The old and the new: comparing strategic positioning of third sector housing organisations in the Netherlands and Australia

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Abstract

In many advanced economies, third sector organisations are playing an increasing role in delivery of public services such as affordable housing. The positioning of such organisations between state, market and civil society is highly variable reflecting the mix of public and private funding, the type and extent of government regulation, the nature of organisational mission and values and organisational capacity. This paper compares the strategic positioning and decision-making of new entrepreneurial housing associations in Australia and their mature counterparts in the Netherlands, drawing on research in both countries that used a modified Delphi technique, originally applied in the UK (Mullins 2006). By using a common methodology and core set of questions, the paper assesses the significance of state, market and other influences on organisational leadership and decision-making in two very different policy, finance and sector contexts.

Keywords: third sector housing, decision–making, Australia, the Netherlands
Introduction

In many advanced economies, third sector organisations (TSOs) are playing an increasing role in the delivery of public services which were part of the post World War 2 social settlement, such as social housing. This paper explores the role played by TSOs in social housing through case studies of two very different contexts; the Netherlands (our old case) and Australia (our new case). The shift of provision of social housing services and supply to non government ‘social landlords’ is not new but until recently the reality of such shifts has been a ‘black box’ because of housing research paradigms that have focused on policy and finance systems rather than the everyday world of housing organisations. Thus, while the shift has variously been attributed to ‘welfare state retreat’, ‘privatisation’, ‘neo-liberalism’, ‘modernisation’ and ‘mixed economies of welfare’ rarely has the perspective of the organisational actors themselves been sought. Such general explanations tend to ignore the distinctive features associated with TSOs.

This paper seeks to contribute to a more nuanced and specific understanding of the roles of non-profit distributing TSOs in the delivery of social housing through empirically informed study of these organisations in the two case study countries. Our focus is on positioning by these organisations and how this responds to the shifting policy, resource and regulatory context for third sector housing in each country. To do this we have deployed a distinctive methodology, the modified Delphi technique (Mullins 2006) that enables organisational voices to be heard and uses those voices to paint a picture of how TSOs are adapting to and, in some cases, actively shaping the environments in which they operate. This in turn leads us to consider what types of organisations housing TSOs are becoming as they use market type mechanisms to deliver and provide social housing. We consider how organisational identities are shaped by positioning between state, market and civil society influences and recognise that different choices are being made between organisations even within the same policy and market contexts. We engage with theories of hybridity (Billis 2010) that attempt to account for these different positioning choices and their consequences as well as ideas about social enterprise.

In this paper, first we briefly introduce some of the theoretical perspectives and questions that have arisen internationally in response to the growth of the third sector role in delivery of services such as housing. We introduce the core concepts of social enterprise, hybridity and strategic positioning and examine how discussion of these concepts has been changing in recent ‘troubled times’. We then set out the Delphi technique and explain why we have selected it as a core approach within our international comparative project. We then review key developments in the two case study contexts, again highlighting the shift that has occurred in the context for social enterprise since the global financial crisis (GFC) in 2008. We compare organisational positioning in the two sectors and points of convergence and divergence. We explore how housing TSOs balance competing priorities and how strategic positioning is changing by identifying the key change drivers and the specific strategic decisions that organisations are expecting to make over the next three to five years. This leads us to draw some conclusions about the volatility of the social enterprise model and the role played by organisational actors in balancing the tensions between state, market and civil society but also the continued importance of external contextual drivers. In considering the usefulness of concepts of social enterprise and hybridity to understanding change in housing TSOs we highlight the weak explanatory power and misplaced optimism of the former in the light of the economic and political changes.
associated with the GFC and the potential analytical power of the latter in identifying the increased constraints to action arising from the hybridisation process itself.

Organisational positioning in increasingly troubled times

So how might we understand the positioning of housing TSOs? In this paper we use two related sets of ideas to conceptualise change in TSOs: social enterprise and hybridity. We show how these concepts have been introduced into the discourse of policy actors and academics. The former often have quite optimistic expectations of overcoming market and state failures and harnessing new resources to meet societal needs. However, darker critiques have emerged from the latter, particularly as the economic context has challenged the social enterprise model.

Social enterprise has been increasingly used in policy discourse since the 1990s. While the meaning of social enterprise is contested, most European and North American authors would agree (Kerlin 2006) that ‘in short it concerns the use of business means to pursue social ends’ (Peattie & Morley 2008:6) and, thereby, expand capacity to achieve social purposes, for example by using commercial income to cross-subsidise social purposes.

