

# Hybridizing the institutional logics of performance improvement and budgetary stewardship in English and Welsh local government

## Introduction

Scholars studying mergers, partnerships or the introduction of new management techniques have often argued that organizations develop ‘hybrids’ of previously-conflicting ‘institutional logics’, which subsequently influence decision-making and organizational behaviour (Miller and Kurunmaki, 2011). In the public sector, these hybrids are often the consequence of macro-level institutional pressures emanating from neo-liberalism and New Public Management, which emphasize private sector managerial ideas and thereby challenge traditional notions of public service at the meso (or ‘field’) level of relations between central government and local public bodies. The hybrid, which operates at the organizational level, incorporates elements from both conflicting logics (Mullins, 2006; Pillay et al., 2016).

Hybrids invariably involve compromise; this article examines *how* the advocates of conflicting logics agree to accommodate each other’s perspectives. In line with DiMaggio (1983), the literature tends to assume that this is an inherently *competitive* process. Scholars have even adopted military metaphors to evoke the idea of ‘institutional warfare’ (Hoffmann, 1999), in which they struggle for supremacy on a ‘battlefield’ (Seo and Creed, 2002; Reay and Hinings, 2005). Yet, although many studies have focused on public bodies, they have not examined whether this ‘battlefield’ characterization applies in such organizations, where decision-making cultures are often more *cooperative* than in the private sector (Hecló and Wildavsky, 1974; Agranoff 2006; Argento et al. 2010; Ahrens and Ferry, 2016). Instead, they tend to concentrate on how organizations try to manage the internal conflicts inherent in such

a hybrid arrangement after it has become established (Grossi et al., 2017), or the way in which individual actors exploit tensions to effect change (Dahan, 2015).

Indeed, as Skelcher and Smith (2015: 434) highlight, ‘the public administration and nonprofit literature... still lacks a clear theoretical foundation that can explain what it is that creates a hybrid, whether different forms of hybrid emerge in different situations, and if so what consequences arise’. With this in mind, we asked ourselves the questions: are advocates of different logics *always* competing with each other, even in contexts where cooperation is commonplace, and how do these interactions shape the resulting hybrid? Based on our fieldwork findings, we then hoped to generate further hypotheses (Lijphardt, 1971) associated with how working cultures might shape the process of hybridization, and ultimately influence the nature of hybrid logics.

To address this puzzle, we examined the process of hybridization in English and Welsh local authorities. Since the 1970s, councils in both countries have been characterised by an institutional logic of *budgetary stewardship*, and therefore rely heavily on management tools that monitor revenues, expenditure and other financial indicators (Coombs and Edwards, 1995; Ferry et al., 2017). From 1997 onwards, however, the UK and Welsh Governments sought to introduce a logic of *performance improvement* into local authorities, along with its associated toolbox of targets, indicators, performance reporting, benchmarking and ‘league tables’. Notably, a recent study of public services in large US cities found that cost accounting was negatively correlated with a focus on performance, and therefore shows how these logics conflict with (rather than complement) each other (Mohr, 2016). As such, the stage appeared set for a ‘battle’ between the advocates of budgetary stewardship and performance improvement in English and Welsh local authorities.

Yet, although elected *councillors* in the UK are often highly partisan (Leach and Copus, 2004), appointed *officers* have no political affiliation – and local authorities have a long history of cooperation and accommodating conflicting perspectives (Thurmaier and Wood, 2002; Ahrens et al., 2018). With this in mind, we sought to investigate whether the interactions between officers who advocated these conflicting logics was more ‘peaceful’ than the metaphors of ‘institutional warfare’ and ‘battlefields’ might suggest. By extension, we felt this might help to develop a more nuanced theoretical perspective on the process of hybridization in organizations that have a strong culture of cooperation rather than competition. Furthermore, because previous studies have shown that power dynamics between key actors shape the nature of institutional logics (Dodds, 2011), and the UK and Welsh Governments adopted very different approaches to try and introduce performance improvement into local authorities, we selected England and Wales to identify how the nature of these interactions shape the resulting hybrid.

The article makes two key contributions. First, it introduces a three-stage model, comprising *recognition*, *negotiation* and *operationalization*, which can help us to analyse the process of hybridization more generally and thereby contribute towards understanding why hybrids might consist of a particular blend of incumbent and challenging logics. Second, it draws on the empirical findings to set out a series of hypotheses around how organizational cultures may influence both the *process of hybridization* and ultimately *the nature of the resulting hybrid logic*. These hypotheses open up the agenda to further research into hybridization, particularly comparative studies that examine organizations with contrasting working cultures.

