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Managing institutional complexity in public sector reform: hybridization in front-line service organizations

Abstract

In this paper, we explore how public front-line service organizations respond to contradictory demands for institutional reform and the types of hybridization this entails. Our research context is a major administrative welfare reform in Norway characterized by a dominant NPM logic of uniform user service and central administrative control and a subordinate post-NPM logic of holistic user service and local organizational autonomy. We elucidate four types of responses by the front-line organizations as they have incorporated these contradictory demands: ‘non-hybridity’ (ignoring post-NPM demands), ‘ad hoc hybridity’ (indecisive adherence to both demands), ‘negative hybridity’ (separation of the demands), and ‘positive hybridity’ (integration of both demands). On the basis of these findings, we argue that hybridization and agency are possible in fields of public reform characterized by a highly institutionalized NPM-logic and explore the key organizational characteristics that facilitate hybridization in such fields.

Introduction

Since the 1990s, the concept of institutional logics has been central in efforts to nuance understandings of isomorphism and convergence espoused by proponents of the new institutionalism (Thornton et al. 2012). This nuancing has involved the idea that organizations are able to navigate or balance multiple institutional logics over time, and therefore an increased emphasis on agency and forms of institutional work in the processes whereby organizations respond to institutional demands (Jarzabkowski et al. 2013; Reay and Hinings 2009). Recently, these perspectives have been accompanied by theories of hybridization and hybrid organizations that depict organizations encompassing contradictory institutional logics in their operations (Battilana and Dorado 2010; Jay 2013; Pache and Santos 2013; Battilana and Lee 2014).

We approach hybridity here as the ability of organizations to incorporate elements from contradictory institutional logics over time, and thus hybridization as the organizational processes through which this incorporation is managed. Hence hybrid organizations are able to operate in complex organizational fields by projecting appropriateness to a wide array of institutional referents (Greenwood et al. 2011). Such hybridity has been described in recent studies of administrative welfare reforms (Christensen and Lægreid 2011; Mayer et al. 2013). However, we argue that there is a need for additional knowledge about the organizational-level responses to conflicting institutional logics in such reform contexts and the types of hybridization the responses entail.

In this paper, we aim to contribute to understandings of hybridity and hybridization by exploring organizational responses to institutional complexity imposed by public reform and the organizational conditions for hybridization in these responses. Our research context is the labor and welfare reform in Norway (the NAV reform), which has been enacted through the

establishment of front-line service organizations (i.e. local NAV offices, or one-stop-shops) based on a partnership between the state and the municipalities and a network form of governance aimed at creating integrated ‘joined-up’ or ‘whole-of-government’ services (Christensen et al. 2013; Osborne 2010; Alm Andreassen and Fossetøl 2009).

In our analysis, we show how local NAV offices responded to the institutional complexity imposed by the demands of two contradictory political reform logics – a post-New Public Management (NPM) logic based on political objectives of holistic user service and local autonomy and on an increasingly dominant NPM logic emphasizing uniform user service. The reform thus represents a highly institutionalized field of NPM, with ideas of network governance and horizontal integration ‘layered’ underneath (Streeck and Thelen 2005; Greenwood and Hinings 2006; McNulty and Ferlie 2002; Olsen 2009). Against this background, we elucidate four responses by the NAV offices: ‘non-hybridity’ (ignoring post-NPM demands), ‘ad hoc hybridity’ (indecisive adherence to both demands), ‘negative hybridity’ (separation of the demands), and ‘positive hybridity’ (integration of both demands).

In so doing, the study contributes to understandings of hybridization in three ways: first, by demonstrating hybridization and agency even in fields characterized by strong institutionalization processes towards one dominant (NPM) logic (Jarzabkowski et al. 2013; Pache and Santos 2013; Christensen and Lægreid 2011); second, by outlining the different forms of hybridization such organizational responses to institutional complexity may take (Oliver 1991; Pache and Santos 2010); and third, by adding a response strategy of ‘ad hoc’ hybridity to those already described in the literature on hybridity.

Theoretical background

Organizational fields are complex when they impose demands from contradictory institutional logics. Institutional logics prescribe what constitutes legitimate behavior and provide

understandings and conceptions of what operational situations are about, what goals are appropriate, and what means are legitimate for achieving the goals in question (Thornton and Ocasio 2008; Greenwood et al. 2011; Battilana and Lee 2014; Thornton et al. 2012). Fields may be characterized by a dominant logic that guides behavior and change and one or more subordinate logics that do not (Thornton and Ocasio 1999; Scott et al. 2000), a truce or resolution between the logics (Greenwood and Hinings 2006), or a layering or sedimentation between them, representing legacies of previous change processes (Van Gestel and Hillebrand 2011; Lounsbury 2007; McNulty and Ferlie 2002).