Some see social enterprise as a continuum between state and market forms (see for example Crossan 2007), with the possibility of organisations moving backwards and forwards along this continuum between traditional and more socially entrepreneurial practices (Stull 2003). Others view social enterprise as operating in a force field pulled between the three triangular drivers of state, market and ‘community’ (Brandsen et al. 2005) or, in some cases, ‘society’ (Gruis 2008) or, in the case of Buckingham’s (2011) pyramid, between these forces and a vertical axis representing the third sector itself. Evers (2005) refers to this diversity of providers as the ‘welfare mix’, and depicts third sector welfare providers as operating within a triangle bounded by state welfare, market welfare and informal welfare systems and sharing some characteristics of each. Ko and Kong (2012: 173) in reviewing the literature on social enterprise, suggest that they are a hybrid between for–profit and not–for–profit organisations; have a double bottom line (financial and social); are entrepreneurial and use business planning and tools; and have an increased focus on earned revenue and return on investment.

Turning now to hybridity, Billis (2010: 3) refers to hybrid organisations as possessing ‘significant characteristics of more than one sector (public, private and third)’. A variety of forms of hybridity depend on the allocation of ‘principal ownership’ (Billis, 2010) between three overlapping circles of state, market and third sector. Billis’ distinction between ‘organic hybrids’ and ‘enacted hybrids’ can also be useful. The former term is applied to organisations that have moved away from a classical voluntary association form, as a result of key changes such as employment of staff and engagement in trading to generate income. Enacted hybrids’ are set up from the start as hybrid forms with mixed principal owners, as in the case of stock transfer housing associations in England with their hybrid governance of tenants, local authority persons and ‘independents’.

A recent overview of social enterprise and hybridity in social housing (Mullins, Czischke & van Bortel 2012) concluded that such conceptualisations are helpful in understanding the dynamics of change in housing organisations in different contexts, but there is scope for their refinement to fit specific contexts and to link with broader theoretical perspectives. This paper makes a particular contribution to the first of
these aims by exploring change in housing TSOs in two very specific but different contexts and makes links to relevant theories of business strategy, as we discuss next.

Within business literature, organisational strategies are often described by their market scope, product range and level of innovation (e.g. Ansoff 1984; Saly 2001). Accordingly, Miles and Snow (1978) make a distinction between prospectors and defenders. Applied to social housing organisations, Gruis (2008) found that defenders are less innovative, except as far as the efficiency of their operations is concerned. They focus on performing traditional activities: building and managing rental dwellings, in particular for lower-income households. Prospectors, on the other hand, are more innovative, in a broad sense, and undertake a variety of activities outside traditional roles (Gruis 2008).

Critiques of the underlying assumptions of hybrid models, and their ability to deliver both commercial and social returns, need to be developed in varying economic and social contexts including the increasingly troubled times that have followed the GFC.

Teasdale (2012) challenges the implicit assumption that both social and commercial returns can be maximised in social enterprises rather than traded off against each other. Strategies to make such trade-offs in practice by ‘work integration social enterprises’ in the English homelessness field (which try to get homeless people back into jobs) involved leveraging in resources from other sectors of the economy (from government, philanthropists, consumers and other partners) to deliver ‘blended value’.

More specifically the ability of housing social enterprises to cross-subsidise social activities from commercial profits (e.g. from house sales and market rents) can be much harder to achieve in troubled times when houses aren’t selling.

Blessing (2012) re-inforces this view, concluding that ‘social entrepreneurship is not a super-blend but a balancing act’ (p.205). Moreover, as economic times have changed there is growing evidence of the other view of social enterprise captured by Blessing’s phrase of hybrids as monstrous transgression from both public interest and private market perspectives’ (p.205). This was certainly the view taken by Kopell (2001) of Fannie Mae and Freddie Mac in the US when he highlighted the risks associated with hybrid government sponsored agencies (GSEs) that appeared to be beyond the control of government.

This leads some to question the extent to which, and under what conditions, social enterprise models can substitute for public subsidy for social and affordable housing rather than simply changing the way in which such subsidy is channelled. In the challenging global conditions that have prevailed since 2008, the continued ability of asset based models to cross-subsidise social returns from asset values deserves much closer scrutiny.

