shape the emergence of hybrid forms, meaning that they cannot be reduced to structure or agency (Gleeson and Knights 2006; Skelcher 2012). Taking into account both perspectives, this article explores how different forms of hybridity emerge through interaction between change at the meso level and agent reflexivity within organizations at the micro level. This approach responds to a recent call for multi-level approaches to the study of hybridity, which involves:

‘linking changes on the level of individual professionals or groups in public services to their changing, often hybrid, organizational and political environment’ (Denis *et al.* 2015, p.284).

This article addresses the following question: how is the hybridization of organizations delivering public services influenced by interaction between regulatory and organizational change and the characteristics of professional communities in different areas of the public sector?

To link structure and agency, the analysis uses the theory of ‘communities of practice’ (CoPs) which represents a micro-level theory of agency in suggesting that learning within organizations takes place through repeated social interaction among groups of individuals with shared interests and skills (Wenger 1998). Within the public sector, professional communities such as health care professionals are critical to service delivery and innovation as they hold specialist knowledge and expertise; contribute to organizational learning through social interaction; and often have the authority to moderate external change (Ferlie *et al.* 2005; Amin and Roberts 2008). CoPs theory can be used to analyse, firstly, how professional communities in the public sector are influenced by regulatory and organizational change associated with hybridization, e.g. demands for ‘commercial’ knowledge and, secondly, the ways in which professional communities may resist or moderate the implementation of change.

In the next section, different approaches to hybridity in public administration, focusing on organizational structure or agency, are outlined. After describing the research methodology, the findings concerning the impact of market-oriented reform on three UK public sector organizations are presented and discussed.

## APPROACHING HYBRIDIZATION

Almost 30 years ago, Powell (1987) argued that by looking at economic organization as a choice between markets and hierarchies, one would fail to see the variety of hybrid forms that characterized the organizational landscape. We take ‘hybridity’ to mean the ‘heterogeneous arrangements, characterized by mixtures of pure and incongruous origins, (ideal)types, “cultures,” “coordination mechanisms,” “rationalities,” or “action logics”’ (Brandsen *et al.* 2005, p.750) influencing organizational behaviour. Hybrid forms of organization are not restricted to private sector companies engaging in joint-ventures, strategic partnering or other networks, but are today a common form of organizing public services, including social housing (Koffijberg *et al.* 2012), health care (Allen *et al.* 2011), and broadcasting (Turner and Lourenço 2012). The hybridization of the public and private sector emphasizes the interdependence of private and public interests, and the resultant need for studies that explore the interaction between these interests and their influence on organizational behaviour (Mahoney *et al.* 2009).

The majority of studies analysing hybridity has focused on the blurring of the boundaries between the public and private sector brought about by shifts in the regulatory and institutional context. The blurring of boundaries is often linked to the different types of organization responding to common factors at the meso level. Bozeman (1987) suggests that the ‘publicness’ of both public and private organizations depends upon the relative influence of economic and political authority on different organizational processes, including funding sources and regulation. In relation to the English NHS, supply-side reforms have encouraged ‘hybrid’ providers with a variety of ownership structures, funding sources, and modes of social control that bring together aspects of market and political hierarchy (Allen *et al.* 2011). In UK broadcasting, changes in the late 1990s to Channel 4’s funding structure (the UK’s

only public service publisher-broadcaster) allowed profits to be retained from its advertising, which resulted in the channel taking on a more commercial orientation and becoming less pluralistic in its programming (Born 2003).

Regulatory change can also affect interactions between providers. In the building regulation industry, van der Heijden (2013) shows that the encouragement of competition among providers in Australia relative to Canada impacted upon providers' strategies (in the latter country more cooperative relations emerged). Others have argued that the presence of common institutional pressures allows the further step to be taken of equating hybridity with homogenization. Millar (2012) suggests that, despite policymakers' attempt to increase provider diversity by encouraging new entrants into the NHS, social enterprises and public organizations are converging due to isomorphic pressures associated with common management methods.

While recognizing that meso level factors, e.g. funding sources and regulation, do shape organizational behaviour, we argue that this does not necessarily result in homogeneity. Instead, this article explores hybridization as the outcome of interaction between meso and micro level factors, suggesting that hybrid forms will take on different characteristics depending on how factors at these different levels interact and combine. Previous comparative analyses of UK public sector reform found that common discourses at the meso level were used to legitimize modernisation, e.g. 'entrepreneurial leadership' (Currie *et al.* 2008), but that sector-specific differences influenced implementation at the micro level of service delivery, including variation in professional values and institutions (Ackroyd *et al.* 2007). This suggests that interactions between factors at different levels reflect the interplay between structure and agency during implementation processes: intended policy and

organizational reforms are negotiated in, and mediated through, the everyday practices of professional groups found within organizations (Gleeson and Knights 2006).