The next section highlights how the public sector performance management and neo-institutionalism literatures have not focused sufficiently on how interactions between the

representatives of conflicting logics influence the development of hybrids. It then outlines how the UK and Welsh Governments adopted different strategies to try and impose a logic of performance improvement on local authorities in England and Wales respectively. Following a section on methods, we then set out our fieldwork findings using our three-stage process model of hybridization, and draw on these findings to form our hypotheses in the discussion. Finally, the arguments are summed up in a conclusion.

### **Institutional Logics and Public Sector Performance Management**

In recent decades, governments in various developed countries have sought to introduce performance management frameworks in order to try and ensure that their policy objectives are delivered at the local level (van Dooren et al. 2015; Osborne, 2017). In particular, successive UK Governments introduced a range of centralized frameworks that set out how English local government should operate and what it should focus on (Ferry et al., 2015). Some quantitative and evaluative studies argued that these performance frameworks had a positive effect on local government performance (Boyne and Chen, 2006; Boyne, 2010). However, they have not focused on the *process* through which local authorities incorporated the central government priority of performance improvement into their everyday working practices, and – by extension – what this might tell us more broadly about how and why organizations might change.

Neo-institutional theory (Meyer and Rowan, 1977; DiMaggio and Powell, 1983) has been employed widely to explain stability and the potential for change (Greenwood and Suddaby, 2006), and it can therefore provide a theoretical basis to undertake this analysis. Its focus on how ‘institutional logics’ (defined as the ‘organizing principles’ or ‘beliefs and practices’ that guide the behaviour of actors in the field (Friedland and Alford, 1991)) shape decision-

making and activity is particularly useful. These organizing principles consist of material practices and symbolic constructions (Friedland and Alford, 1991: 248), and they provide meaning to individuals' social reality (Thornton and Ocasio, 1999) by constituting formal and informal 'rules of action' (Thornton, 2004).

Logics exist at various levels, and a change at the 'organizational' level (which for the purposes of our study means each individual local authority) could therefore potentially have impacts and implications at the 'field' level (in our case the level of central-local relations), and even at the institution level of neoliberalism and NPM. This could also work in a 'downwards' direction, in that changes at the institution level can affect the field and individual organizations.

In most jurisdictions, one logic will dominate over other logics, and result in the organization behaving in a way that is congruent with this dominant perspective (Thornton et al., 2005). However, new and conflicting logics sometimes emerge to challenge this dominance, and their advocates may compete with those individuals that represent the incumbent logic. Various studies have argued that this struggle takes places on a 'battlefield', and that the logic associated with the most powerful or influential actors in the organization emerges victorious (DiMaggio, 1983; Reay and Hinings, 2005; Seo and Creed, 2002). This tends to be the dominant incumbent logic, unless there is a significant change at the field level.

Alternatively, the dominant logic may incorporate some aspects of a subordinate logic into a 'hybrid' arrangement, in order to neutralize the competitive threat to existing institutionalized practices (Reay and Hinings, 2005; Greenwood and Suddaby, 2006; Meyer and Hammerschmid 2006; Miller and Kurunmaki, 2011). In such cases, advocates of the different logics that constitute the resulting hybrid exercise (often varying degrees of) influence over organizational behaviour and decision-making.

Previous studies have examined a range of different organizations, including professional bodies (Muzio et al., 2013), profit-oriented businesses (Thornton, 2004), health or social care agencies (Reay and Hinings, 2005; Fenger et al., 2014), housing associations (Mullins, 2006) and orchestras (Glynn and Lounsbury, 2005). Most argue that the struggle between representatives of conflicting logics is inherently *competitive* – regardless of whether it results in a change in the dominant logic, the development of a hybrid arrangement, or the continuation of the *status quo*. According to this perspective, competing actors want to ‘win’ this struggle, rather than cooperate and agree a compromise solution with their challengers. Yet none of them break down the process of hybridization into stages to analyse how the actors advocating each different logic interacted, and how contextual factors (such as a prevailing culture of cooperation or competition) may influence the way in which a hybrid emerges. This is despite the fact that studies of innovation, policy diffusion and policy learning have stressed the importance of these issues for some time (Rogers, 2003; Simmons et al., 2006; Gilardi, 2016; Dunlop and Radaelli 2013), and we can draw clear parallels between them and the hybridization of institutional logics.