This paper addresses some of the key themes raised in debates about social enterprise and hybridity in troubled times by painting a picture of systemic change in two contrasting contexts, the Netherlands and Australia. It considers the nature of positioning activity by TSOs in the two cases by looking back at perceptions of how the context has been changing and the links between these changes and prospector or defender behaviour by housing TSOs. It pays particular attention to changes in the social and commercial orientation of housing TSOs and how these may be related to shifts in organisational identities and the meaning of social enterprise in this respect. It also explores actor perceptions of possible future changes in the environment and how these changes may be addressed strategically.
Research methods

The modified Delphi method, originally applied by Mullins (2006) has been designed to explore decision-making and change across the housing third sector using a combination of quantitative surveys and qualitative interviews and enabling the active participation of actors from TSOs in the research process. This latest research in Australia and the Netherlands has been designed to enable comparison of similarities and differences in organisations operating in distinctive national contexts and to contribute to theoretical understanding of explanations of hybridity and social enterprise in relation to the third sector.

Participants in the research were ‘experts’ drawn from the sector. Following the English precedent, the Dutch and the Australian surveys consisted of scaled questions in which participants were asked to indicate their degree of support for, or disagreement with, a series of propositions that related to: the strategic positioning of their housing organisation; factors influencing their strategic decision-making; and how their organisation was making decisions in the light changes impacting on their sector. The survey instruments for each country comprised a common core of questions – around 60 per cent of the items in the survey. These were complemented by unique questions that were chosen for their relevance to each local context. Consultation between the two national research teams over the survey items and its administration aimed to ensure broadly compatible research methods.

There were some differences in panel recruitment due to differences in the size and characteristics of the sectors in the two countries and resource levels. In Australia, sampling was restricted to housing third sector organisations exhibiting hybridity (Gilmour & Milligan 2012) and established for at least three years. These were organisations that had relatively large operations (in their local context) involving housing development and investment, and tenancy and property management. Fourteen organisations (of a population of around 30) were approached and all agreed to participate. Each panel member was the Chief Executive Officer (CEO) of the organisation. In the Netherlands, 41 of the large or middle-sized Dutch housing associations that had been established for more than two years were approached to participate in the survey; 31 of them returned the survey questionnaire, giving a response of 76 per cent. In the Netherlands, the survey was directed to a person with a strong overview of the policies of their organisation and its rationale, and who would be able to provide insight into expected strategic directions in the near future. Participants included Directors, executive management team members and senior policy officers who had the knowledge but not the same degree of authority over strategy as the Australian panel. Although there were some differences in sampling methods, a good representation of larger, leading organisations in a variety of locations was achieved in both countries.

A round of interviews with panel members was undertaken following the completion of the surveys. In Australia all panel members were interviewed (14 participants); for the larger Dutch study one in three were sampled and interviewed (10 participants). A summary of the responses to each question in the survey was sent to the panel members prior to the interviews. This allowed them to see how their views related to others on the panel. The purpose of the interviews was to obtain a more in-depth understanding of the survey results through discussions with panel members of their own results and of the collective view emerging from the panel as a whole. As well as discussing the reasons for participant responses (particularly where these differed
from the collective view), these interviews provided panel members with the opportunity to amend their responses, offering a grounded explanation for the response patterns. Surveys and interviews were conducted over the period November 2010 to December 2011 in the Netherlands and November 2011 to April 2012 in Australia. Quantitative data in the surveys was collated and subject to statistical analysis that utilised measures of averages and deviation. Interviews and qualitative survey data items were analysed thematically to identify patterns in the data concerned with the values, motivations, perspectives and decisions of participants on key issues. In addition to the surveys and interviews, background information and data was collected on participant organisations from sources such as Annual Reports and organisation websites.

**Developments in the Dutch housing third sector**

Dutch housing TSOs had a long history of substantial public subsidies and tax and borrowing concessions. From the late 1980s, however, the housing third sector in the Netherlands shifted from being driven by government regulation and public financing to one that had to stand on its own two feet. Capital market loans were introduced into the sector, supported by a joint government and sector backed guarantee for loans, and direct subsidies for new housing supply were largely abolished by 1996. Retained regulation took the form of supervision of the operation of housing TSOs on the basis of general ‘fields of performance’ and national limits to rent increases. These had the effect of restricting the income that TSOs could earn from their main product line, thereby constraining their financial independence. There was also limited reporting to a Central Housing Fund, the independent financial supervisor for the housing third sector. Within this framework housing TSOs were free to sell, to invest and to decide how to allocate their resources to their social task.