To further understanding of hybridity in the public sector, it is thus important to examine how professional groups are both influenced by reform (i.e. potential impact on their practices) and help to shape reform processes (i.e. their effect on the planning and implementation of change). To assess these interactions between reform processes and professional groups, we use Wenger's (1998) concept of CoPs. This suggests that sustained interaction within professional groups generates social and material resources for learning, including ways of doing things, stories, gestures, symbols, genres, and concepts (Wenger 1998). These activities may contribute to organizational learning in so far as they are aligned with wider organizational goals; equally, there may be tensions between the dynamics of professional communities and the shifting organizational and institutional context in which they are situated. Thus, the concept of CoPs offers a useful way of exploring 'hybridity' because it draws attention to ways that regulatory reform and organizational change influence, and are influenced by, the activities of different professional communities within the public sector.

To examine the interplay between reform processes and the dynamics of professional communities, we draw on Amin and Roberts' (2008) framework that compares CoPs along four dimensions: knowledge use, social interaction, organizational structure, and innovation. As an illustration of these dimensions, health care professionals are said to learn through both academic study and learning in doing (knowledge); develop professional identities through interaction with experienced members of a community (interaction); are regulated by professional associations which may act as a barrier to radical change (organizational dynamics); and are more geared towards incremental than radical innovation, as the latter often requires interaction across professional and organizational boundaries (innovation). As suggested by these dimensions, an important characteristic of how CoPs are organized is their

strong boundaries, as they tend to be uni-disciplinary in nature, which means that CoPs may resist processes of external change (Ferlie *et al.* 2005).

In this article, we apply these dimensions to professional communities in health care, broadcasting, and postal services to assess, first, how the learning practices of these groups are influenced by reform and, secondly, how such communities might shape the implementation of reform and responses to hybridization within each sector.

### **STRUCTURAL REFORM IN HEALTH CARE, BROADCASTING, AND POSTAL SERVICES**

Market-based reforms have been introduced across a range of public services in the UK. In the English NHS, an internal market was introduced in the early 1990s in which providers and purchasers of health care were separated. Authority was devolved to corporatized provider organizations, while central control was maintained through national targets and other central mechanisms for regulating providers' performance. Increased autonomy led to more 'business-like' organizations preoccupied with financial issues, encouraging of non-executive directors with private sector backgrounds, and keen to apply managerial concepts to clinical practices (Ashburner *et al.* 1996). In the mid-2000s, New Labour went further by encouraging diverse providers from the private and third sector, as part of supply-side reforms that aimed to reduce waiting times, improve efficiency, and increase care quality (Department of Health 2000). New entrants from outside the NHS were seen as potential sources of innovation (e.g. in establishing new care pathways outside traditional hospital settings), while external competition was regarded as the 'grit in the oyster' for improving system performance (House of Commons Health Committee 2006).



At a similar time to the English NHS, market-based reforms were introduced at the BBC. Following publication of the Peacock report on the BBC's financing, two structural reforms were introduced in the early 1990s. A 25 per cent quota for commissioning programming from the independent sector was applied to the BBC and ITV under the 1990 Broadcasting Act and an internal market for programming ('Producer Choice') involving the separation of producers from commissioners was created within the BBC. In 2007, the maximum quota of programming that could be supplied by the independent sector was increased to 50 per cent through the 'window of creative competition' (WoCC), as in-house and independent television producers ('indies') would compete for a further 25 per cent of programme commissions. Three inter-related arguments were made by policymakers for enabling a greater role for the independent production sector in delivering public service broadcasting. Firstly, introducing competition among producers would ensure the 'best' possible programmes were broadcast (the term 'efficiency' is also used in this context) (Department for Culture, Media & Sport [DCMS] 2005a). Secondly, use of indies would promote greater diversity in programme content (DCMS 2006). Thirdly, the independent sector was seen as a locus of 'creativity and innovation' in its own right that would be able to deliver 'additional value to the viewer' (DCMS 2005b, p.9).

In 1999, New Labour announced that the postal market would be liberalized, arguing that greater competition would lead to 'increased efficiency' and encourage 'innovation, productivity, and growth' (Department of Trade and Industry [DTI] 1999). Royal Mail's monopoly on collecting and delivering mail was phased out between 2003 and 2006 (a requirement to provide a universal postal service was maintained) and private companies were licensed to compete in the postal market by a new regulator, the Postal Services Commission. In 2001, Royal Mail became a publicly limited company with an arm's length

relationship with government and freedom to form partnerships and alliances. The government argued that competition would ‘change the business culture of the post office, challenging it to become more efficient and competitive’ (DTI 1999, p.19). A three-year period of ‘restructuring for recovery’, which included 30,000 redundancies, was initiated by the Board. In response to impending competition, Royal Mail invested in new services to complement the organization’s core competence in postal collection and delivery, including data and media services. In 2013, the Conservative Liberal Democrat coalition government oversaw Royal Mail’s public floatation on the London stock exchange. In June 2015, the Conservative government began selling off the government’s remaining 29.9 per cent stake in Royal Mail. The findings presented in this article describe Royal Mail’s response to the preceding step of the postal market’s liberalization in the early 2000s.

