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# Hybrid governance: sketching discrete alternatives

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## REVIEW ARTICLE

### Abstract

Complex organisational forms are built through – at least to some extent – interorganisational strategies. To analyse the institutional logic of these forms, the concept of hybrid governance is proposed. This concept is a way to link their structural characteristics with their strategic content. To do so, the suggestion is to consider hybrid governance as an institutional combination of an authority structure and of a coordination architecture in presence of pooled strategic assets. The role of hybrid governance will then be to maximise joint value and minimise organisation costs. Such a perspective helps in the understanding of the very nature of complex organisational forms, of their diversity and of their uniqueness, which can be seen as an optimisation of strategy/structure interplay. From this, it is suggested that the research on hybrid governance is a major theoretical contribution to the chain and network science.

*Keywords:* authority, contracting, coordination, governance, hybrid, network

## 1. Introduction

Business sectors provide a wide range of complex forms of organising activities. Most of these forms are created for a strategic purpose, with the aim for instance of developing differentiation strategies, innovating, or enhancing core competencies and capabilities. But what is the logic of such forms and is it possible to categorise them? To understand the link between these strategies and the building of these forms, the concept of hybrid governance is proposed. This concept has been particularly relevant and useful to chain and network science (Omta and Hoenen, 2012). Rooted mainly in New Institutional Economics, in organisation theory and in strategic management (Barney and Hesterly, 2006), we summarise in Section 2 its content and the main results that allow a hybrid governance perspective to explore why and how strategic and structural dimensions within complex organisational forms are intertwined. In Section 3 we propose to outline the core concepts related to these strands of researches: it focuses finally on the idea of discrete categories of hybrid governance, with its main principles of definition, that is to say its core components. Section 4 draws some managerial implications. Concluding comments follows.

## 2. The governance concept and its extension

We will first present our conception of governance and its relevance for an integrated perspective on structure

and strategy. Secondly, we extend the concept to strategic situations and explain the relevance of its application for the study of existing complex organisational forms seen as an interplay between the design of structural dimensions and the definition to some extent of a common or a collective strategy (Astley, 1984).

### The governance concept: some theoretical background

The concept of governance is defined as ‘the institutional matrix in which the integrity of the transaction is decided’ (Williamson, 1996: 378). Considering the theoretical background of transaction-cost analysis, the choice of this governance structure will follow a basic idea: this choice is aligned with the contractual hazards found between actors. ‘Transactions, which differ in their attributes, are aligned with governance structures, which differ in their cost and competence, so as to affect a discriminating – mainly a transaction-cost economizing – result’ (Williamson, 1996: 12). This alignment principle will serve as a comparative institutional analysis of governance structures. Consequently, governance is ‘the means by which *order* is accomplished in a relation in which potential *conflict* threatens to undo or upset opportunities to realize *mutual gains*’ (Williamson, 1996: 12). For Williamson, governance structure will help to mitigate five types of contractual hazards: (1) hazards of bilateral dependency; (2) hazards that accrue to weak property rights; (3) measurement hazards; (4) intertemporal hazards; (5) hazards that accrue to weakness in the institutional environment.

For example, in the case of joint actions, actors will face two types of hazards. Firstly, when a joint action (in marketing or R and D, for instance) is a source of value, it is also a potential source of conflicts. Each actor has an incentive to take over a wide part of the created value to the detriment of others, through opportunistic behaviour. Each producer is incited to free-ride with regard to the collective value by not following the rules which lead to the realisation of the expected strategy. Consequently the partners in the exchange are placed in a situation of interdependence. Secondly, the agents cannot foresee all the contingencies which may arise during the course of the cooperation, in particular when uncertainty is heightened. Therefore, a complete contract to govern all the relations is not a feasible alternative (Ménard, 2012). These two problems emphasize the role of governance seen as an institutional set of *ex post* and *ex ante* devices, beyond the design of the contract or of the bilateral relationship in itself.

