Research article

Public service innovation and multiple institutional logics: The case of hybrid social enterprise providers of health and wellbeing

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ABSTRACT

Public sector organisations are confronted with growing health and social care needs in combination with severe resource constraints, prompting interest in innovative responses to such challenges. Public service innovation is poorly understood, particularly where innovators must navigate between the norms, practices and logics of public, private and civil society sectors. We contribute to the understanding of how innovating hybrid organisations are able to creatively combine co-existing logics. Case study evidence from newly established social enterprise providers of health and wellbeing services in England is utilised to examine how innovations are shaped by (i) an incumbent state or public sector logic, and two 'challenger' logics relating to (ii) the market and increasing competition; and (iii) civil society, emphasising social value and democratic engagement with employees and service users. The analysis shows how a more fluid and creative interplay of logics can be observed in relation to specific strategies and practices. Within organisations, these strategies relate to the empowerment of staff to be creative, financial management, and knowledge sharing and protection. The interplay of logics shaping social innovation is also found in relationships with key stakeholders, notably public sector funders, service users and service delivery partners. Implications are drawn for innovation in public services and hybrid organisations more broadly.

1. Introduction

At a time when the public sector is facing complex societal challenges related to growing demand combined with severe resource constraints, there is considerable interest in the potential of innovation to help address such challenges. Public service innovation is relatively poorly understood and there is a common assumption that employees of the state are risk averse and lack incentives to be creative. This paper shows how innovation occurs in a range of organisational and service settings and is shaped by multiple institutional logics. We examine the case of hybrid social enterprise organisations that deliver health and social care services and explore how their innovative activities are shaped by the co-existing logics of the public, market (private for profit) and civil society sectors (Battilana and Lee, 2014; Billis, 2010; Doherty et al., 2014). By drawing on the concept of institutional logics as cultural beliefs, goals, norms, rules and practices that structure cognition and decision-making behaviour (Friedland and Alford, 1991; Thornton et al., 2013), we are able to contribute to understanding of innovation that seeks to address societal and public service needs.

This paper explores how logics may be creatively combined and

how different actors find ways to navigate the tensions experienced (Jay, 2013). We present a framework for understanding the interplay of logics within hybrid organisations and in relationships involving a range of external actors. In other words, we set out to explain *how* different logics are combined in the activities of innovating hybrid organisations. We draw on case study evidence from eight social enterprises in the health and wellbeing sectors in England to address the core question: How do co-existing logics shape approaches to public service innovation in hybrid organisations? To answer this we set out three specific research questions: How are the logics of the state, market and civil society manifested in the innovative activities of public service hybrid organisations? What are the organisational strategies and practices that enable the interplay of multiple logics in public service innovative activity? What are the inter-organisational relationships with external innovation actors that facilitate the interplay of logics in public service innovative activity?

There is a growing interest in public service innovation (Osborne and Brown, 2013; Windrum and Koch, 2008) and social innovation (van der Have and Rubalcaba, 2016; Tracey and Stott, 2017; Ziegler, 2017) as government bodies and delivery organisations are confronted

with both increasing demand and resource constraints. Ziegler (2017) examines social innovation as an "essentially contested concept" and as a "hybrid concept" which has arisen from discontent with the 'mainstream' understanding of innovation which tends to focus on technology- and market-led innovation. The idea of social innovation suggests greater collaboration between multiple actors in different domains to catalyse alternative ways of mobilising resources for constructive ends. We focus on the innovative potential of newly created hybrid social enterprise (SE) organisations which span the traditional boundaries of the public, private-for-profit and civil society sectors by recombining logics traditionally seen as distinctive to each of these three realms (Doherty et al., 2014; Jay, 2013; Pache and Santos, 2013). SEs predominantly adopt civil society sector legal forms and have a core social purpose which they achieve through trading in goods or services and winning contracts from the public sector. They have been promoted by governments alongside public sector reforms that are resulting in the creation of new quasi-markets for public provision and the greater involvement of private and civil society sector organisations, particularly in the UK (Bartlett and Le Grand, 1993) and the US (Smith and Lipsky, 1993). Hybrid organisations therefore offer a useful context for studying how plural logics influence innovation.

By taking an interpretivist approach (Bryman, 1989), we develop a framework for understanding how the introduction of new ideas and concepts is shaped by both compatibilities and tensions between (i) an incumbent public sector logic and two 'challenger' logics relating to (ii) the market and enterprising responses to increasing competition; (iii) civil society, emphasising social value and democratic engagement with employees, and user communities.

Although the analysis is focused on specific innovations developed by groups of staff and leaders at the micro/organisational level, we are also sensitive to field level influences, such as from public policy and decision-making on health and social care provision. We provide insight into the relationships and multiple levels at which different institutional logics are played out and reconciled (or not), thus offering a relatively high level of generalisability to other hybrid enterprises and to the dynamics of public service and social innovation more broadly. In developing our argument, we contribute to theories of public service and social innovation, hybrid organisations and institutional logics by explaining how innovation arises from creative (synergistic) interplay between logics.