However, research has also shown that different logics may co-exist over time (Pache and Santos 2013; Reay and Hinings 2009; Goodrick and Reay 2011). This co-existence may endure as the logics are associated with various actors, interests, or types of organizations, and thus challenges the thesis of convergence or isomorphism in organizational fields advocated by neo-institutional theory (Powell and DiMaggio 1991). Moreover, it provides an understanding of how organizations manage institutional complexity over time (Pache and Santos 2010, 2013; McPherson and Sauder 2013; Binder 2007; Oliver 1991; Kraatz and Block 2008). Successful management of institutional complexity may generate resources and lead to innovative practices (Reay and Hinings 2009; Lounsbury and Crumley 2007), whereas failure to manage complexity may lead to internal struggles or instability or to a lack of conformity with the external environment (Donaldson 2001).

A review of the literature suggests the existence of three general response strategies to institutional complexity. A first response involves efforts to reduce complexity by focusing on one (dominant) logic and avoiding, dismissing, or ignoring others (Greenwood and Hinings 2006), or complying with them only symbolically (Meyer and Rowan 1977). Such reduction may be accomplished, for instance, by complying with institutional goals or standards, mimicking dominant (i.e. the most legitimate) role models, or rejecting or avoiding non-

preferred logics (Oliver 1991; Pache and Santos 2010). Overall, this response category involves a lack of hybridization, and it is likely to generate or support isomorphic processes in which a single logic becomes dominant over time.

A second response is found in the increasing evidence that organizations are able to navigate between or balance multiple institutional logics (Kraatz and Block 2008; Binder 2007; Goodrick and Reay 2011). This navigation or balancing may be accomplished by separating the logics, i.e. adhering to them on an individual basis. Organizations that are able to do so over time can be understood as hybrid (Pache and Santos 2013; Jay 2013). Nevertheless, the ability to navigate or balance is only possible to the extent that organizational functions may be separated and rearranged according to a specific division of work within the organization (Thornton and Ocasio 2008; Goodrick and Reay 2011). In addition, the balance may represent a battlefield mentality – or at best an uneasy truce – where tensions between the logics may easily reignite. This will reduce the likelihood that hybridity will be sustained (Reay and Hinings 2005).

A third response involves the ability of organizations to integrate different logics into the processes whereby they perform their tasks. In this response, hybridization is the result of the ability to actively – and even creatively (cf. Battilana and Lee 2014) – manage the complexity of the various logics. This response therefore expresses the agency of organizations in handling institutional complexity, as the logics are not only prescribed by the institutional environment but also constructed and adapted at the local level. Such agency is evident, for example, in forms of institutional work, i.e. ‘the purposive action of individuals and organizations aimed at creating, maintaining and disrupting institutions’ (Lawrence et al. 2013, pp. 1024).

In this context, the concept of ambidexterity illustrates how organizations are able to develop internal capabilities that enable them to handle conflicting demands (Raisch et al. 2009; Greenwood et al. 2011; March 1991). Although the concept has been employed in different ways, it may point to a situation of hybridization in which the logics are so engrained in the daily activities of the organization that it is difficult to separate them (Pache and Santos 2013). This kind of ambidextrous hybridity may be achieved in practice through local reconstructions of the logics in ways that are consistent with the organizational tasks (Jarzabkowski et al. 2013).

The ability of organizations to manage institutional complexity is based on various organizational conditions. One condition involves the degree of compatibility between logics and existing organizational practices (Thornton et al. 2012; Ferlie et al. 2005). The less compatible the practices of an organization are with particular logics, the less likely the organization is able to adhere to them (Battilana and Dorado 2010). Such compatibility may include structural components such as size, form, types of competence, and strategic objectives, in addition to organizational practices and processes (Jarzabkowski et al. 2013). It may also include individual group level factors such as group dynamics (Bjerregaard and Jonasson 2013). Overall, research suggests that it is difficult to combine multiple logics in an existing organization, and that organizations need to develop new capabilities for this purpose.

Finally, the identities in the organization are also important, given that they are central, distinctive, and enduring features of organizations (Albert and Whetten 1985). Key dimensions involve the number of distinct identities, their compatibility, and whether they lie at the core or the periphery of the organization (Battilana and Lee 2014). Several studies have argued that organizations are able to develop hybrid identities that correspond to multiple

incompatible logics such as those combining management and professional interests (Mayer and Hammerschmid 2006; Kraatz and Block 2008).

Methods

Research design and data sampling

The study originates from a four-year research-based evaluation of the NAV reform (2007-2010) initiated by the Norwegian Parliament and administered by the Norwegian Research Council. The reform is the largest ever public sector coordination reform in Norwegian administrative history, implemented from 2006 to 2010. At the national level, it involved a merger of the Labor Market Administration and the National Insurance Administration into a new Labor and Welfare Administration, headed by the Directorate of Labor and Welfare (hereafter the Directorate). The reform entailed formal collaboration (partnership) between this merged central government administration and the local government social service administration through the establishment of hundreds of local front-line NAV offices around the country (see figure one for a simplified overview).