A clarification of this concept of governance, particularly relevant for the study of complex network forms, has been proposed by James (2000). It is the distinction between governance and contract (or contractual relationships). This distinction has not always been made, especially in organisation theory. For James: 'the key factors driving the differential effects on governance structures and contractual form are hypothesized to be the problems of verifiability and observability of worker efforts required under different contracting environments' (James, 2000: 4). Indeed, from problems of verifiability will 'result contractual incompleteness – since non-verifiable variables are non-contractible – and governance structures are designed to complete contracts' (James, 2000: 5). While contract characteristics refer to agency problems, the concept of governance affects the boundaries and the organisation of the network in itself. As suggested by Brousseau and Fares (2000) in a similar vein, the intrinsic nature of governance is to 'complete the incompleteness of *ex ante* set contractual obligations', mainly because of radical uncertainty in the environment (Brousseau and Fares, 2000: 412). These questions of incompleteness and non-verifiability are central to the issue of hybrid modes of organising activities.

### Governance in complex organisational settings

Anderson *et al.* (1994) define networks, or business networks, 'as a set of two or more connected business relationships, in which each exchange relation is between business firms that are conceptualized as collective actors' (Anderson *et al.*, 1994: 2). The essence of this definition is the concept of collective actor and therefore the existence of collective actions. This point is also emphasised by authors

such as Lorenzoni and Baden-Fuller (1995). For them 'networks can be thought of as a higher stage of alliances, for in the strategic center there is a conscious desire to influence and shape the strategies of the partners, and to obtain from partners ideas and influences in return' (Lorenzoni and Baden-Fuller, 1995: 157). For Dubois and Håkansson (2000) 'there are interdependencies between products, between facilities (...) and these interdependencies are due to the fact that resources are used in combinations and constellations' (Dubois and Håkansson, 2000: 26).

Many researchers showed the usefulness of the concept of governance for the study of networks (Demil and Lecocq, 2006; Jolink and Niesten, 2012; Jones *et al.*, 1997; Lazzarini *et al.* 2001; Provan and Kenis, 2008). The starting point of their research is that networks can be seen as a combination of governance structures, with multilevel relationships between horizontally or vertically-related entities. Basically, the same working hypothesis applies: governance structures aim at mitigating all forms of contractual hazards found between the partners in a transaction-cost economising way. But, at the same time, networks are complex organisational forms not reducible to a simple single transaction unit (Wever *et al.*, 2012a,b). For Ghosh and John (1999) in their seminal work, the rationale of network is to be found in an 'extension to the core model by developing the interactions between the creation and claiming of value on the choice of governance forms' (Ghosh and John, 1999: 42).

Williamson (1999) suggests that transaction-cost economics could play its part in this perspective 'in taking an inventory of a firm's assets (and those of its rivals) and in assessing the hazards associated with alternative planning scenarios' (Williamson, 1999: 1103). For Williamson (1991), 'the hybrid form or organization is not a loose amalgam of market and hierarchy but possesses its own discipline rationale. More generally, the logic of each form of governance – market, hybrid, hierarchy – is revealed by the dimensionalization and explication of governance herein developed' (Williamson, 1991: 294).

Nickerson (1997) offers a more complete view of transaction-cost economics in an interorganisational strategy perspective. For him, individual transactions and strategy can be linked together. To do so he considers that the firm is an 'expanded institutional set-up', and offers a way of identifying feasible strategies. He shows that the ambivalence of networks is to be found in the design of governance. The network (i.e. a complex organisational form) owes its existence, in the long term, to its capacity to unify its strategy in coherence with independent entities. Unlike fully integrated firms, networks, through cooperation,

allow simultaneously joint actions and freedom, according to the decisions. Some decisions are individual, taken by parties independently, while other decisions are collective. Similar views are developed by Bradach and Eccles (1989), Campbell and Wilson (1996), Grandori and Soda (1995), Hendrikse (2003), Gulati *et al.* (2000), Ménard (2012, 2013) and Williamson (2008).