In summary, across all three sectors, similar reasons were given by government for introducing market-based reforms. Competition was introduced as a means to increase ‘efficiency’ in the delivery of services and to promote ‘innovation’ within each sector. The empirical part of this article assesses the ways in which sector-specific differences in professional communities have influenced, and were influenced by, the implementation of reform.

## **RESEARCH METHODS AND CASE SELECTION**

Analysing reform across multiple sectors allows the impact of market-based reform at the meso level on different public organizations to be compared, while tracing the responses of professional groups at the micro level facilitates consideration of the emergence of hybrids through the interplay of structural reform and professional practice. The health care case study draws on a wider study of provider diversity in the English NHS (Allen *et al.* 2012).

During 2008 and 2009, 48 interviews were conducted with representatives of NHS providers (22) and commissioners (7), as well as for-profit (9) and third sector (10) providers. The broadcasting case study is based on two rounds of interviews: the first included 21 interviews conducted from 2003 to 2004, and the second encompassed 15 interviews conducted in 2008. Both rounds of interviewing involved key stakeholders from the UK television industry, including producers and commissioners from the BBC and other channels (14), independent production companies ('indies') (10), professional associations (5), the regulator Ofcom (4), a training centre, a media advisor from an investment bank, and a policy director for Channel 4 (Turner and Lourenço 2012; Deakin *et al.* 2009). The case study of postal services is derived from a nine-month ethnography of Royal Mail's marketing department conducted in 2004 (Turner 2006). This included observing two project teams that were developing new products or services (that involved contracting with external creative agencies), conducting 33 interviews with middle and senior managers, and documentary analysis.

This article focuses on independent providers' involvement in service delivery; the relationships between state-owned and independent providers in each sector; and how interaction with the independent sector influenced incumbent providers' behaviour, including responses of professional communities. Deductive and inductive analysis of qualitative data from interviews, observations, and documents reflected these themes, as coding was informed by both the empirical data and relevant literature on hybridization, privatization, and public management reform. Thematic analysis enabled cross-case comparison of processes of structural reform at the meso-level, and how professional communities responded to the implementation of reform at the micro-level.

A limitation of the dataset is that it was collected in the mid- to late 2000s and relates to policy reforms introduced by New Labour, which was prior to some important policy developments across the sectors, notably Royal Mail's public floatation in 2013. However,

subsequent governments have continued with the direction of reform set by New Labour, maintaining a policy of contracting with ‘any qualified provider’ in the NHS (DH 2011) and reviewing the purpose, funding, and governance of the BBC, which includes questions about the relationship with the independent sector (DCMS 2015). The data presented in this article remains relevant to policy issues across these sectors and, by providing insight into organizational responses to previous reforms, can inform debate about the regulation of service providers in the current policy environment.

## **RESEARCH FINDINGS**

In this section, the interplay between market-based reform and professional communities in the three sectors is examined using Amin and Roberts’ (2008) four dimensions of communities, including assessment of the ways in which sector-specific differences in professional communities influenced the implementation of reform (Table 1).

### **Knowledge use**

In professional communities, practitioners develop expertise through mastery of both practice-based and codified knowledge, often via apprenticeship-style learning and extended training (Amin and Roberts 2008). Across the three sectors, the introduction of market-based reforms demanded new forms of knowledge from providers, e.g. commercial expertise, that may fall outside their established competences.

As Royal Mail prepared to compete in a liberalized market, the suitability of the knowledge and expertise of its staff in a context of competition was questioned. Royal Mail’s monopoly status in the postal market was perceived to have had a negative effect upon investment in management training, as a human resources manager suggested: *‘We can’t just have a big slice of middle management who do not have professional qualifications. It is what*

*companies did about twenty years ago and Royal Mail didn't. We need to make sure that we do that, so that we don't get lost, we don't suddenly die out'*. Criticism of Royal Mail's management, associated with its public sector status, also supported the implementation of change. For instance, denunciations of Royal Mail by the incoming chairman as a 'great failure' that was 'haemorrhaging cash' (Leighton 2002) helped legitimize the restructuring programme.