--- Figure 1 about here ---

Our study was based on the preconception that the development of more holistic services was dependent on the internal characteristics and organization of the local NAV offices as well as their local context (Greenwood and Hinings 2006). Hence the study investigated variations in the local organizational response to the same stimuli from the institutional environment (Alm Andreassen and Fossetøl 2009). This was accomplished through a longitudinal and comparative case study (Eisenhardt 1989), with the aim of following the implementation process in a selection of local NAV offices from their start-up and into their third year of operation.

Ten NAV offices (out of 456 in total) were selected on the basis of the following criteria: geography, size of the municipality/office, and office strain (see table 1). The offices are located in all five parts of Norway (south, west, east, middle and north). Based on community size, i.e. the number of citizens in the area to be served by the office, the municipalities were divided according to high, average, or low scores for variables such as the number of persons in need of services related to labor activation or income security.

--- Table 1 about here ---

Data collection

The study is first and foremost based on interviews with managers (between one and five, depending on the office size), union representatives, and employees of the three former services. We visited each NAV office three times (once per year), and approximately ten people were interviewed each time. Thus, the interview material comprises about 30 to 40 interviews from each NAV office, and about 350 interviews in total. The interviews were supplemented by observations of meetings and strategic documents such as organization charts, planning documents, and activity reports. Overall, this comprises a vast amount of empirical material, which has also been utilized and reported in previous studies (Alm Andreassen and Fossetøl 2009, 2011, 2014; Alm Andreassen 2012; Alm Andreassen et al. 2011; Klemsdal 2013).

Pairs of authors performed the fieldwork. This made it possible for the pairs to discuss and reflect immediately on their observations and impressions of the interviews. After each office visit they wrote “thick” descriptions – in the form of case reports – of the situation of each case office. These descriptions facilitated refinement of the observations and interview guides.

To shed light on the field level dynamics between the logics, the study also draws on political and administrative documents. These documents include white papers, propositions to the

Parliament, proposals and reports regarding the design of the new administration, and various expert reports.

Data analysis

The data analysis consisted of three general parts, similar to Pache and Santos (2013): identification of the competing logics at field level, identification of the demands prescribed by each logic, and identification of the organizational response patterns. The competing logics were identified through a document analysis and earlier research experiences concerning Norwegian activation policies (Fossestøl 2007) and from other parts of the research project mapping the operationalization of the reform. Neither politicians nor the Directorate spelled out the organizational consequence of the post-NPM logic. Conversely, the demands of the NPM logic were highly formalized and thus not particularly difficult to observe.

The institutional complexity of the NAV reform

The local NAV offices were confronted with two different logics during the implementation of the NAV reform. The characteristics of these are summarized in table 2.

--- Table 2 about here ---

Post-NPM logic

The post-NPM logic present in the political documents of the NAV reform is one of coordinated and holistic user service and local autonomy. In political terms, this involved making user service the hallmark of the reform. The front-line NAV offices were to become integrated organizations with local autonomy and with a comprehensive set of means to develop coordinated service for users in collaboration with municipal partners, employers, and other relevant services in the field.

The Government developed a reform based on a merger of the social insurance and labor market services combined with a mandatory partnership between the merged labor and welfare administration with local social services still being the responsibility of the municipalities. In his proposal, the minister underscored the development of a “joint front-line service” with the focus on the needs of the users rather than on organizational efficiency (Government Proposition no 46 2004-2005). The Parliament passed this reform proposal almost unanimously.

The division of labor established between the state and the municipalities was not altered by the proposal. The Government stated that effective running of the NAV offices required sufficient scope for adapting service provision to local conditions and individual needs. Key politicians argued that local ownership of the offices and the reform agenda were vital to successful implementation of the reform, and researchers characterized the reform as a celebration of local autonomy (Christensen 2008; Fimreite and Christensen 2008).

In all, this reform logic seemed to imply network-like governance forms, where national government facilitates and provides directions, infrastructure, and tools to the local partnership, which had final responsibility for developing the new holistic services (Alm Andreassen and Fossetøl 2009). It also implied that the new NAV offices developed horizontal integration and collaboration across the former services. However, there were few clues as to how the local offices should in fact implement this general idea of holistic services or how the new organization should be governed. In many ways they resembled Gulick’s concept of ‘coordination by ideas’ (Hammond 1990; Gulick 1937), in which ideas and dedicated individuals rather than hierarchical authority and administrative design are regarded as the foundation of organizational action and self-coordination.

NPM logic

The NPM logic in the administrative interpretation of the NAV reform was one of service uniformity and national control through standardization, specialization, and hierarchical governing that would enable development of an efficient, single-purpose organization geared to labor market participation. In the ongoing processes, the Directorate was to implement the reform and design the new NAV organization. Dominated by the former Labor Market Administration, the Directorate originally wanted a two-tier model which separated the pension administration from the employment administration, a model which was turned down by the Parliament. The Directorate sought a NAV administration based on organizational separation and functional specialization (Askim et al. 2010, 2009).

To enhance efficiency, case processing and benefit decisions were to be handled by centralized and specialized regional insurance administration units. This created huge backloads, and reduced the social insurance competence needed to answer all the questions from people without income. In addition, a new front line – a contact and service center – was set up to answer inquiries from the public by telephone, e-mail, and letter.