This article introduces a three-stage model to analyse the process of hybridization, which comprises the *recognition* that a new and potentially conflicting logic is likely to be influential; the *negotiation* that leads to representatives of conflicting logics resolving their differences; and, the *operationalization* of the resulting hybrid. Whilst we recognise that this process is unlikely to be linear, these stages nonetheless provide a useful heuristic to help explain how hybrids may emerge. It uses the comparison of English and Welsh local government to illustrate how the *negotiation* phase may proceed differently in organisations that have a more cooperative (rather than competitive) culture, and thereby questions the assumption that the advocates of conflicting logics always interact with each other on a

‘battlefield’. It also draws on our empirical study to highlight the importance of power dynamics in shaping the resulting hybrid.

## **Research context and methods**

### ***The logic of budgetary stewardship***

For many centuries the institutional logic of *budgetary stewardship* has been influential within English and Welsh local government at the institutional, field and organizational levels, gradually strengthening over time and becoming the incumbent logic (Coombs and Edwards, 1995). This trend was accelerated by the 1972 Local Government Act, which required every local authority to nominate an individual as being responsible for the council’s budget (National Archives 1972, s. 151) so that a single officer could be held ultimately accountable for financial management. These managers, who are normally finance directors, have subsequently assumed the job title *Section 151 Officer* after the Act’s paragraph that established their role. Notably, their influence within local authorities has increased significantly since the 1970s, as central government has reduced the funding it provides to councils, restricted their opportunities for raising revenue, and required them by statute to deliver a balanced budget every year (McEldowney, 2003; Ferry et al., 2017).

Central government funding for English local authorities has fallen by 49 per cent since 2010 (National Audit Office 2018), and Welsh councils have also experienced major funding cuts more recently (Jones et al., 2015). Moreover, demographic changes mean that local authorities in both countries face a significant rise in demand for services such as adult social care in the coming years, yet they will have fewer resources to meet this demand (Hastings et al., 2015). These factors have led to councils increasing their focus on financial reporting and

levels of revenue and expenditure. In particular, they sought to reduce input costs in order to prevent overspending, which has entrenched and strengthened the institutional logic of budgetary stewardship (Ferry et al., 2017).

### ***Evolution of local government performance frameworks in England***

From the early 1980s onwards, and particularly during New Labour's period in office between 1997 and 2010, successive UK Governments introduced a range of centralized performance frameworks for English councils. These were based on a new institutional logic of *performance improvement*, which was inculcated through ministerial targets, a statutory duty 'to secure continuous improvement in the way in which [their] functions are exercised' (National Archives 1999), key performance indicators, benchmarking, 'red, amber green' performance reporting mechanisms and 'league tables' that compared different local authorities. This logic conflicted with the incumbent preference for budgetary stewardship, because it encouraged councils to innovate and/or adopt 'good practices' that had been identified in other authorities, rather than exercise prudence and reduce exposure to risks. As a result, councils faced internal dilemmas about whether they should try to reduce input costs (in line with budgetary stewardship) or direct more resources towards public services (in line with performance improvement).

The new logic of performance improvement was encapsulated in various frameworks and indicators that monitored, scored and ranked how local authorities were delivering central government priorities (Ferry et al., 2015). In particular, Comprehensive Performance Assessment (CPA) produced annual star ratings for each council, based on how it was meeting central performance targets, the quality of its financial management and its capacity to deliver improvements. Ministers introduced a range of incentives to encourage councils to



improve their scores, including publishing reports online, promising to remove restrictions on planning, spending and decision-making for those authorities that earned high ratings, and also granting them new powers to trade and charge for services. Simultaneously, the threat of direct intervention by central government hung over those local authorities that were judged to be performing poorly (Jas and Skelcher, 2014). Notably, many local authorities disputed audit ratings that they perceived to be unduly harsh (Game, 2006), illustrating how highly they valued their scores. Furthermore, Welsh authorities were not subject to CPA, and they increased property taxes by less than their English counterparts during this period (Lockwood and Porcelli 2013) – suggesting that the centralized framework meant English councils were keener to raise extra resources to try and improve frontline services than their Welsh counterparts.