Substantial merger activity followed financial independence, reducing the number of organisations from 767 in 1997 (VROM 2007: 158) to 400 in 2010 (CFV 2011: 80). A Dutch housing TSO of average size now owns around 5,000 homes. However, there is wide diversity in the sector; the largest organisations manage over 50,000 homes, whereas the majority manage less than 5,000 homes.

The financial liberalisation of the Dutch social housing sector went hand in hand with a diversification of businesses, involving both new housing activities and other products and services. In the housing sphere, not only did housing development and neighbourhood renewal have more prominent roles, but the sale of both new and existing homes became more important as a means of financing housing development and to cross subsidise social activities (a key element of the social enterprise model developed by the sector). Organisations also embarked on activities in the field of welfare, care, local economy and education, albeit usually via a restricted role as social real estate developers and facilitators rather than as direct providers of wider services (Brandsen et al. 2006; Gruis 2008; Van Overmeeren & Gruis 2011). All this occurred in the context of a long term favourable economic climate with rising asset values for 10 years giving social entrepreneurship a head start in the Netherlands. So much so that Dutch housing third sector came to resemble ‘a network of wealthy social entrepreneurs’ (Blessing 2012: 203).

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1 Performance fields monitored under the 1993 Social Rented Sector Management Decree (*Besluit Beheer Sociale Huursector*) were: the contribution to combining care and housing; accommodation of target groups; preservation of the quality of dwellings and their environment; securing financial continuity and promoting liveability.
In the last few years, three developments have brought about new dynamics in the Dutch housing sector. First, the credit crunch that followed the GFC severely affected the housing market and led to sharp falls in both housing construction by housing TSOs and in the asset values of their property and land portfolios. It also triggered more cautious bank lending policies, which reduced the capacity of the sector to invest and contributed to a sharp decline in their housing turnover (Priemus 2010).

Second, the national government lifted the exemption from corporate tax for non-profit organisations, which also reduced their room for investment. Third, the market privileged position of housing TSOs became a bone of contention with the private sector leading to interventions under a European competition directive. The Dutch Government’s implementation of EU regulations on state aid entailed a considerable change in the allocation of homes with the result that housing TSOs have to concentrate more on assisting low-income households – 90 per cent of vacancies in the part of their stock where rents are regulated (rents up to €664.66 per month) must be allocated to households with a lower yearly income (now €34,085) – in order to remain eligible for state support (Priemus & Gruis 2011).

Over the course of developments in the Dutch sector since ‘financial independence’ there has been growing political and media questioning of whether housing TSOs have lost their way by having too much focus on their commercial activities at the expense of their core social purpose to meet the needs of low-income groups. Recent incidents with a few organisations have fuelled this critique. These incidents, including massive losses from non-housing projects and a financial deal involving derivatives to fund future borrowings that went awry for a leading organisation, have triggered a parliamentary investigation into the functioning of the sector.

In terms of the hybridity model, the changes outlined above had seen the initial move of Dutch housing TSOs away from the public sector towards the market but also embracing a strong recognition of community and society accountability in the context of limited state regulation. Recent years have seen a retreat from the market and the re-emergence of closer state supervision amid questioning of the legitimacy of the approach organisations had taken to asserting their societal or community identity.

**Developments in the Australian housing third sector**

The transformation of third sector housing organisations in Australia is much more recent than in the Netherlands. Traditionally the Australian sector was characterised by a large number of small to very small, localised ‘community housing providers’. However, sector restructuring – driven by government incentives and regulation, and efficiency problems in the sector itself – has been occurring gradually since the 1990s. By 2010, this had resulted in just 45 organisations managing 63 per cent of tenancies in the sector (Australian Government 2010), with the largest having around 4,000 dwellings.

While initial moves to develop entrepreneurial housing companies were made by some state governments (within Australia’s federated governance system) and the larger organisations themselves from the late 1990s (Milligan et al. 2004, 2009; Bisset & Milligan 2004), it was not until 2008 that this direction became a key platform for national reform (Plibersek 2009). This followed a large injection of government funding into additional social and affordable housing, part of which was an unanticipated and time limited economic stimulus measure (see details in Milligan & Pinnegar 2010). The direction of reform also built on tax advantages that traditionally
have been available to third sector organisations with a ‘charitable purpose’ and the introduction in some states of specialised regulation of housing TSOs that differentiated for the first time between the complexities of organisational business models (Milligan et al. 2009).