During the first years of the reform (2006-2007), organizational separation and specialization were first and foremost implemented in the organizational design of the new NAV administration. In their efforts to develop an organizational design, the local NAV offices had few formal guidelines other than to structure their organization with a division between front-line reception of clients and a follow-up unit that would provide assistance to clients with complex and long-term needs.

From 2007 onwards, the implications of the Directorate's conception of the reform became clearer. With the aim of making its services uniform, the Directorate developed measures, guidelines, and instructions for the local NAV offices. ICT-based tools for employability assessment, case processing, registration, and monitoring should not only ensure standardized

services, but also deliver managerial data about the activity of the NAV offices. The Directorate also introduced a detailed performance measurement system in accordance with political requirements; scores for key measures were important elements of the managerial contact between the NAV offices and their regional and national directors.

While the post-NPM logic was one of partnership and network, the Directorate considered the partnership a ‘mission impossible’ (Fimreite 2008), i.e. a construction of transitional character. The NPM logic did not allow for partnership and local integration of holistic services, but rested instead on vertical integration and control, standardization, and functional specialization.

The responses of the NAV offices

Although the NAV offices were free to decide how to respond to the conflicting demands, they could neither stick entirely to the post-NPM logic and thus ignore the NPM logic, nor somehow avoid both logics entirely – apart perhaps from limited periods in the early phases of the reform. Hence they faced an institutional complexity that was evident in how they were to incorporate post-NPM demands alongside adherence to NPM demands.

Ignoring the post-NPM demands

A central response involved ignoring the post-NPM demands, and thereby prioritizing complete adherence to the NPM demands of the Directorate. This response is similar to the first response category outlined in the theory section, i.e., reducing the number of logics to which the organization attends. In this response type, the NAV offices sought to reduce complexity by focusing on the dominant NPM logic and only symbolically complying with the post-NPM logic. In so doing, they were able to adhere to administrative requirements that were hard to avoid or circumvent.

This response is exemplified by a medium-sized office with 33 employees in a municipality of around 13,000 inhabitants. The office manager's background was in municipal social welfare services, but also included a period of work for the former Labor Market Administration. The manager, overwhelmed by the volume of tasks at the former social insurance office, leaned heavily on the Directorate for advice on how to handle the reorganization process.

The organizational design included horizontally integrated teams embracing a wider specter of services, where employees with specialties brought along from the former three were combined in interdisciplinary teams. Most employees, however, did not support the chosen organizational design and continued to work according to the former division of labor. This was also approved by the management, who argued that the organization would gradually become prepared for more integrated work through an incremental development process.

In practice, this model made it possible to let employees work according to functional specialization, while the plans for enabling the office to provide integrated services remained on paper only. In so doing, the management was able to give priority to fulfilling administrative performance targets, while at the same time symbolically complying with the post-NPM goals.

The postponing of the horizontal integration and development of holistic services could be explained by the necessity of efficient benefit-case processing, a need which supported the manager's thesis or strategy of instrumentalism. However, as time went by and the office became more and more oriented towards the Directorate, the post-NPM logic was completely ignored.

Ad hoc (or indecisive) adherence to both demands

Another response refers to somewhat random drifting between demands from the environment, be they expectations from the local or the central government or the employees. In this response the offices tried to manage complexity by attending to the most pressing impulses. In so doing they gave it an ad-hoc or indecisive character. Unlike the previously discussed post-NPM avoidance response, this is not necessarily a passive response, but rather one that does not follow a coherent and consistent path. In fact, it often involved several, albeit different, attempts to adhere to the two types of institutional demands.

A NAV office with about 100 employees in a municipality of approximately 40,000 inhabitants illustrates this strategy. The manager's background was in municipal social welfare services, and he had chosen an organizational design based on strong horizontal integration across the functional specialization of the three former services. The aim was to turn the employees into generalists who would handle the whole range of services provided by the NAV office. This was accomplished by organizing the staff into multidisciplinary teams, which, according to management, were to possess all the expertise needed to serve all kinds of clients. In so doing, the clients of the NAV office could be offered a single contact person for all relevant services.

However, this design involved considerable challenges, such as the lack of compatible ICT systems and sufficient training material. In addition, the employees were hesitant to learn new tasks as this implied that they could no longer make full use of their current specialized expertise. Over time, the management was confronted with increased negativity towards the organizational model from the employees.

To deal with these challenges, the management tried to shield the employees from vertical performance demands and control. This was done in order to free up time to develop more integrated ways of working together. However, when confronted with increasing productivity

demands, especially concerning benefit case processing, the organizational slack for such generalist ambitions disappeared. To make the situation workable, the management also modified the generalist ambitions by requiring employees to add only one additional area of expertise to what they already possessed and introduced some specialized teams to respond to demands from the Directorate.

Despite modification of these ambitions, they proved difficult to realize in practice. Although the manager tried to identify and classify the various tasks of the NAV office and the relevant competencies of its employees in order to develop a training program, the employees began to doubt whether the management had sufficient knowledge about their tasks. Accordingly, they increasingly felt that the organizational design was out of touch with real life.