Royal Mail sought to increase its credibility in new markets such as data and media services to consolidate its core competence in postal collection and delivery. To address perceived deficiencies in the company's knowledge base, Royal Mail began partnering with other organizations and recruited new staff with private sector experience into management positions. Establishing partnerships with private sector organizations was regarded as a quicker route to offering innovative services than developing new capabilities in-house, as a senior marketer explained with regard to a new team within Marketing: *'what this team should now be doing is thinking about what our value chain strategy is for the next three to five years, looking at who we need to partner with, as opposed to buy, to give us that capability'*.

In relation to the NHS, the application of commercial or 'business-like' knowledge to plan and deliver services was perceived to have become more important in a context of provider diversity. For-profit providers competing for NHS contracts, which were often headed up by former NHS staff, were critical of the commercial awareness among NHS providers. The chief executive of a for-profit provider that provided diagnostic services for the NHS suggested that existing providers did not share their organization's drive for efficiency: *'I think a lot of it is cultural. There's no magic way that we do things. It's almost a mindset. If you went to an NHS MRI [Magnetic Resonance Imaging] scanner and looked at the productivity of it, you'd probably find that any private sector provider could certainly get*

*another 20%, 30% just in the way that the equipment is utilised'*. The managing director of another for-profit provider suggested that, rather than being less innovative, the NHS was not as good at implementing service developments relative to for-profit providers: *'a lot of NHS innovation is done as a project and it doesn't stick. [...] as a very focused project management team, we can take some of those best practice changes and the innovation, if you like, is actually making them happen and delivering consistently in practice, not necessarily having the original idea but actually implementing it'*.

The introduction of competitive tendering through market-based reform also stimulated use of new forms of knowledge by some NHS providers. The threat of losing contracts to alternative providers encouraged incumbent providers to develop more innovative responses to tenders. For instance, in response to a recent tender for providing children's services in the community, the board of an acute NHS Trust sought to develop a proposal that went beyond their existing capabilities in the area, stimulated by the question: *'what's going to be new about the service model that we're proposing?'* (chief executive). This example highlights how competition appeared to encourage reflection and debate among the incumbent provider's management, and it reflects a wider discourse detected within our interviews of managers discussing the development of more 'business-like' or commercial values in response to competition.

In broadcasting, regulatory and organizational change has influenced the forms of knowledge required in television production. In this sector, television producers are key actors in the innovation process who use their knowledge to enhance the perceived value of programmes to audiences, as cultural products with aesthetic or experiential qualities (Lampel *et al.* 2000). Possession of this knowledge affords power to producers as a professional group: *'the nature of broadcasting and new media is that it is bottom up; its power resides in the producers and the relationship between the producers and their audiences'* (member, BBC Trust).

However, the primacy of producers' knowledge has been challenged through market-based reform. Firstly, use of codified knowledge has taken on greater importance relative to tacit judgements of value in measuring the success of programming, as a television director described:

*'The BBC now has much more sophisticated measurements of value which mean that we don't simply have to use ratings but one way or another we have to find performance indicators which have got some things in them which are big, you know, in the percentile range are going to be high, whether it's the love for the programme that the audience has, or whether it's their commitment to it, or whether it's a public value that can be demonstrated from it, or whether it's ratings. So there's no question... that is now a daily conversation in the organization and it just wasn't 10 years ago.'*

Secondly, when evaluating ideas for programmes, conversations about their potential commercial value run alongside those about their aesthetic quality or intellectual worth, as the commercial director a large indie stated:

*'[we] encourage them [producers] to come up with things that are formatted and long running rather than the bright ideas that are going to be a one-off. Particularly where anything that is international, or might have international potential, or would work for the US.'*

In summary, market-based reform across all three sectors has encouraged a higher premium to be placed on 'business-like' or commercial forms of knowledge. Furthermore, incumbent providers within the public sector have been depicted as weak in developing these forms of knowledge, which helped to legitimize the involvement of the independent sector.

## Social interaction

Social interaction, based on shared training histories and professional standards, underpins both learning within, and the sustainability of, professional communities (Amin and Roberts 2008). In relation to the NHS, the introduction of competition had a knock-on effect upon cooperation between incumbent providers and commissioners, as the latter became responsible for contracting with a greater diversity of providers. The chief executive of a large NHS Trust stated that competition had reduced their incentive to exchange ideas for service developments informally with commissioners, for fear that the knowledge shared may be used to inform competitive tenders: *'If that's our intellectual property, how much we're going to share of that because, if they're going to go down a tendering route, why would you share that?'* However, an ethnographic study conducted within the NHS on the commissioning of care for long-term conditions suggests that relational contracting may persist informally (Porter *et al.* 2013), based on trust and collaboration with incumbent providers.