In total, the balance between centralised and decentralised decisions will be more efficient than full integration only if the multi-lateral governance structure is properly designed. In other words the network, as a generic term for complex organisations, succeeds, in competitive markets, only when a cost minimisation/value maximisation principle is fulfilled. As a consequence, the concept of governance appears to be a meeting point between organisational integrity, seen as its structure, and interorganisational strategy, seen as its *raison d'être*. Finally, a network, in a governance perspective, is a multilevel institutional structure for which the role is: (1) to define a process of adjusting durably a collective action (or strategy) between autonomous entities through the establishment of a 'private order' or an 'internal government'; (2) to design mechanisms (either contractual or non-contractual) enabling the assurance, at the lowest cost, that individual behaviour of partners follow the rules for collective actions.

### 3. An integrated perspective on hybrid governance

Numerous authors have shown the relevance of perspectives focussing on the design of governance structures to support a collective strategy. Following previous works on that question (Borys and Jemison, 1989; Cook *et al.*, 2008; Gellynck and Molnár, 2009; Ménard, 1996, 1997; Powell, 1990; Provan and Kenis, 2008), we will define governance of hybrid modes of organisation through three major items: the allocation of decision rights, the coordination architecture, and the strategic resources.

#### The question of authority and allocation of decision rights

A collective decision necessitates some delegation of power. Authors like Ménard (2012, 2013; Ménard and Klein, 2004, for agrifood sectors) showed that, in complex organisational forms, there is inevitably a specific decision mechanism in charge of some collective decisions called *authority*. This concept of authority is defined as a 'delegation by legally autonomous actors of decision power on a sub-class of their actions' (Ménard, 2012). Then an authority structure, which can be a firm, a third party or a negotiation structure, will be tailored to deal with some decisions.

Authority can be achieved by other means than hierarchical governance but also by uni- or multilateral contractual provisions. For Stinchcombe (1990), in some cases, 'contractual provisions may be expected to produce the effects of hierarchy', that is authoritative behaviour (Stinchcombe, 1990: 231). The role of authority systems is to create 'flows of information certified as legitimate, so that the risk of being wrong is removed from the person who acts in accordance with the information and is laid instead on the legitimators of the communication' (Stinchcombe, 1990: 224). For Ménard (1997), authority is a specific means to govern specific contractual relationships, distinct from hierarchy as well as market relations. Authority is the institution of a private order between autonomous entities. In networks (or hybrid forms in transaction-cost economics terminology) Ménard identifies four types of authority modes, from the most informal to the most formal: influence, trust, leadership and *ad hoc* institution.

The allocation of decision rights defines who takes decisions and the nature of these decisions. Such an allocation of decision rights determines the roles and mutual obligations of the parts. As long as the allocation of decision rights coincides with property rights (i.e. an independent firm responsible for its decisions) this identification is trivial. But in complex forms, delegation (or even sub-delegation) of decision power will occur (Cook and Barry, 2004; Cook and Chaddad, 2000). This delegation of power will not systematically coincide with property rights. As shown by Ménard and Raynaud (2010), one must clearly distinguish between the design of the institutional arrangement in itself (its internal structure) and the interorganisational architecture, defined as the way the set of multilateral arrangements is organised.

The strategic center, through authority seen as a means, has a pivotal role in structuring the network (Gereffi *et al.*, 2005). From an analytical point of view, the study of authority within networks is crucial to understanding what is in charge of strategic decisions and identifying the means by which the strategy is implemented (Håkansson and Johanson, 1993). Beyond the diverse forms that authority can endorse in networks, its objective will always be to back up the strategic center. The critical dimensions of a strategic center are, according to Lorenzoni and Baden-Fuller (1995: 147): to create value for its partners, to act as a leader, rule setter and capability builder, and to simultaneously structure and set up the elements of a collective strategy. These critical dimensions will help to identify the very nature of strategic centres.