As the pressure for increased productivity persisted, the management gradually became unable to make clear choices in relation to the conflicting institutional logics and developed an ad-hoc management style, which involved trying to solve the problems at hand as they emerged. The resulting abandonment of an overarching strategy for organizational design added to the administrative chaos in the office.

Separate adherence to individual demands

This response involves separating and rearranging the two demands according to the former division of labor between state services and municipal services. In so doing, the NAV offices sought to adhere to demands from both the state and municipal authorities, and thus almost entirely abandoning their ambitions for horizontal integration according to the political (post-NPM) vision. This response strategy shares some resemblance with the second response strategy outlined in the theory section, which involves the ability to segregate the contradictory logics. It is thus similar to Goodrick and Reay's (2011) evidence on

‘segmentation of practice’ at the level of professional work; i.e. the various dimensions of professional work may reflect different logics.

This response strategy is illustrated by a large district office located in a borough in one of Norway’s largest cities, with 50.000 inhabitants and approximately 120 employees. The office had a dual management model – one manager in charge of municipal services and employees and another heading the state services and employees. Although this dual management model was one option in the partnership legislation, it was chosen by a minority of the municipalities, mainly the big cities (Aars and Christensen 2011).

At the outset, both municipal and state employees were loyal to the post-NPM reform goals of more holistic forms of work. This was rooted in extensive collaboration between the three offices prior to the NAV reform. Accordingly, on the basis of previous experience, the offices chose to develop an organizational model involving both functional specialization and a high degree of horizontal collaboration.

However, as the Directorate requested stronger vertical integration – partly because of the rise in caseloads after establishment of the centralized administrative units and partly because the state part of the office had been forced to adopt a more specialized model – collaboration between state and municipal employees and service areas was impossible to maintain. This created disappointment and frustration in the municipal part of the organization. At the time of our study, this lack of collaboration was visible in the handling of new users. Although the office had a common reception area, there were completely separate follow-up units based on the former division of labor between state and municipality and between social insurance, labor market assistance, and social services.

Integration of both demands

This response strategy refers to efforts by local NAV offices to combine the demands of both the post-NPM and the NPM versions of the NAV reform. These demands were combined by developing internal integration and new forms of holistic service provision in collaboration with other relevant local services, while at the same time dealing with the requirements of the Directorate. This response strategy resembles the third category outlined in the theory section, i.e. the ability of organizations to integrate the different logics in their operations (Jarzabkowski et al. 2013).

Our example comprises an office with some 25 employees located in a municipality of 10,000 inhabitants. The manager's background was in municipal social services and labor market administration. The office had chosen an organization based on strong horizontal integration across the specialization of the three former services. The employees were to be generalists supported by interdisciplinary teams. Both the reception and the follow-up unit were organized according to this model.

The manager strongly emphasized that to be able to meet the needs of the clients, all resources across the traditional boundaries between the municipal services and state services would have to be put to use. In general, the employees supported the chosen organizational model and positioned themselves across the specialized areas from the former services. Although the employees felt as though they had been transformed from experts into novices, most of them learned and integrated the new tasks and were able to give their clients more comprehensive or holistic assistance.

By and large, the office was able to operate ambidextrously and follow the logic of holistic service and develop an integrated service provision, as well as adhere to the logic of uniformity and answer to the requirements of the hierarchical administration. In practice, however, the reorganization was less radical than it had appeared to be at the outset. To some

degree, clients were directed to case workers in line with the former specializations of employees.

Discussion of the findings

We have described how in the NAV reform the NPM logic had obtained an almost all-encompassing presence vis-à-vis the post-NPM logic, even though it had at the outset been formulated as a post-NPM reform with an emphasis on holistic services. Gradually, the dominance of the NPM logic evolved into a highly institutionalized reform environment for the NAV offices. In this process the demands for holism and local autonomy evident in the post-NPM logic became subordinate and thus ‘layered’ underneath the demands of the NPM logic (Christensen and Lægheid 2011). Similar processes of layering have also been described in other structural reforms (Ferlie et al. 2005; Streeck and Thelen 2005; Van Gestel and Hillebrand 2011; Olsen 2009).

As a result of this institutionalized environment, the NAV offices had to conform in various degrees to the demands imposed by the NPM logic. This meant that the organizational challenges for the offices were not strictly related to the balancing of two equal demands, but to how and to what extent they were able to incorporate the post-NPM logic into their operations in ways consistent with NPM logic. Overall, this relationship between the two reform logics in the NAV offices illustrates the impact of state administrative steering and control on the behavior of local front-line organizations, and in particular the challenges of hybridization in such kinds of institutionalized administrative reform environments.

Based on the evidence from the NAV-office responses, it is possible to discern different types of hybridity (see table 3). From a constitutional point of view, the partnership model between the municipalities and the state is mandatory, and the option of disposing the hybridity it imposes does not exist. At the same time, for the NAV offices the institutionalized NPM

environment involved increased pressure for convergence towards the demands of standardization and hierarchical state control. This pressure was most evident in the response of ignoring (and only symbolically complying) with the post-NPM logic, and thus illustrates a form of ‘non-hybridity.’