As well as allocating more resources to this sector since 2008, federal and state governments in Australia have also been broadening the remit for housing allocations (away from those with the lowest incomes and highest needs only) under some, although not all, funded programs and have encouraged rent restructuring by TSOs that has improved their revenue position (though greater capture of available federal rental subsidies). A consistent national regulatory model that has been advocated by the leading players in the sector is proposed for introduction in 2013 to replace the current state-based systems (Housing Ministers Advisory Committee 2012). In return for substantial government financial support to date, TSOs have been required to leverage their growing revenues and balance sheets, especially to achieve additional housing supply (Milligan & Pawson 2010). This has led to scaling up of private financing from being project-specific to negotiation of lending facilities with Australia’s major banks, which had previously been reluctant to finance the sector.

It is in this generally favourable environment that the largest housing TSOs have been able to embark on expansion and diversification. Some of these organisations had been primarily tenancy managers of public and privately owned assets while others owned as well as managed their properties. Whatever their starting point, all have moved along a more commercially–oriented and independent path, although this transformative process remains at a very early stage. Having agitated for opportunities to become more independent for a long time (Milligan et al. 2004, 2009), our research shows that leading players have been enthusiastic and energetic in their responses (Milligan et al. 2012). Additionally, the policy shift in favour of the third sector has stimulated a variety of new entrants, including special purpose entities focussed on private fund raising (Gilmour & Milligan 2012).

Australia’s leading housing TSOs can be seen presently as prospectors because of their rapid response to new opportunities and their moves into new functions, products and markets, which together have added complexity and scale to their operations. The directions being pursued typically have involved: merger activities designed to increase business scale and promote cost efficiency; new rent products for moderate income groups that increase rent revenue and offer opportunities to cross subsidise very low income tenants; take–up of public housing stock transfers (where offered) to create an asset base and add to scale; some (limited) sale of housing at market rates; and introduction or expansion of profitable fee–for–service activities, mostly housing–related. A prominent strategy adopted by almost all organisations has been reaching into new markets to take up business opportunities and to reduce risks associated with over reliance on the policies of individual governments in Australia’s federal system of government.

While diversity in business models is apparent in this initial phase, especially the extent of take–up of commercial options (Milligan et al. 2012 forthcoming), organisations have faced different constraints and opportunities. Thus, apparent differences at present may relate more to the extent of change that it has been feasible

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2 These are presently under review by the Australian Government to ensure they are related to the altruistic purpose of the organisation and not unrelated commercial activities – see http://www.notforprofit.gov.au/node/190.
to implement (such as whether an organisation already had the capacity and resources to take up opportunities offered since 2008) rather than to underlying differences in organisational motivation or decision-making. A longer period of time will be needed to show whether there will be greater convergence or divergence in activities and behaviour across the sector (Gilmour & Milligan 2012). Critical also to the future will be the shape of state support now that housing economic stimulus measures have ended and there has been no commitment by governments to extend the innovative National Rental Affordability Scheme (NRAS), which is expected to be fully allocated by 2016.\(^3\)

In broad terms, the changes occurring in Australia can be seen as marking the shift from public monopolies to social enterprises that exhibit hybrid organisational characteristics, similar to developments over the last two decades in the Netherlands, along with those of other international jurisdictions, including the UK, the US and Austria (Pawson & Mullins 2010; Bratt 2012 and Lawson et al. 2010). However, such a sweeping comparison inevitably masks important differences between countries, which we seek to uncover by directly comparing findings on organisational positioning between Australia and the Netherlands.

**How does organisational positioning compare?**

In this section, we use the results of the surveys and interviews in the two national sectors to compare the strategic positioning of the leading housing organisations, to review the main business changes that have occurred over the last three years in the organisations surveyed and to discuss the drivers of these changes. We conclude our comparative analysis by considering how the organisational participants in our research in each country see their organisation’s future and the strategic decisions that they are facing.