After the 2010 election, the incoming Coalition Government (comprising Conservatives and Liberal Democrats) abolished the centralized frameworks and allowed English councils to develop their own approaches to performance improvement instead. Since ministers had now removed the mechanisms that encouraged this logic, and because this change coincided with a period of deep cuts in central government grants to local authorities, we might expect budgetary stewardship to reclaim its position of dominance. Conversely, if a new hybrid arrangement incorporating both logics had become institutionalized, performance improvement may continue to influence decision-making and organizational behaviour.

### ***Evolution of local government performance frameworks in Wales***

Welsh local authorities came under the jurisdiction of the UK government until devolution came into effect in 1999. As a result, the legacy of the 1972 Local Government Act,

including the position of the Section 151 Officer and the dominance of budgetary stewardship as an institutional logic, still applies in Wales.

Notably, however, the various performance frameworks for public bodies in Wales evolved in a different direction to England since the turn of the millennium. In particular, instead of encouraging competition between public bodies, the Welsh Government was much keener to promote collaboration and shared learning to try and address capacity concerns and ultimately improve performance (Iorweth, 2013). As a result, it did not use indicators to highlight differences between local authorities – and so detailed reporting frameworks or published ‘star ratings’ could not exist (Martin et al., 2013). This meant that there were far fewer incentives for authorities to compete with one another than in England: the Welsh Government did not ‘reward’ those local authorities that were perceived to be high-performing, or threaten to intervene directly in struggling councils.

Since 2011, the Welsh Government has taken a more direct interest in local authority improvement and introduced a number of Local Government Measures to increase its control over councils. As a result, ministers can now force them to merge if they feel that ‘effective local government is not likely to be achieved’ in a particular area (National Archives, 2011), councils are required to publish some performance information online, and the Wales Audit Office publishes annual analyses of whether a local authority has delivered its planned improvements (Iorweth, 2013). In addition, the Welsh Local Government Association has assumed responsibility for performance measurement activities, including a national system of benchmarking (McAteer and Stephens, 2013). In other words, Wales has shifted away from the consensual, collaborative approach and towards more hierarchical and competitive mechanisms, along the lines of the various frameworks that used to apply in England (Martin

et al., 2013). By raising the profile of this logic, ministers may be increasing the likelihood that it can exercise influence within a hybrid arrangement.

### ***Research Methods***

Building on a previous project that involved surveying 70 local authorities in England and Wales on how they were addressing strategic challenges (Author, 2017), we conducted telephone interviews with finance managers from twenty-five of the councils that responded to the survey: seventeen in England and eight in Wales. The survey had highlighted the potential conflict between budgetary stewardship and performance improvement logics, particularly in the context of austerity funding cuts, and our interviews focused specifically on how the authorities were managing this issue.

In order to gather perspectives from different types of council, we selected interviewees from a cross-section of authority types and geographical locations in both England and Wales. Since we were particularly interested in how finance managers were responding to the emergence of a performance improvement logic, and also wanted to obtain data from the same professional viewpoint within the different councils, we only interviewed officers from this group. This helped us to gain an understanding of how institutional logics operated within local government in each country. The interviews focused particularly on how managers had sought to manage the tension between long-standing traditions of budgetary stewardship and central government's more recent drive for performance improvement, and incorporated any resulting hybrid logic into their organizational practices. We conducted them between 2010 and 2012, after the UK Government had begun to dismantle its centralised performance management systems and announced initial funding cuts for English local authorities, and after the Welsh Government had adopted its more hierarchical approach

to performance improvement. We asked interviewees about both historical and contemporary events.

Inductively, we developed a three-stage model of hybridization based on the interview data, comprising the *recognition* that a new institutional logic is becoming influential, the *negotiation* between representatives of conflicting logics that shapes the hybrid arrangement, and the *operationalization* of the resulting approach. With this in mind, we extracted sections from the interview transcripts and coded them according to the logic and the stage of the hybridization process to which they related. We then cross-referenced these quotes with other studies of English and Welsh local government since 2010, and with the academic literature on institutional logics.

We also discussed our findings and other emerging issues with representatives of the Societies of County and District Treasurers, the Chartered Institute of Public Finance and Accountancy, the UK's Department for Communities and Local Government, and the Welsh Local Government Association, and corroborated our data by consulting official documentation from central government, local government, and professional and media sources. These additional sources helped us to put the issues raised by survey and interview respondents into the context of the changes taking place within English and Welsh local government during that period.

## **Research findings**

Our interviews confirmed that controlling input costs had been a strategic priority for many years, because of local government's statutory duty to deliver balanced revenue budgets and

the importance of the Section 151 Officer. However, issues of performance improvement were also important to our survey participants. The next three subsections focus on each stage of hybridization separately, drawing on the interview data to highlight how the contrasting approaches of the UK and Welsh Governments meant that the process differed in each country.