## The coordination architecture

As soon as an authority principle and an authority structure have been set up within a hybrid, the question of interorganisational relationships between partners emerges. The objective of the coordination architecture (Grandori and Furnari, 2008; Gulati and Singh, 1998) is to obtain, through different mechanisms, desirable behaviours and to prevent undesirable ones. The means to achieve these objectives are diverse and many scholars have suggested that a wide range of concrete mechanisms are possible (for a recent synthesis, see Ménard, 2012). All of these mechanisms may be seen as decision procedures to fill the gap of contract incompleteness and to enforce the contractual promises. Heide (1994) for example identifies the planning and adjustment processes, the monitoring procedures, the incentive systems, and the means of enforcement. For Stinchcombe (1990), these mechanisms can be summarised in: incentive system, dispute resolution, and standard operating procedures. Brousseau and Fares (2000) define an incentive and coercion scheme, a supervision device and an arbitration mechanism. Following these two authors, their findings are usually synthesised and three generic key mechanisms are suggested for insuring the continuity and efficiency of network cohesion in the long run: supervision device, incentive/coercion procedures, and arbitration mechanism.

Complex organizational forms suppose, to various degrees, interfirm planning, which 'refers to the processes by which future contingencies and consequential duties and responsibilities in a relationship have been made explicit *ex ante*' (Heide, 1994: 76). In this context, 'plans are viewed (...) as aids or frames of reference rather than strict specifications of duties. As such, plans represent frameworks within which subsequent adaptations can, and are expected to, take place' (Heide, 1994: 77). In concrete terms, interfirm planning is a more or less centralised decision-making process, whose role is to 'verify whether parties enforce their commitments by implementing the contractually settled rules or the decision made by the decision-making device' (Heide, 1994: 411).

The incentive and control mechanisms are designed to 'incite the agents to follow the behavior required, or, on the contrary, to dissuade them from adopting behavior that is opposed to their commitments' (Brousseau and Fares, 2000: 411). For Stinchcombe (1990) an incentive system is a 'way of measuring or otherwise observing levels of performance of a contractor or of a contractor sub-unit and allocating differential compensation based on the level of performance, without further recourse directly to the market' (Stinchcombe, 1990: 226). Incentive and control

mechanisms usually rely on performance or observable behaviour. It has been widely recognized that the level of costs for measuring performance explain, to a large extent, the choice of incentive and control schemes (Mazé and Ménard, 2010; Wever *et al.*, 2010).

To fully understand these mechanisms, control and incentive must be considered as complementary mechanisms. Control mechanisms are a necessary condition to protect the value. In order to limit the cost of control, there is a trade-off between behaviour-based and outcome-based mechanisms (Sauvé, 2010). This trade-off will depend upon the information characteristics of transactions. But this necessary condition is not sufficient to fully understand the design of interorganisational relationships. The creation and the distribution of a stream of quasi rents will create incentives, for the partners, to maintain the collective value of interfirm relationships (Ménard and Raynaud, 2010; Sauvé, 2010). This may be done through the price system (for example, with a price premium for product quality) or by the threat of termination of the relationships. It has been shown that a price system (thus combined with a price premium) within the network leads to self-motivated agents and is a way to limit the costs of monitoring and controlling the partners (Raynaud *et al.*, 2009; Sauvé, 2010).

Lafontaine and Raynaud (2000) show for example that in franchise networks, mechanisms such as residual claimancy rights (like in a market relationship) and ongoing rents are complementary because they are used to resolve different types of incentive issues. They suggest that franchise networks with a common property (a shared brand name or another type of co-investment) frequently combine several types of mechanisms, with the underlying hypothesis: an association between a high incentive intensity mechanism (the residual claimancy rights) and the control of opportunist behaviour through the fear of the loss of quasi rents is frequently optimal. Interestingly, Lorenzoni and Baden-Fuller (1995) share the same insight when they suggest that the success of strategic centres is due to their ability to 'create a system that has the flexibility and freedom of the market coupled with long-term holistic relationships, ensuring the requisite strategic capabilities across the whole system' (Lorenzoni and Baden-Fuller, 1995: 160-161).