In broadcasting, regulatory reform allowed greater diversity and competition in the supply of programming. The BBC responded by formally separating producers and commissioners within the corporation and widening the opportunity for indies to deliver programming through the WoCC. Physical separation (commissioners were moved to a separate floor of the BBC building) aided the equal treatment of in-house and independent producers in the operation of the WoCC, as a programme commissioner stated: *'the perception of independent producers is that in-house producers are in a chummy way meeting the commissioners for a drink and bumping into them in corridors, and I have to say that doesn't happen'*. A system of electronic commissioning ('e-Commissioning') was also introduced to process all proposals, whether bids came from in-house producers or those external to the BBC, reinforcing the idea of equality of treatment, and circumventing the claim from some



producers of difficulties in having access to the commissioning process (Turner and Lourenço 2012).

Despite reform, our findings suggest that, alongside changes to formal commissioning processes, informal business and personal relationships between commissioners, in-house producers and indies persist. Among programme makers, shared social environments outside the workplace where there is a concentration of producers (e.g. in metropolitan districts such as London's Soho) facilitates ongoing interaction that supports learning: *'even if you are talking to a producer that is not a direct competitor, and not even working in the same genre, there are things you will learn from each other and things that you pick up, approaches, attitudes, ideas, little pieces of market information'* (policy director, C4).

With regard to relationships between commissioners and producers, some broadcasters have expressed a preference for developing long-term supply relationships with a limited number of producers. Durable relationships enable the development of mutual understanding and trust: *'Lots of these things [relations with independent producers] come down to personal relationships, so if you have got a good personal relationship with someone in indie and you are working closely with them it can be absolutely brilliant'* (senior manager, BBC). The BBC also maintains long-term relationships with a limited range of indies which may lessen opportunities for new production relationships with different types of producer across the sector (Turner and Lourenço 2012; Deakin *et al.* 2009).

Royal Mail's response to reform, which involved undertaking restructuring and establishing partnerships with private enterprises, influenced processes of social interaction in projects aimed at producing innovation. We observed the development of a new product introduced by Royal Mail, 'Web DM', which allowed small businesses to create direct mail campaigns online. Reflecting the external partnering strategy, the project was undertaken with a creative

agency which was contracted to develop the website, overseen by a Royal Mail product manager. However, the website failed to achieve sales targets. Some contributory factors were linked to the ways in which Royal Mail's response to reform influenced social interaction among staff linked to the project. Due to the restructuring programme, many managers within the marketing department left Royal Mail or changed roles. There was a lack of contact between past managers of the product and present ones, meaning that interaction and learning was often not supported across generations. There was a lack of formal mechanisms for transferring skills from external agencies to in-house staff to reduce dependency on the former, as Royal Mail focused on managing the partner's delivery of the project, rather than see that meeting the project's objectives required mutual engagement. Greater success in other projects occurred where more intensive and durable relations between Royal Mail and partner organizations existed, based on use of 'retainer' contracts, which facilitated the development of trust and learning through 'everyday' interaction between both parties (Turner 2006).

In summary, organizational responses to reform across the three sectors influenced the nature of the social interactions that underpin working relationships (e.g. reform formalized relations between economic units, including commissioners and providers of services). Despite reform, relationships between these economic units that were based on professional communities persisted in both health care and broadcasting; however, disruption to these relationships was greater within Royal Mail as restructuring caused staff to change roles or leave the company and where more arm's length relationships were established between Royal Mail and incoming partners from the private sector.

### Organizational dynamic

Professional communities may not be open to external change, especially where professional associations have a protectionist role (Ferlie *et al.* 2005). Resistance to external change in the market environment was most apparent in the health care and broadcasting sectors, while there was less resistance to change within postal services. Within the NHS, there was some resistance from incumbent providers to new entrants from the private sector. For instance, a group of local primary care practices formed a not-for-profit organization that brought together over 250 staff to improve the quality of community-based services when new forms of provider were being encouraged. As their director stated, this new organization was formed partly in response to for-profit providers entering the local area that were not perceived to share the same ethos in providing care: *'our rules specifically exclude the private sector from becoming members'*.

In the broadcasting sector, rather than play a protectionist role, the independent sectors' professional association helped to lobby for change in the terms of trade with broadcasters and the widening of commissioning opportunities for indies. Lobbying for reform was precipitated by a small group of indies that shared an interest in exploiting the intellectual property associated with their programming, rather than transferring this to broadcasters:

*'without PACT's involvement we organized a mini lobby group with three or four other independents, pretty much the only three we could find at the time who had valuable intellectual property anywhere and were fighting to keep it. We arranged the meetings to lobby senior civil servants, and the DCMS, and the government ministers'* (commercial director, large indie).