### ***The recognition stage of hybridization***

During the *recognition* phase of hybridization, an organization acknowledges that a new institutional logic is becoming increasingly influential and seeks to understand the nature of any conflict with the incumbent logic. With this in mind, our English interviewees explained how the central government drive for performance improvement had particular implications for how the council allocated its resources and the dominant logic of budgetary stewardship:

*CPA effectively ranked local authorities in league tables. Senior officers and politicians don't want to be at the bottom of those tables. So, it is suddenly no longer acceptable for a Finance Director just to say 'no' you can't spend that on the proviso of living within budget. Performance across a multitude of variables has to be accommodated (Finance Director, County Council in the Midlands).*

As mentioned earlier, Welsh authorities were not subjected to centralized monitoring frameworks such as CPA after devolution in 1999. Instead, the Welsh Government tried to encourage collaboration (both amongst councils and also between central bodies and local government) to address capacity concerns and improve performance. Notably, however, our interviewees associated the idea of performance improvement with efficiency rather than

effectiveness. This meant that they did not focus as much on service outcomes, or take a more holistic approach to understanding how the council operates and what it intends to achieve:

*There has been an emphasis on collaboration with more than a hint that efficiency is important – less senior officers, less core systems etc. I think there has been less focus on outcomes – how Welsh services really improve the quality of life* (Finance Director, Unitary Authority in the East of Wales).

Furthermore, as this suggests, Welsh authorities interpreted ‘efficiency’ in terms of reducing resource inputs rather than improving productivity or outputs. Crucially, this meant that it did not conflict with the principle of budgetary stewardship, but rather reinforced it. At this point, therefore, the central government drive for performance improvement had not even got to the *recognition* stage amongst Welsh local authority practitioners, since they did not see it as any different from the institutional logic that was already dominant in their organizations.

Although councils benchmarked with each other, this was primarily to try and identify ways of reducing costs and therefore consistent with budgetary stewardship. However, after the Welsh Government adopted a more hierarchical approach to encouraging local authority improvement, authorities did begin to take more notice of the performance improvement logic and consider ways of incorporating it into decision-making processes:

*The regulatory regime has changed in Wales... and increasingly effectiveness is becoming a higher priority* (Finance Director, Unitary Authority in the South of Wales).

As this suggests, the Local Government Measures led to performance improvement reaching the *recognition* stage within Welsh authorities. In other words, the degree of field-level pressure for a change in the dominant logic was instrumental in shaping whether this was

even discussed within local authorities at an organizational level. As we shall see, it also influenced power dynamics within the negotiation phase, and the ultimate nature of the hybrid logic that local authorities operationalized in both countries.

### *The negotiation stage*

During the *negotiation* stage, advocates of each logic interact with each other to resolve their differences and design the resulting hybrid. In nearly all of the authorities we interviewed, and in both countries, the performance improvement logic was taken up by officers associated with the Chief Executive's department who were responsible for policy and/or performance. The stage appeared to be set for some kind of 'battle' between these individuals and their colleagues in the finance team, who represented the logic of budgetary stewardship. Interestingly, our interviewees recognized that these two departments might compete for attention:

*The performance management team were based in the CEO's department. There was initially mistrust between finance and them* (Finance Director, Council in the West Midlands).

To address any potential problems, senior managers within each authority in England arranged meetings between service departments, as well as central support functions such as finance and performance management. Crucially, there was widespread recognition of the need to agree common strategies:

*Overall there was an understanding that it was a political process and performance had to be justified not just for your own department but how this affected the local authority overall. Compromise was therefore inherent in the negotiations* (Finance Director, Council in Yorkshire).