In spite of the wide variety and diversity of devices inside each type of situation, several studies on networks in agrifood sectors shows that these two generic mechanisms are found in all situations. These mechanisms play the role of invariant schemes in the face of universal contractual hazards at horizontal and vertical levels: adverse selection, moral hazards, free-riding. In any case, the ability to protect

the value within the organisational form in the long run determines the success of the cooperation (Ménard, 2012).

### Pooled strategic resources

The question of resources is complex and has been approached in different ways. Williamson (1999) defines resources as a set of assets including production capacities, sales possibilities, and relational assets. Gadde and Håkansson (2008) consider that there is no 'common understanding concerning resource classification' (Gadde and Håkansson, 2008: 35). While some authors make a distinction between tangible and intangible assets, others distinguish between physical capital, human capital and organisational resources. Finally, all these authors adopt a classification of resources in two main types: physical resources and organisational resources. Waluszewski (2004) distinguishes four types of resources. Two types of resources are mainly social: organisational units, developed in co-operation process and organisational relationships and in networking processes; two mainly physical: products, developed in buying selling processes and production facilities developed in producing using processes.

In their work, Gadde and Håkansson (2008) give a view of the links between business relationships and resource. For them 'the processes of building inter-organizational relationships can be regarded as a flow of resources between organizations'. They consider that the value of a resource is determined through its interplay with other resources. The underlying processes of companies' efforts in this respect are identified as 'systemic combining' of resources across firms' boundaries, an approach which makes sense in the context of hybrid governance. In addition, Håkansson and Snehota (1989), Håkansson and Ford (2002) explain the central role of the invisible or intangible assets in organisational effectiveness. They argue that these assets which are knowledge and abilities, fame and reputation, are created in external relationships. In other research, Håkansson and Snehota (2006) defend the idea that it is the flow of resources that defines the boundaries of the firm. They demonstrate that resources are both managed across boundaries and through moving and developing interfaces that at the same time constitute legal boundaries. Consequently in complex organisational forms, the use and activation of pooled strategic assets (such as brands, patents or social capital) will delineate per se their boundaries.

For instance, with the brand as the strategic asset, partners organise themselves around these resources (Raynaud *et al.*, 2005, 2009). Based upon another example, the organisational form built around brand alliances, Coulibaly

and Sauvée (2010), Sauvée and Coulibaly (2010) have shown that the particularity of brand alliances resides in the existence of two types of actors in the relationship: brands owners and their partners. Some resources are those of brand owners and other resources are activated from outside the alliance. This idea of strategic resources linked to the core competencies constitutes the third component of the key characteristics of hybrids that help identify their nature. Related to the acquisition of new resources and skills, learning effects in complex organisational forms are also to be considered, especially when market alone 'cannot adequately bundle tacit knowledge and capabilities while firm need skills they cannot develop autonomously' (Ménard, 2012). In the context of organisational innovations, for instance, these learning effects explain the inception and implementation of networks between a wide range of partners (Abdirahman and Sauvée, 2012). Therefore the objective will be to identify these assets and their relative importance in comparison with non-pooled strategic assets, i.e. totally owned by partners.

## 4. Some managerial implications of the hybrid governance perspective

Managers should address clearly the institutional design of their complex forms of organisation as a key feature of their competitiveness. Following previous works on the managerial implications (Dyer and Singh, 1996; Håkansson and Ford, 2002; Williamson, 1999) we will develop this question through three items, all of which concern the definition of actions the decision holders have to take for their collective actions and their institutional supports: the choice of a pilot; the choice of coordination architecture and mechanisms; and the definition of information systems.