**Balancing strategic priorities**

In both national surveys, participants were asked to consider a set of strategic priorities to indicate to what extent one priority currently took precedence over the other and what the situation was three years earlier. Figure 1A (The Netherlands) and Figure 1B (Australia) depict how six matched pairs of priorities were assessed by each national group as a whole.

The results of this analysis pinpoint the extent of similarities and differences in priorities in the two countries and how much change has occurred over three years. In the Netherlands, the overall direction has been towards curbing the field of operation of housing TSOs. This is reflected in a return to a focus on low-income groups; less involvement in commercial activities; more emphasis on optimizing the provision of existing products and services; and more emphasis on confining businesses to housing functions. By contrast, in Australia diversification and expansion of services are key trends. Most organisations in the Australian survey have begun to embrace a mixed income model, to some extent at least, and are developing new products and services.

\(^3\) The National Rental Affordability Scheme (2008) offers tax credits or annual financial payments to for–profit or not–for–profit providers of new affordable rental housing for low and middle income groups for ten years.
Figure 1A: Average balance of pairs of priorities, the Netherlands 2007 and 2010 compared

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<th>Priority</th>
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<td>Housing quality</td>
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Note: Answers were given on a seven-point scale, which was converted into a number from -3 to +3 and averaged. In the graph, bars to the left indicate the extent of emphasis given to the priority on the left; positive scores indicate the extent of emphasis given to the priority on the right.
Source: Survey of housing TSOs, the Netherlands (2010).

Figure 1B: Average balance of pairs of possible priorities, Australia 2008 and 2011 compared

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<th>Priority</th>
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Note: see Figure 1A.
Source: Survey of housing TSOs, Australia (2011).

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A point of difference in the span of activities derives from the historic focus in the Netherlands on investing in neighbourhood renewal, which is now retracting somewhat. In Australia the sector has been focussed on investing in new housing although this may change in the future, as later results show.

One shared trend over the last three years is that both sectors have shifted their attention more towards financial returns rather than social returns, as financing and market conditions deteriorate and greater risk awareness amongst organisations emerges. However, the means of achieving greater financial security presently differ strongly, as we discuss next.

**Recent changes in strategic positioning**

Considering in more detail our survey results on how the TSOs have responded to recent changes in their respective environments, shows both national sectors to be striving to achieve greater internal control of their financial operations but by apparently contrasting means. In Figure 2, we show particular financial strategies that participants regard as more or less important compared to three years ago (see also Nieboer & Gruijs 2011). In Australia, where the GFC did not have the same direct effects on economic growth as in Europe, the federal government’s initial response to the GFC was to invest money in key services such as education and social housing. This was in addition to the planned tax credit scheme (NRAS) which in concert provided the opportunity for Australian TSOs to position themselves as prospectors.

**Figure 2: Comparing changes in strategic positioning of third sector housing organisations, Australia and the Netherlands 2007/2008 – 2010/2011**

In the Netherlands, housing TSOs are attempting to exert greater control through defensive strategies such as reducing their commercial exposure and costs, phasing out non–core activities, rebuilding their reserves, restructuring their assets and increasing their revenue from higher rents for new tenants. Socially, they are
refocusing around low income clients, strengthening core products and services and helping to address the wider social and economic needs of their tenants.

The motives behind these moves – from a prospector to a defender position – could be construed as similar adaptation of a business to changes in their external environment as occurs in the for profit sector. Those interviewed felt that they have had to shift strategy in response to prevailing economic (credit crisis) and policy (stricter regulations and increased tax burden) contexts. As a result, the difference between where a Dutch housing TSO wants to be positioned and where it is forced to be seems to have increased.

“We can cope with the financial consequences, but only if we cut our social activities. And it means that [the organisation] will lose much of its innovative power” (interview Dutch CEO).

The interviews with Dutch participants suggest that there has not been much internal discussion within the organisations about the legitimacy of the variety of their activities. This confirms that the interviewees regard the shift towards more defensive strategies as a necessary evil rather than of their own making. Most participants argued that restriction of the range of their activities would make it more difficult to fulfil the social tasks that Dutch housing TSOs in general had come to stand for – not only providing good housing for an affordable price, but also social investment in communities. They remain attached to the policy freedom that they obtained in the 1990s and argue that this freedom has entailed many valuable initiatives in housing production, housing management and community development. Signs of these values are a continuing effort on liveability and a firm plea for a wide field of operations.

“We are not a real estate enterprise, but a social organisation for housing, and we want to remain so!” (interview Dutch senior policy officer).