Moreover, our interviewees stressed that this political pressure for performance improvement changed the nature of these meetings. Rather than being focused on financial management, the authority's performance against central targets was now an important consideration – illustrating the extent to which a hybrid institutional logic was developing:

*Meetings were traditionally to decide on allocating the budget, but there was now much more focus on what performance would be delivered and how this would affect KPIs and how these actually materialized in the external assessment (Finance Director, Council in Inner London).*

Indeed, several English interviewees mentioned that their authorities developed sophisticated internal systems to ensure that performance improvement and assessment considerations informed resource allocation decisions. These included assessing whether a service was a strategic priority and calculating how much money might be required to improve its score against a key performance indicator (Finance Director, County Council in the Midlands). Another interviewee, who also mentioned that their authority had adopted a similar process for resource allocation, highlighted how this had implications for local policy-making:

*This may mean more resources had to be allocated to an area, and taken from another area. However it was not just taking budget, but could mean a very visible change in performance. As a result, this had to be discussed and agreed with not only officers but also the local politicians who were the respective portfolio holders (Finance Director, Council in Outer London).*

As these quotes illustrate, although changes to resource allocations did result in some service areas 'winning' and others 'losing', these decisions were made in a consensual manner. Our



interviewees recognized that they had to take account of the UK Government's performance frameworks in their corporate strategies, and were willing to compromise in order to incorporate the logic of performance improvement into decision-making. In the words of another officer:

*There has to be some give and take for the greater good of the council. I am not saying I will just agree to hand over budget to another directorate, far from it, but ultimately if the arguments are there, then it becomes necessary to sometimes accept it* (Finance Director, Council in North East England).

The *negotiation* phase began later in Wales, due to its much lengthier *recognition* stage. However, aware of the potential sanctions that the Welsh Government could employ if councils did not respond to the agenda, advocates of budgetary stewardship did begin to engage with the logic of performance improvement at this point. Although financial concerns were still prominent – and particularly after funding cuts began to bite – this meant that authorities were beginning to consider overall effectiveness alongside service efficiency:

*Efficiency does not come from doing the same thing for less cost but in challenging whether the thing we are doing actually delivers what the citizen actually needs and thus the performance* (Finance Director, Unitary Authority in the West of Wales).

As this suggests, advocates of performance improvement had begun to influence decision-making within Welsh authorities, alongside those who represented budgetary stewardship. Service managers engaged in discussions with finance about how the budget might affect performance and vice-versa. Moreover, as with the English local authorities, the process of hybridizing budgetary stewardship and performance improvement was relatively peaceful:

*The finance function is powerful in Welsh local authorities, but they still embrace performance improvement alongside the budget.* (Finance Director, Unitary Authority in the North of Wales).

Notably, however, the process of negotiation was more one-sided in Wales than in England, with the incumbent logic of budgetary stewardship (represented by the finance team) having more influence than central government drives for performance improvement and effectiveness (and their respective champions in operations management and policy). This was largely due to the fact that the Welsh Government did not follow the UK's lead and create an elaborate system of inspections and incentives to encourage authorities to embrace performance improvement.

### ***The operationalization stage***

These hybrid logics survived during the *operationalization* stage, when the councils incorporated the new blend of priorities into everyday practices. Some of our English interviewees did stress that “*ultimately the fall back is the budget*” (Finance Director, Council in East London), which suggests that a focus on controlling input costs is still more important than performance considerations. Nonetheless, there was widespread agreement that the latter were deeply embedded in organizational activity alongside financial management:

*Performance management has not replaced the budget, but is something that is employed with the budget in allocating resources, monitoring activities and reporting. It is therefore ingrained* (Finance Director, Council in East London).

Indeed, several officers in England stressed that the new hybrid had become so institutionalized that local authorities still gave performance due consideration alongside the budget, even after the UK Government abolished its centralized assessment frameworks in 2010. In the words of one manager:

*Even after the scrapping of external assessment, performance now remains embedded in local authority culture* (Finance Director, County Council in the West Midlands).

For their part, Welsh authorities operationalized the hybrid logic through a greater emphasis on benchmarking (Finance Director, Welsh Local Government Association) – an exercise that has its roots in financial management. This also reduced the possibility of any ‘battle’ between performance and finance officers, because both sides viewed benchmarking as a useful endeavour to gather information about potential cost savings or operational improvements. Gradually, councils developed more indicators that focused on outputs or outcomes, reflecting the growing influence of performance improvement:

*Initially the focus of the performance information was efficiency-based. Finance remained dominant over discourses as part of controlling the budget. However, service departments obviously did feed in to the efficiency indicators. Over time there are now more outcome-based indicators looking at effectiveness* (Finance Director, Unitary Authority in the West of Wales).