The paper is structured as follows. The next section (2) sets the theoretical context by reviewing the literature on public service innovation, hybrid organisations and institutional logics. The research context of health service provision and efforts to promote innovation in the UK is then introduced (3.1), followed by an explanation of the methods of data collection and analysis (3.2). Section 4 presents the findings related to the interplay of logics within the innovation activities of eight selected SEs. We identify how and at what junctures the interplay occurs, and the strategies and practices that facilitate innovation. We then discuss the contribution to theory, policy and practice and conclude (5).

2. Theoretical context of innovation in public services

Public sector services constitute an important although often misunderstood and under-acknowledged arena for innovation (De Vries et al., 2015; Osborne and Brown, 2013; Windrum and Koch, 2008). Not only does the public sector continue to represent a significant proportion of GDP in most economies, it is also central to the resolution of many pressing and often 'wicked' social and environmental problems (Rittel and Webber, 1973) and to the promotion of different approaches in their resolution (Weber and Khademian, 2008).

Much of the literature on public service innovation examines how structural and related cultural characteristics can shape but also inhibit innovation (Potts and Kastelle, 2010). Public sector practices are characterised by asymmetric incentives whereby unsuccessful

innovations are punished more severely than are successful ones rewarded, and there is also adverse selection by innovative individuals against careers in public services (Borins, 2001). Bate (2000), for instance, found that clinicians within a hospital work environment were resistant to innovation due to 'conservatism' and 'defensive cultures'. However, despite resistance, evidence of significant innovation in the public domain can be found in areas such as health and community welfare, employment policy, and environmental regulation (Osborne and Brown, 2013; Sorenson and Torfing, 2011; Vigoda-Gadot et al., 2005, 2008; Windrum and Koch, 2008).

To shed light on the potential of new approaches, this paper builds on the emerging literature that explores the distinctiveness of a more 'social' and holistic model of innovation in a quasi-public sector context where a change in logics would seem to require a more collaborative approach between multiple actors. While there is a good understanding of how public sector priorities and values may drive or inhibit innovative activities, there is less understanding of hybrid organisational contexts and how civil society and commercial (market-focused) objectives shape innovation characteristics. In the UK and many other countries, public service delivery is subject to ongoing change as a result of debate and contestation between different political-philosophical-social perspectives and beliefs. Relatedly, there have been drives to reduce the role of the state and to re-organise public services along market-based principles (Windrum and Koch, 2008), to bring in elements of civil society to support delivery of public goals (Bode, 2006) and to promote social innovation (Ziegler, 2017).

However, there remains a research gap with respect to how organisations that deliver public services in competitive environments are able to reconcile multiple competing goals (Billis, 2010; Resh and Pitts, 2012; Vangen and Huxham, 2012). Institutional perspectives offer a useful theoretical lens on how innovation may emerge despite the tensions between different norms and practices. Hence, a recent review of the literature on public service innovation calls for further research that engages with neo-institutional theory to analyse the spread of organisational practices and norms (De Vries et al., 2015).

Given that public service innovation is shaped by multiple goals and, increasingly, a diversity of providers from the public, private and civil society sectors, we draw on the institutional logics perspective to provide a rigorous approach to studying this heterogeneity (Friedland and Alford, 1991). An institutional logic is defined by Thornton and Ocasio (2008) as "the socially constructed, historical patterns of cultural symbols and material practices, including assumptions, values and beliefs, by which individuals and organisations provide meaning to their daily activity, organize time and space, and reproduce their lives and experiences". Greenwood et al. (2010) refer to the core societal institutions, each with its own overarching logic and Thornton et al. (2013) propose seven ideal types of institutional order − the family, religion, state, market, profession, corporation and community.

We focus on the three logics of the state, market and civil society, given their centrality to current academic debate around hybrid organisation and also policy discourse around public sector reform and social innovation. The logics of the state and the market are discussed in most definitions of institutional logics (Thornton and Ocasio, 2008) and the logic of civil society (or the social sector) is explored in the literature on social enterprise (SE) and hybrid forms (Battilana and Lee, 2014; Doherty et al., 2014; Jay, 2013; Pache and Santos, 2013; Seibel, 2015; Tracey et al., 2011). The concept of hybridity is particularly relevant. Organisations that do not align closely to one logic are termed hybrids and can include SEs (Doherty et al., 2014); micro-finance enterprises (Battilana and Dorado, 2010); universities (Townley, 1997), hospitals (Miller and French, 2016) and orchestras (Besharov and Smith, 2014). Scholarly interest in hybrid SE organisations has grown alongside a policy trend in many national contexts to increase competition for funding between diverse providers of health services with the aim of driving up service quality and innovation (Sepulveda, 2015).

A growing number of studies claim that hybrid SEs may have a