--- Table 3 about here ---

Still, many NAV offices were in fact able to respond in hybrid manners, i.e. to incorporate the post-NPM logic in various ways. Offices responding with ‘negative hybridity’ adhered to the demands in separate ways. Accordingly, they were able to design a local organization that had a clear division between tasks, which is a key prerequisite for this kind of hybridization (Thornton and Ocasio 2008; Goodrick and Reay 2011). This was typically the case in relatively large offices – and was perhaps the most realistic aim of hybridity in such offices, given the sheer magnitude and complexity of their operations. In our cases, the fact that the managers had experience from both the state and the municipal sector appears to have kept the logics at a relatively productive stalemate.

A ‘positive hybridity’ was evident in an ability to integrate both logics in a productive, ambidextrous manner. Despite the strong impact of the Directorate and the NPM logic, our findings suggest that some local organizations were able to undertake forms of institutional work in which they locally reconstructed the significance of the institutional demands to match their local conditions. Accordingly, our findings suggest that local agency seems to exist even in a highly institutionalized field; in other words, the ability of local NAV offices to develop integrated, holistic services despite the dominance of the NPM-logic.

An ‘ad hoc hybridity’ was characterized by an indecisive adherence to the institutional demands. This indecisiveness represented a response in which the local management dealt with the various demand impulses that were emerging in a rather ad-hoc manner. As far as we

can see, this is a hybrid response that has not yet been explicitly described in the literature. The point of departure for the management at the NAV offices was to install a post-NPM organization of the office. When this proved difficult, the managements tended to become involved in a series of active entrepreneurial or institutional work responses to the different logics (cf. Lawrence et al. 2013), but without an overall commitment to keep the different responses integrated or separated as a positive or negative hybrid response would have entailed. Overall, this response appeared most prominent in the largest offices.

It is difficult on the basis of our analysis to conclude whether ‘ad hoc hybridity’ is a stable or transitional form of hybridity. It could in part be interpreted as an illustration of a particular kind of compromise between the two institutional logics (Oliver 1991; Pache and Santos 2010, 2013) in which local balance is sought at the offices, but not achieved. Conversely, it could also be interpreted as a less stable, transitional period during which the administrative reform ideas were not wholeheartedly adopted and were eventually followed by one of the other categories of hybridity. Another interpretation is a lasting situation at the local offices where choices and preferences are made on the basis of shifting combinations of perceived demands, problems, and solutions – thus resembling a situation of ‘organized anarchy’ (Cohen et al. 1972).

Office size – and thereby the size of the municipality served – is a central condition in our material for explaining the various types of hybridization. This has also been confirmed in more recent analyses of NAV (Fevang et al. 2014). In our data, the offices characterized as positive hybrids were small and medium-sized (see also table 1). In these offices, the employees knew each other and many had collaborated prior to the reform. This again seemed to impact group dynamics, which have been found to have a positive impact on hybridity (Bjerregaard and Jonasson 2013). The smaller offices were also characterized by a higher degree of flexibility than the larger offices with regard to the service tasks; there was, for

instance, less need for an extensive division of labor. In contrast, the larger offices were characterized by a higher degree of specialization, something which made the adherence to the post-NPM logic more difficult. Nevertheless, several of the large offices were hybrid, although their hybridity was of the ‘ad hoc’ variety.

Local managers with a municipal background were a second condition for explaining the types of hybridization. In our material a municipal background was manifest in a familiarity with three central aspects of holistic services: experience in giving assistance to users with complex needs through horizontal collaboration of multiple services; service improvement through inter-professional development, training, and guidance; and knowledge of how to make use of the relative autonomy vis-à-vis a dominant state partner. We thus expect that managers with a municipal background are more likely than those with a state background to develop a positive hybrid identity incorporating both the state and the municipal domain (Mayer and Hammerschmid 2006).

A third condition that seems to explain the variation is the manager model, i.e. a single-manager or a dual-manager model. The dual-manager model used at the larger offices tended to re-separate the work tasks present prior to the reform, which for some was achieved by responding through negative hybridity. In addition, there was some degree of variation in the level of task strain at the offices, with it being relatively low at the positive hybrid offices. Nevertheless, it is difficult on the basis of our findings to make any clear assessment regarding the type of hybridization.

Finally, it is worth mentioning that some of the offices which ended up with indecisiveness did in fact have several of the preconditions for positive hybridity. They were also characterized by a kind of ‘entrepreneurial spirit’ among their managers, i.e. a willingness and ability to engage in forms of institutional work together with the employees in order to adhere

to both reform logics. However, their efforts to integrate the logics were discarded when the offices were confronted with increased caseload pressure as well as employee resistance or experience of stress, overload, and burnout.