Even by this point, however, budgetary stewardship remained much more influential than performance improvement in Welsh local authorities. Although the requirement for a balanced budget held ultimate sway in both countries, the resulting hybrid in England was

more equally balanced, largely due to the various incentives that the UK Government introduced to encourage councils to take greater account of performance issues. Our interviewees agreed that this difference was *'definitely a reflection of differences in ideology of the governments'* (Finance Director, Unitary Authority in the North of Wales), which manifested itself in the methods they adopted to try and change the existing logics within local authorities:

*I think the differences between England and Wales can be directly attributable to the different inspection/regulation regimes and financial arrangements and policy agendas which have developed since devolution* (Finance Director, Unitary Authority in the South of Wales).

## **Discussion**

Overall, both the English and Welsh authorities we studied created a hybrid institutional logic that married aspects of budgetary stewardship with ideas of performance improvement. Although local authorities in both countries wished to avoid overspending on the budget, English councils were also concerned about getting a good score for their performance assessment, whereas their Welsh counterparts wanted to reduce the threat of central intervention. Nonetheless, it is important to note that Wales was somewhat slower to take these steps, primarily because the Welsh government was more reluctant to influence local priority-setting. Advocates of performance improvement were in a much stronger negotiating position once the Welsh Government supported this logic with a more direct and hierarchical approach and accompanied it with potential sanctions. Table 1 summarizes the process of hybridization in both countries.

*Insert Table 1 here*

Moreover, the negotiations that led to its creation proceeded relatively peacefully, because advocates of each perspective were willing to agree compromise solutions to further the strategic objectives of their council. Drawing on these findings, we hypothesize that other organizations with cooperative working cultures may negotiate hybrids in a similar way, rather than on a ‘battlefield’. Indeed, we suggest that a more appropriate metaphor for such contexts would be the ‘negotiating table: a place at which representatives of conflicting institutional logics cooperate to agree compromises, rather than compete with each other for dominance.

In addition, we found that the power dynamics between representatives of conflicting logics play a key role in shaping the nature of the resulting hybrid. Other contextual factors, such as the persuasiveness of particular individuals, political ideology or exogenous pressures will also be important. However, we would argue that compromise hybrids are probably the most likely outcome of these negotiations: cooperative belief systems mean representatives of each conflicting logic are more predisposed to discuss and accept compromises, and therefore ‘pure’ dominant logics or a deadlock in negotiations between conflicting parties are rare occurrences.

In contrast, competitive working environments are more likely to result in the domination of one logic over another, because their advocates are not as predisposed to cooperation and negotiation. For the same reasons, a battlefield scenario is more likely than a negotiating table to result in deadlock – although this might still only occur in a minority of cases.

Furthermore, although hybrids can still emerge from ‘battlefields’, it could be that such competitive environments mean they are less stable than those that are agreed at the negotiating table. This is because the advocates of conflicting logics may feel less ownership

of the resulting hybrid if it developed in a competitive context, and they might also be more likely to continue fighting their corner during the operationalization stage. Conversely, representatives of conflicting logics may be happier with both the process and the outcome of a more cooperative negotiation, and therefore less likely to try and sabotage it.

*Insert Table 2 here*

Table 2 sets out these hypotheses in greater detail. Such investigations were beyond the scope of our study but nonetheless help to frame future research in this field.

## **Conclusions**

This article concurs with previous studies that found organizations can accommodate a range of different institutional logics simultaneously, even if they have conflicting objectives that may pull decision-makers in different directions. Similarly, it highlighted how new or challenging logics need support from powerful actors and/or incentives to be incorporated into the new arrangement – and the stronger these drivers are, the more influential these logics will become. As such, it supports the findings of many previous studies concerning the factors that can lead to organizational change.

In addition, the article makes two further contributions. Firstly, in order to explain how hybrids arise and the forms that they can take, it can be useful to disaggregate the process of hybridization into three stages: *recognition*, *negotiation* and *operationalization*. This helped us to identify the reasons why the Welsh and English hybrids differed from each other. For example, it was only after the Welsh Government took a more hierarchical approach towards local authorities that performance improvement in this country progressed past the

recognition stage – and it remains less influential here than in England. This finding suggests the need for further comparative study into the relative influence of actors that advocate different logics within organizations, as well as how field-level actors (in this case central governments) might seek to shape decision-making and implement their objectives at the local level.