### The strategic pilot and collective decisions over pooled strategic resources

Within networks, a collective decision necessitates a delegation of rights. In small and equity organizations, this question is simple: the delegation of decision rights is done through financial links and property rights. But in complex organisational forms, the delegation of decision rights is multi-levelled (as in pyramid-like or star-like structures) and is based on contractual provisions, associational links or even more informal social links. Notwithstanding this diversity, we suggest that one of the key dimensions of hybrid governance success is the ability to give exclusivity of action to one pilot over strategic assets in the network. This first principle of *strategic centralisation* seems necessary to run effectively networks because the decision about these strategic assets must be decided by the same governing entity

in order to define and maintain over time a coherence of strategic actions (for a demonstration in the case of brands as the key asset, see Raynaud *et al.*, 2005, 2009). Without this centralisation of decision rights, it will be impossible to maintain the same line of strategic actions. In the example of Raynaud *et al.* (2009), the strategic assets to be managed centrally are the ones related to the value of the brand. In other cases, this is the innovative capacity of the hybrids which is at hand. Of course, if this centralisation principle necessitates the definition of one pilot, it can be firm, a group of firms, a third party, a joint venture or another type of collective organisation.

The choice of a specific pilot can be explained by several factors. Here we suggest a few of them, based on empirical research: (1) the history of the system: in many cases of differentiation strategies, agents are already specialised. Consequently, it is not possible to reallocate the assets, and the building of governance within the network is, in a sense, contingent on individual history of its constitutive partners; (2) the type of strategic assets to be created and managed in the network (brand name capital, technical or R&D assets, immaterial capital ...). Some assets can be easily shared (technical resources), while others are intrinsically divided between several partners (brand name capital); (3) the relative size and importance of partners in the organisational form, or their situation in the chain, leading to a 'natural' leadership within the network. Achrol (1997), for instance, explains that the network is 'organized around a focal organization best positioned to monitor and cope with the critical contingencies faced by the network participants in a particular market' (Achrol, 1997: 60); (4) the role of institutional environment. In some cases, the public bodies may decide to create a third party (Abdirahman and Sauvé, 2012; Hatanaka *et al.*, 2005). In doing so, they place the organisational form in an interdependency situation regarding the third party, which acts as a pilot or a strategic center (at least partially).

A second principle of *reciprocity* seems necessary. It refers to the way collective decisions are taken and to the type of reciprocal benefits the partners who delegate their decision rights to the pilot may expect. Indeed, with this reciprocity principle, we suggest that the limitation of decision rights needs a counterpart: a redistribution of quasi rents, exclusive access to markets, guaranteed volumes, limited price fluctuations or another type of reward. Managers in complex organisational forms should consider these two principles, strategic centralisation and reciprocity, as a way of building an effective institutional design, in spite of a large diversity of possible real organisational forms (Ménard, 2013).

### **Interdependence between incentive/control mechanisms and strategic orientations**

The line of reasoning for the design of incentive and control mechanisms is to be found in observability of behaviour and performance, as shown in many real situations (see for instance in the agrifood sectors: Ménard and Klein, 2004; Raynaud *et al.*, 2005, 2009; Sykuta and Cook, 2001; Wever *et al.*, 2010, 2012a,b; Zylbersztajn, 2004; Zylbersztajn and Farina, 2005). But, more importantly, managers have to choose between different types of incentive/control mechanisms. The choice of a particular market positioning and differentiation strategy interacts with the choice of a type of mechanisms. For instance, the choice of a cost-domination strategy emphasises the importance of performance measurement and the self-enforced mechanisms, through internal market prices or set prices. On the contrary, product differentiation strategies favour direct control over a specific list of specifications. In any case, the strategic orientations help choosing the adequate mechanisms and there is a close relationship between the strategic orientations and the types of incentive/control mechanisms. This fact has been acknowledged in the literature on hybrids as the alignment principle (Williamson, 2000).