Conclusions and implications

In this paper, we have focused on how front-line service organizations respond to institutional complexity in administrative welfare reform and on the types of hybridization entailed in the responses. Despite an emerging literature describing the processes and preconditions for hybridity in the public sector (Christensen and Lægreid 2011; Mayer et al. 2013; Greenwood et al. 2011; Kraatz and Block 2008; Dunn and Jones 2010; McNulty and Ferlie 2002; Reay and Hinings 2009), few studies have been adequately able to document and explain the variation between types of hybridization. In this study, we have attempted to do so by focusing on how local NAV offices have managed the institutional complexity imposed by an increasingly dominant NPM logic emphasizing uniform user service and control at the national agency level and an increasingly subordinated post-NPM logic emphasizing holistic user service and local autonomy.

Our study has three theoretical implications. First, we provide an empirical example of an administrative post-NPM reform gradually turning into an NPM reform. We have in particular demonstrated the existence of hybridization in fields of administrative welfare reform characterized by an institutionalized NPM logic (Greenwood et al. 2011; Mayer et al. 2013; Binder 2007; Christensen and Lægreid 2011). Even though not all offices in our study were able to do so, our findings suggest the possibility of some kind of balancing or integration between the seemingly incompatible demands of NPM and post-NPM, and thus an ability to provide holistic services even in contexts of strong hierarchical control.

Second, our study advances research on organizational responses to institutional complexity. We have drawn on prior categorizations of organizational responses and sought to expand and nuance them (Oliver 1991; Pache and Santos 2010, 2013). Specifically, we have elucidated three different types of hybridity that institutional complexity may generate – ‘positive,’ ‘negative,’ and ‘ad hoc’ hybridity – and distinguished them from a ‘non-hybrid’ response. This categorization provides a theoretical frame of reference for understanding hybrid organizations, levels and process of such hybridization, and the key conditions for them (Jay 2013; Pache and Santos 2013). Further, by focusing on and comparing a relatively large number of cases (ten), we have been able to account more succinctly than prior analyses for the variation in organizational responses to similar institutional impulses.

Third, we add what we regard as a new response strategy – the ad-hoc response – to those already described in the abovementioned literature of hybridity. This response indicates the possibility of dealing with institutional complexity over time by directing attention towards the most pressing issue at hand, seemingly without any overall or at least commonly acknowledged long-term strategy. The response creates an opportunity to accommodate the most acute critique at any time, whether coming from the hierarchical line of control (i.e. the Directorate and the county offices) or the employees.

Overall, our study presents some of the preconditions for local service organizations to undertake forms of institutional work in which they locally reconstruct the significance of institutional demands through organizational practices (Jarzabkowski et al. 2013). Thus, we argue that the notion of local agency exists and that it provides some leverage for fulfilling the conditions of a locally contingent organization. Of most significance here is perhaps the ability of local offices to integrate different institutional logics, and thereby enable delivery of integrated, holistic services to users (i.e. positive hybridity). Furthermore, some conditions of positive hybridity would to some degree also seem possible to manipulate into existence from

the national level, most notably regarding the issue of the size of the NAV offices – as small NAV offices seem to be better able to develop positive hybridization than do large offices. These findings are of importance not only for public administration and organizational scholars, but also for administrative practitioners and policy-makers (Kooiman and Jontoft 2009; Sørensen and Torfing 2009; Turrini et al. 2010).

Finally, it would seem that the Norwegian NAV reform has created a field where different logics coexist and presumably will go on coexisting for a long time despite administrative efforts to create a single-purpose organization. This development has thus far created a sort of competition between the different logics, which has in turn paved the way for more hybrid organizational responses. The proof of the pudding is of course whether such competition will enhance the goal of user friendly and holistic services more than an arrangement replacing the partnership with state responsibility for social services thereby underscoring the rule of law, national-level standardization, and cost-effective labor market services.

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Figure 1: A broad overview of the NAV organization