Our second contribution relates to how representatives of conflicting logics interact with each other, particularly during the *negotiation* phase. In contrast to the prevailing view that they are engaged in a ‘battle’ for supremacy, we found that they are willing to compromise at metaphorical ‘negotiating tables’, so that the resulting hybrid logic develops in a comparatively peaceful manner and comprises a blend of previously conflicting principles. Indeed, we found that local authorities in two different countries, which were subjected to different external pressures from their respective central governments, both opted to hybridize the logic of performance improvement ‘peacefully’ alongside their existing preference for budgetary stewardship. Therefore, the metaphor of a negotiating table as a space for hybridization can apply in more than just a single case. Indeed, it may be just as applicable as the analogy of a battlefield, particularly in contexts where actors are more likely to engage in cooperative behaviours. This shows how institutional logics are a subset of the organizational culture, and that such belief systems play a key role in shaping the nature of conflict during hybridization.

These findings open up new avenues for both practitioners and academics. As far as the former are concerned, they may not need to gird themselves for battle with the representatives of incumbent institutional logics if they wish to effect change. Instead, it may be more productive to create and sit at metaphorical negotiating tables and seek to identify areas of compromise that could lead to the development of hybrid arrangements – particularly

if a cooperative working culture already exists. As we suggest in Table 2, such a strategy may actually result in a more stable outcome, because it would ensure that advocates of conflicting logics feel included in the process of developing the hybrid.

For their part, scholars might wish to examine how the hybrids within English and Welsh local authorities may have evolved since we undertook our fieldwork. We carried out our interviews between 2010 and 2012, and councils have experienced significant changes in the intervening period. Major funding cuts have increased the pressure to focus on budgetary stewardship and hold down input costs within local government, and the abolition of centralized frameworks may have reduced the influence of performance improvement advocates in England. Some aspects of this logic remain, including key performance indicators, performance reporting and benchmarking. However, many authorities have responded to austerity pressures by slimming down Chief Executives' departments, thereby reducing the support infrastructure for performance improvement ideas within these organizations. Although our interviewees did expect the focus on centralized performance frameworks to wane, they may have underestimated the extent to which this would occur. Indeed, recent developments might have resulted in such profound changes to the power dynamics involving advocates of the conflicting logics that the hybrid could be vulnerable to future challenge. With this in mind, an in-depth repeat study could reveal some fascinating insights into the longevity of this particular hybrid, and how it responded to external and internal pressures.

More generally, future studies could apply our three-stage process model to future studies of hybridization, or study whether the metaphor of a negotiating table is more relevant than that of a battlefield in other organizations that are characterized by cooperation. Organizations that are themselves some kind of public-private hybrid might represent particularly



interesting cases for analysing whether advocates of conflicting logics compete with each other or prefer to cooperate. Such studies might also investigate how contrasting attitudes towards negotiation affect the resulting hybrid. For example, if private actors are less amenable to compromise than public organizations, then the outcome may be more closely aligned with their interests. As such, they could draw on the hypotheses we set out in Table 2 to examine how contrasting workplace cultures may influence hybridization and its outcome. Such research could cast new light on how socio-organizational structures shape the nature of change, and the extent to which individual actors can exercise agency in different contexts. Studies of this nature would raise questions of accountability and legitimacy within public-private hybrids, as well as provide useful contributions to the existing literature on public management and administration, institutional logics and hybridization.

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## List of Tables

	<b>England</b>	<b>Wales</b>
<b>Recognition</b>	Quicker to recognise implications of performance improvement for budgetary stewardship. Performance interpreted as both ‘efficiency’ and ‘effectiveness’	Slower to recognise implications of performance improvement for budgetary stewardship. Performance interpreted initially as ‘efficiency’ rather than ‘effectiveness’
<b>Negotiation</b>	Largely peaceful compromise between advocates of performance improvement (in Chief Executive’s office and UK Government) and budgetary stewardship (in finance department). Performance advocates quite powerful in negotiations	Largely peaceful compromise between advocates of performance improvement (in Chief Executive’s office and Welsh Government) and budgetary stewardship (in finance department). Performance advocates less powerful in negotiations
<b>Operationalization</b>	Performance improvement embedded and influential in hybridized arrangement, although ‘ultimate fall back is the budget’	Performance improvement present, but less embedded and influential in hybridized arrangement; budgetary stewardship dominates

*Table 1: Comparing the process of hybridization in English and Welsh local government*

Working culture	Competitive			Cooperative		
Space for resolving conflict	Battlefield			Negotiating table		
Outcome of hybridization	Domination	Compromise	Deadlock	Domination	Compromise	Deadlock
Likelihood	Quite likely	Quite likely	Quite unlikely	Unlikely	Likely	Very unlikely

*Table 2: Hypothesizing the hybridization of conflicting logics in competitive and cooperative organizations*