Widening the window of programming available for production by the independent sector had the effect of increasing scrutiny of production roles within the BBC. In-house production

underwent restructuring and there were job losses: *'the idea that people are not in production but are being paid by BBC can't be right for licence fee payers. When you look beyond the headline of BBC losing jobs that is part of what will be going and that feels right to me'* (senior manager, BBC). The WoCC was regarded by some as an incentive necessary to motivate in-house producers. As the interviewee above told us, benefit could be derived from in-house production staff being motivated to compete in a *'tough battle'* for commissions: *'if they feel it is on a plate for them, the commissions, you are not going to be pushing yourself as hard as you might'*. However, the widening quota for independent production, coupled with job losses through restructuring, affected morale at the corporation, as a senior producer stated: *'There's an overall feeling I think amongst staff that they're playing for the losing team, that there's this slide that, you know, with every change there appears to be a progressive erosion of the BBC'*.

Within Royal Mail, professional communities appeared unable to resist external change. Incumbent communities came under threat by a new management ethos, one that was concerned with seeking efficiencies through restructuring and developing new competencies deemed appropriate to a competitive marketplace. Incoming managers were often critical of the existing culture and were forthcoming with views about how behaviour needed to change. A new client director within Sales, who had worked for a multinational technology company, proclaimed that Marketing was not oriented enough toward understanding the needs of Royal Mail's customers: *'They need to start connecting with the clients and they need to get out more. It's not about being in Media House and thinking up good ideas. They need to go out and engage the client. They're not connected. Too many people sat behind too many desks for too long'*. Some interviewees suggested the company's shift in orientation toward working with the private sector was more symbolic and undertaken to improve the organization's credibility in new markets beyond postal collection and delivery. A senior operational

manager felt that the need for management to signal that the culture was changing by partnering with media agencies stemmed from an '*inferiority complex*' about not being perceived as a '*sexy company*'; one where the workers were engaged in a '*grungy job*'.

In summary, professional communities influenced the implementation of reform in the health care and broadcasting sectors (the power of medical professionals helped to resist reform in the former, while the association representing independent producers helped to lobby for and encourage change in the terms of trade with broadcasters). In Royal Mail, the weaker status of middle managers meant that these groups had less of an influence on the implementation of reform.

### **Innovation outcome**

Professional communities tend to produce incremental rather than radical innovation, although the latter may be stimulated through interaction with other groups (Ferlie *et al.* 2005; Amin and Roberts 2008). Across all three sectors, policy and organizational reform aimed to encourage innovation by increasing the involvement of the independent sector in service delivery.

In broadcasting, policymakers' desire to stimulate creativity and diversity in programming by widening the independent sector's involvement was undermined by unintended consequences of regulatory change. Firstly, encouraging senior television producers to remain with the BBC or join the corporation became more difficult as the terms of trade for the independent sector improved: '*experienced and successful producers have the opportunity to earn far greater sums potentially in the independent sector because they can own the formats. So how one persuades those people that they want to work with the BBC can be quite challenging*' (senior manager, BBC). Secondly, it was suggested that more emphasis within the BBC is being placed on commissioning to fill quotas in different programme genres, with the quality

of the idea being secondary: *'the regulation side, ironically, because this will be the precise opposite of what it intends, only plays into the decline in creativity [...] it's probably the single biggest reason why talented directors would leave the BBC. If I was 30 years old I would not work in the BBC because the first point of emphasis is quota filling and that's a very, very bad place to start.'* (television director, BBC). Thirdly, within both broadcasters and the independent production sector, more emphasis has been placed on developing programming within profitable genres (e.g. entertainment formats likely to have returning series or international appeal) (Turner and Lourenço 2012). This emphasis appears to have had a knock-on effect on the experiences of staff working on such programmes: *'although it's uniform it's predictably reliable and the quality in that reliability is good, so objectively you might say it's not very creative, but when you turn up to watch 'Top Gear' or 'How To Look Good Naked' or 'Wife Swap', it will be pretty much like it was last week and if you liked what you saw last week that's good. From a creative point of view, as a director, it's miserable'* (television director, BBC).

Our study suggested that the impact of reform on innovation within the NHS was mixed. On the one hand, interaction between incumbent providers and those from the independent sector stimulated new approaches to service delivery. There were examples of NHS hospitals partnering with organizations outside the NHS to compete for contracts put to the market by local commissioners. This approach to bidding came about in areas where the skills of the different sectors complemented one another. The chief executive of a large NHS Trust stated that, while the hospital's membership body provided a *'perspective'* on potential service developments, a third sector organization already providing services in that area *'gives us a capability'* as, for example, *'the [hospital's] membership organization might say, "you need to work with the prostitutes in this area for [planning] this particular service" [...] the third sector would say, "and this is how you do it"'*.