Consequently, for managers, the choice process for coordination architecture and content must be analysed as a *codetermination process* between strategic orientations and institutional mechanisms. Suggested by Ghosh and John (1999), Nickerson (1997) and Nickerson *et al.* (2001) this endogenisation of strategic variables is a key feature of organisational/institutional designs of hybrid governance.

### **Information system as a support for the overall institutional configuration**

Generally, information systems are studied mainly in their technical components. The governance perspective stresses the information system as a way to solve performance measurability problems between independent partners (Sauvé, 2010). Usually, pure market relationships are based on a price system, while in integrated firms it is based on command. Many studies have widely shown that the intrinsic nature of networks, from a governance point of view, lies in their unique combination of control and incentive systems. Consequently the definition of information systems should be seen as the sociotechnical core of the governance design of hybrid governance. Similarly, traceability systems must be set up as parts of measurement and control mechanisms (Hobbs, 2004).

Finally, information systems should be built in relation with the two previous implications: a need for strategic centralisation, and a link between the strategic content and outcome- or behaviour-based performance measurement. Consequently, managers should think of the design of their information systems in relation to the 'institutional structure of production' (Coase, 1992).

## 5. Concluding comments

Ménard (2012) suggests summarising the variables that characterize governance in two dimensions: the degree of autonomy over strategic resources and rights, and the degree of centralisation of coordination mechanisms. The logic for the first dimension is the necessity for all organisations to create value in a context of complexity (due to innovation and knowledge) and uncertainties (market, technology, etc.). This situation translates into the density of pooled strategic resources and rights. The second dimension concerns the objective of any organisations to reach stability and a certain level of cohesion: it translates into a subtle balance between some autonomy for partners and the need for the control of opportunistic behaviours, with the use of more or less tight control/coordination mechanisms.

According to this approach, Ménard (2012) distinguishes three archetypal situations of hybrid governance:

- In information-based networks: close to market governance, information-based networks combine a high autonomy over assets with decentralised information platforms.
- In strategic centres: close to hierarchical governance, strategic centres put together a formal authority in the presence of significant strategic assets and tight control/coordination mechanisms, backed up by contracts if necessary.
- In third-party certification: situated between the two previous cases, third party certification shares intermediate levels of centralisation and of pooled strategic resources. The rationale of this category is to be found in the specific needs of cohesion between partners and coordination of actions because of the presence of some idiosyncratic strategic investments.

Finally, for Ménard (2012), 'hybrids proliferate because advantages of coordination and cooperation overcome gains associated with market competition, while remaining autonomy provides more flexibility and better incentives that an integrated structure can offer'.

On the basis of the studies on complex organisational forms, the suggestion is that the analysis of hybrid governance

refers to three critical dimensions: firstly, the recognition of an authority principle and an authority structure: this structure is to be identified in the specific allocation and configuration of decision rights over strategic assets; secondly, the coordination architecture between actors (individuals and organisations), backed up by formal and informal mechanisms, which constitutes the institutional architecture of hybrid governance; thirdly, the information system that should be analysed as a sociotechnical ramification, dealing with technical constraints with a finality which is to be found in its institutional properties (control and incentive mechanisms).

The research on hybrid governance has accumulated results thanks to long-run theoretical and empirical developments in the fields of New Institutional Economics, organisation theory and strategic management. The concept of hybrid governance is powerful and its legacy heavily irrigates chain and network science. This concept of hybrid governance helps capturing the intrinsic nature of complex organisational forms situated between markets and hierarchies, situations which constitute in fact the bulk of the real cases observed on the ground. The very nature of these complex forms, through the lenses of hybrid governance, is the process of creating competitive positions through the design of a few key components summarised above. From this perspective, some managerial implications can be drawn, concerning mainly: the central roles of the pilot in defining and in monitoring key pooled strategic resources; the design of an information system; and the design of an individual as well organisational coordination architecture through formal and informal links.

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