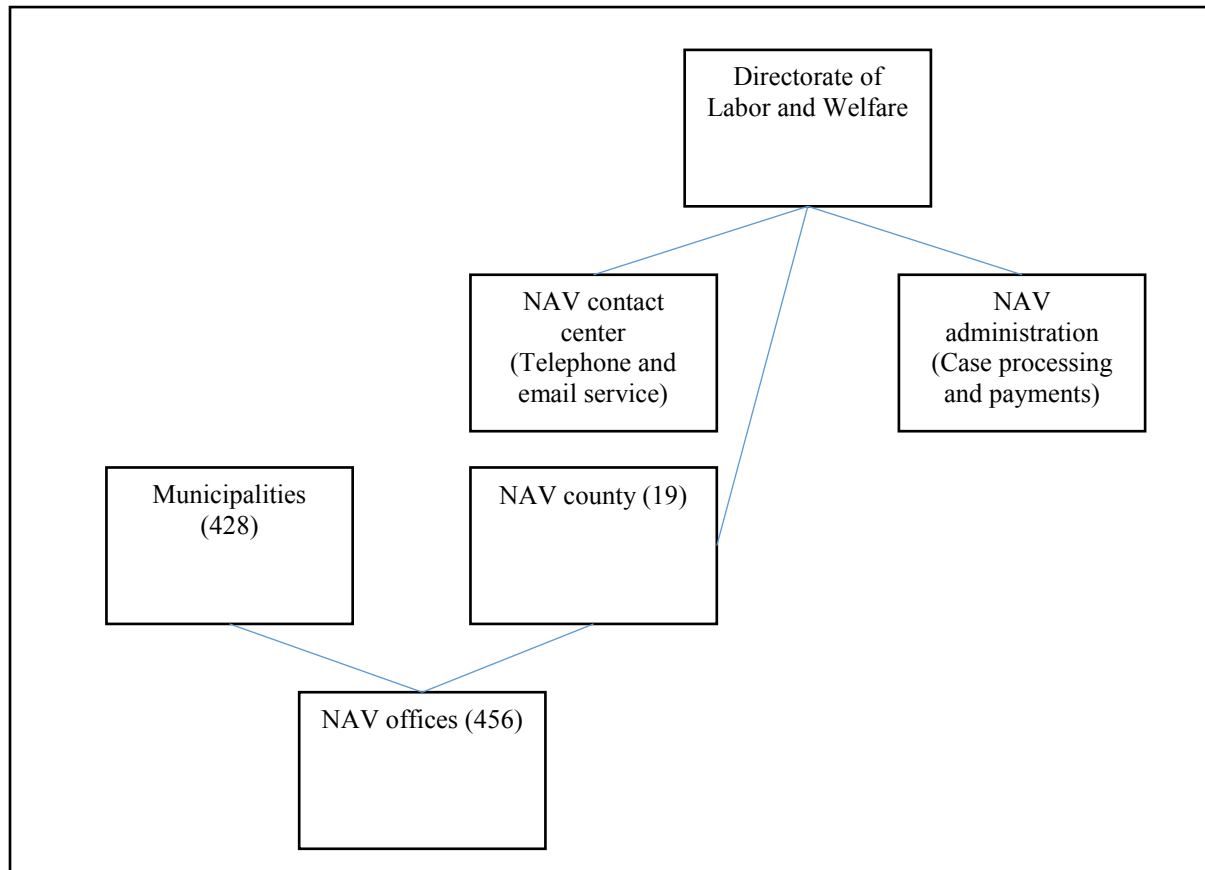


Table 1: Information about the cases

Case	Office size**	Shared or singular management model	Manager's background	Task strain	Coding of response
1*	Medium	Singular	State	Medium	Ignoring post-NPM
2	Large	Singular	Outside	Low	Ignoring post-NPM
3*	Large	Shared	Municipal and state	No data (presumably high)	Separation
4	Small	Singular (but in practice shared)	State	Medium	Separation
5	Large	Singular	Municipal	High	Separation/indecisiveness
6	Large	Singular	Municipal	Medium	Indecisiveness
7	Medium	Singular	State	High	Indecisiveness
8*	Large	Singular	Municipal	High	Indecisiveness
9*	Medium	Singular	Municipal	Low	Integration
10	Small	Singular	Municipal	Medium	Integration

*: Exemplified cases

** : Small (3-15 employees); medium (16-25 employees); large (26+ employees)

Table 2: Characteristics of the competing institutional logics

	Post-NPM logic	NPM logic
Purpose of local NAV offices	Multi-purpose: income security and labor market participation assistance	Single-purpose: First and foremost labor market participation assistance
Relationship between former agencies	Integration: three former offices integrated into one, with a strong front-line service	Separation: division of labor between local NAV-offices, regional administrative units and regional call centers
Implementation	Implementation through governance and network control	Implementation through hierarchical control: standardization and performance management
Organizational integration	Horizontal integration and development in collaboration with local environment	Vertical integration between local and central levels of the administration
Ownership of NAV offices	Joint ownership between state and the municipalities; partnership between equals	Two-tier ownership; unilateral governing of state and municipal services respectively
Tailoring of services	Individualistic in order to provide coordinated and comprehensive assistance	Standardized production through ICT based schemes for assessment of work capacity
Service innovation	Local professional development and education	Service improvement through nationally produced standardization of work procedures and tools

Table 3: Relation between responses, type of hybridity, and office characteristics

Response	Type of hybridity	Key office characteristics
Ignoring post-NPM demands (symbolic compliance)	No hybridity Reducing complexity by converging around the dominant institutional demands	Priority to administrative (NPM) tasks Medium or low-level office strain Medium or large-size offices Managerial background from state or outside
Ad hoc (or indecisiveness) adherence to both demands	Ad-hoc hybridity Directing attention to the most pressing demand at any given point in time	Shifting emphasis on tasks Medium or high office strain Large offices Managerial background from municipality
Separate adherence to individual demands	Negative hybridity Deal with contradictory demands by developing clear divisions of municipal and state tasks.	Division between tasks High office strain Large offices Managerial background from municipality and state
Integration of both demands	Positive hybridity Deal with contradictory demands through integration of municipal and state tasks	Cooperation between tasks Low office strain Small offices Managerial background from municipality