On the other, some incumbent providers faced challenges in trying to learn from independent sector providers. Among managers of incumbent NHS providers, there was recognition that for-profit providers had been able to introduce new working practices that the NHS could try to learn from. An NHS hospital's chief executive suggested that a privately-owned 'Independent Sector Treatment Centre' had '*a much slicker admin process*' and that '*if they give patients admission dates I think it's almost unheard of that they don't keep to them*'. In response, the hospital focused on trying to ensure that appointment dates are kept: '*when you give an appointment you keep the appointment is a mantra that we've tried to adopt*'. However, implementing this standard was not straightforward because it relied on the cooperation of individual consultants at the clinical service level where, according to the chief executive, '*we do not always have much forward planning in terms of what we do*'. As discussed earlier, there was also some resistance from incumbent providers to for-profit providers' entry based on perceived differences in ethos.

The implementation of change within Royal Mail relied on incumbent middle managers, albeit to enable incremental forms of learning and innovation. Although senior managers attempted to engender a new way of working through restructuring, observations at the practice level indicated that existing staff were key to implementing change (Turner 2006). Observing a marketing team's attempt to make sense of their organizational role in the new structure highlighted the importance of the existing marketers in aligning 'past' practices with the 'new' structures. As indicated by the following excerpt from one of the marketing team's monthly reports following the restructuring, the first task of the team was to define the purpose of the team in the reorganized structure: '*Much of the month has been taken up with the deceptively simple task of defining what we do and the team's interface with sales and other areas of marketing*'. Defining '*what we do*' was accomplished through further interpretive work by the team, which included the creation of an informal 'way of working'

document to show how different teams should work together and everyday interaction with sales teams to bring together client knowledge and marketing skills to develop new sales propositions.

## **DISCUSSION**

Similar reasons were given by policymakers for introducing ideas or practices associated with the private sector in different parts of the UK public sector, but the experiences of interacting with the private sector in relation to different public services differed in practice. Structural or meso level factors were important in helping to legitimize the increasing involvement of independent sector providers, but we suggest that much insight can be gained from examining how such factors interact with the practices of professional communities in understanding how the hybridization of public organizations is produced and experienced.

Using the four characteristics of professional communities described by Amin and Roberts (2008), the findings showed that professional communities in each sector have an upward influence on reform, contributing to differences in implementation. The organizational dynamics of professional communities in the NHS enabled resistance to reform. In contrast, Royal Mail managers had weaker professional status when faced with restructuring, while the professional association for independent producers helped to bring about regulatory reform in broadcasting. The findings develop the framework further in highlighting that regulatory reform and organizational change can also have a downward influence on the dynamics of professional communities. Hybridization due to market-based reform influenced knowledge use within communities as commercial expertise became more important, and also reshaped social interaction where relationships between purchasers and providers of services became arm's length or were formalized. Thus, it is important to situate and examine the dynamics of professional communities in their wider regulatory and organizational context.



Interactions between professional communities and organizational responses to reform contribute to innovation outcomes, meaning that both perspectives need to be acknowledged when evaluating hybridity. Within broadcasting, reform at the meso level has enabled greater involvement of the independent sector in the delivery of programming. However, exploring the impact of reform at the micro level highlighted that regulatory change had not generated the degree of innovation intended because the BBC and the independent sector remained embedded in a broader production community that transcended formal organizational boundaries. Similarly, despite supply-side reform to promote provider diversity within the English NHS, the persistence of informal relationships between health care commissioners and providers has continued to shape the local health economies in which services are delivered, which may help to explain the limited penetration of alternative providers within health care in England (Matchaya *et al.* 2013). At Royal Mail, the recruitment of senior managers with private sector experience, organizational restructuring, and partnerships with private enterprises to develop new capabilities, represented a shift by the organization's management toward using external agents to produce innovation. Within Royal Mail, professional communities appeared to be weaker relative to other sectors, enabling the implementation of reform. Yet existing staff within Royal Mail's marketing department were important sources of tacit knowledge that helped bed in new structures. The empirical cases highlight the importance of analysing hybridity not only in structural terms, but also in terms of professional communities' responses to structural reform at the micro level of practice.

This article contributes to and develops the conceptualization of hybridity as a multi-level process in three ways. Firstly, it shows that reform towards promoting hybridity in different parts of the public sector is mediated by agency at the micro level which, in our analysis, varied due to differences among professional communities associated with different industries. One variable was differences in power at the service level. Claims to professional

autonomy allowed physicians within the NHS to resist change at the clinical service level, reflecting previous studies (e.g. Flynn 2002). However, the weaker status of middle managers within Royal Mail rendered them less able to resist change (to some, managers were a target of derision in symbolising 'inefficiency'). Another variable was persistence of relationships associated with professional communities despite changes in organizational form or context (e.g. new organizational boundaries). Within broadcasting, production relationships were sustained with a limited range of suppliers by commissioners, which appears to work against an objective of reform to increase diversity of programming. A third variable was the degree to which professional communities supported innovation or reform via professional associations.

Secondly, while agency may shape responses to reform, structural variables remain an important influence on the form that hybrid organizations take. For instance, changes to commissioning within both the NHS and the BBC created intra-organizational boundaries (which were also physical in the BBC's case) between commissioning and provider units. Boundaries were introduced to accommodate a market-based logic in the selection of service providers. The restructuring of Royal Mail involved staff redundancies and was perceived by some managers to entail the reallocation of resources for innovation from internal marketing teams to external partner organizations, contributing to a sense of turmoil among the staff that remained. Such structures help to frame the context in which agency can be exercised.

Thirdly, and in line with the suggestion of Skelcher and Smith (2015), examples were found of staff in all three sectors responding creatively to the emerging organizational environments associated with hybridity. For aspects of reform, interaction between changes in organizational structure and professional practice has enabled innovation that is more than the sum of each component. Within Royal Mail, interpretive work by established staff within one of the new marketing teams created following restructuring, enabled new managerial

strategies to be translated into changes in working practices. In relation to the NHS, a provider's managers used 'business-like' values to reimagine their capabilities in children's services during a competitive tendering process.

Theorizing the complex relationship between structure and agency is important in understanding responses to reform in the public sector, and processes of hybridity specifically. If hybrids are composed of multiple institutional logics (Skelcher and Smith 2015), we suggest that professional communities are important intermediaries that shape the degree to which each logic is implemented in practice and the interplay between logics. As a source of situated learning and knowledge in performing the everyday activities carried out within organizations, professional communities are sites where tensions between structure (approaches to governance) and agency (creative responses) within hybrid forms emerge and are played out. The role of communities can be cast differently to that of a particular institution, such as a profession, or what might be seen as agents' responses to different institutions (i.e. a source of reflexivity in relation to the values or beliefs associated with logics), that are based on cognitive reflexivity (Thornton and Ocasio 2008). While having a cognitive component, communities are oriented toward developing practice-based (situated, task-oriented) forms of knowledge that enable and sustain the learning and expertise of their members. The practice-based knowledge developed by communities can either impede or help to enable the implementation of regulatory reform and organizational change associated with hybridity. The implementation and practice of hybrid forms will be influenced by the presence, authority, and alignment of professional communities with change processes which vary across different services and types of reform.

## CONCLUDING REMARKS

Hybridization is a complex concept that goes beyond structural change, as it includes the meso-level of regulatory change and boundaries' redefinition, and the micro-level of practices and identity building. This article emphasizes how public administration and policy need to account for multi-layer dynamics in the delivery of public services through hybrid forms. This perspective has policy implications. As well as focusing on structural reform, public managers should recognize the value of staff on the frontline actively interpreting new ways of working and explore how these insights can be incorporated into future planning and implementation. Policymakers also need to take account of potential consequences of market-based reform at different levels, including the risk of disrupting intra-organizational relationships that represent existing capabilities and support new learning at the micro level.

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TABLE 1. Summary analysis of impact of market-based reform on the three sectors using Amin and Roberts' (2008) characterization of professional communities

	Knowledge	Social interaction	Organizational dynamic	Innovation outcome
Health care	Recognition of importance of 'business-like' knowledge as competition among providers encouraged. For-profit providers critical of management of service delivery and innovation within NHS.	Introduction of competition had knock-on effect upon cooperation among local providers and service commissioners.	Some resistance from incumbent providers to new entrants, e.g. forming organizations with rules that exclude for-profit providers.	Partnerships used to deliver improved services in complementary areas, e.g. with third sector. Some NHS providers attempting to learn from for-profits' approach to managing services, but dependent on clinical engagement to implement innovations.
Broadcasting	Aesthetic or intellectual value of programming judged alongside commercial worth. Tools used to measure and codify programme value.	Relationships formalized between commissioners and in-house and external producers to enable competition.  Informal interaction among producers in shared social environment continues to enable learning; broadcaster's preference for long-standing and trusted suppliers remains.	Independent producers' professional association lobbied successfully for change in terms of trade with broadcasters.	Emphasis on delivering profitable forms of programming  Impact of reform lessened due to persistence of existing relations between producer and commissioning communities
Postal services	Appropriateness of existing knowledge and expertise within Royal Mail to competitive market questioned. Influx of staff with private sector experience, e.g. marketing knowledge and commercial acumen.	Projects involving private enterprises established to extend mail-related capabilities. Enabling forms of interaction to encourage inter-organizational learning among Royal Mail and partner organizations not a strategic focus.	New management ethos introduced, concerned with seeking efficiencies and developing new competencies deemed necessary in a competitive marketplace. Incumbent professional communities have less power to mediate change relative to other sectors.	Innovation strategy involved partnerships with private sector. Incumbent communities affected as staff left the company through restructuring or changed roles. However, Royal Mail's existing marketers helped new structures to work in practice.