Despite these general signs the personal attitudes of the participants vary. While some housing associations feel hampered by recent political and regulatory developments (and show signs of resistance, such as trying to find loopholes in the new law), others regard these as a fact of life and advocate more self-reflection and a less defensive attitude in the sector.

Turning to the Australian case study, while all organisations have a core focus on and commitment to social housing, their financial position and government expectations of leverage have driven them into new strategies to increase their revenue and grow their balance sheets.

“It is definitely not a business that is sustainable with just social housing; there must also be moderate income households in the mix” (interview Australian CEO).

The most significant strategy in Australia, stimulated by the National Rental Affordability Scheme has been the introduction of an affordable rental product at a higher rent than social housing. Eighty percent of organisations surveyed were now in this business to a greater or lesser extent. Another strategy attempted by half the organisations has been mixed tenure developments and fee–for–service activities that can generate greater liquidity for organisations while maintaining their social role.

“We love our social housing but cash is king for our Board” (interview Australian CEO).
Geographic expansion has also been marked in Australia. Almost all participating organisations had expanded by moving into new regions beyond their founding home base and a third operate across state boundaries, with others aspiring to do so.

“Our Board decided that we have no boundaries…we go anywhere it stacks up” (interview Australian CEO).

As an example of new market activities, several organisations are moving into resource boom towns using funds allocated by mining companies to address severe housing shortages.

“There are three legs to our business strategy: doing an NRAS program; resource companies and stock transfers” (interview Australian CEO).

Figure 2 also suggests that increasing importance is being attached to Australian housing TSOs offering home ownership products. For some organisations this was oriented to a social objective of providing pathways out of rental housing for higher income clients. For others it was more of a commercial (revenue raising) opportunity to finance project development and cross subsidise social housing. However, our interviews showed generally that these goals were more aspirational than actual presently.

“We haven’t found a workable mechanism as yet to assist the target group we would like to assist into home ownership” (interview Australian CEO).

Unlike their Dutch counterparts, the legitimacy of Australian housing innovators has not yet been brought into question, although there are some murmurings critical of providing housing for a broader group rather than focusing on those with the highest needs.

 “[The organisation] has received some criticism from other parts of the sector for not being social enough… that is, being too entrepreneurial, looking like MacDonald’s, even though our social programs take very high needs clients” (interview Australian CEO).

**Change factors**

What mix of contextual drivers is responsible for these somewhat paradoxical trends? Table 1 sets out what participants said were the most important changes over the last three years and those having the greatest impact on their operations. In Australia, these include government-sanctioned moves to a wider remit for housing allocations in some jurisdictions and increased independence in rent setting, both of which have contributed to stronger revenues, and the impact of intensifying business regulation. The latter has involved oversight by banks and government regulators and enhanced internal accountability mechanisms. These drivers have largely been positive changes for organisations, allowing them to become more viable, to generate their own growth in housing services and to support new business developments, while remaining strongly accountable to government and to their new financiers, the banks. Nevertheless, housing market pressures and the cost of land for development have been important constraining factors, although some participants noted that since the GFC for-profit developers now want to work with them to develop affordable housing or to bulk sell them units ‘off the plan’.

In contrast, the most important impacts on Dutch housing TSOs in the last three years have resulted in adverse changes in business viability and social investment opportunities. The main changes that associations in the Netherlands have experienced are largely attributable to a downturn in their domestic housing market.
(in an unfavourable European economic environment) and a consequential decline in revenues (and the potential for cross subsidies) from market rentals and the sale of homes. They have also suffered from government-imposed increases in taxation and regulatory control over their operations, especially government requirements to shift back from a mixed income, mixed tenure model to target low income groups (with consequent reductions in revenue potential).

Table 1: Comparing organisational views of most important changes and their impacts, Australia and the Netherlands, 2007/2008 – 2010/2011

<table>
<thead>
<tr>
<th>Australia</th>
<th>The Netherlands</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Most important changes (ranked 1-5)</strong></td>
<td><strong>Most important changes (ranked 1-5)</strong></td>
</tr>
<tr>
<td>Change in allocation rules</td>
<td>Change in taxation of not-for-profits</td>
</tr>
<tr>
<td>Change in housing market pressures</td>
<td>Change in sales revenue</td>
</tr>
<tr>
<td>Change in other revenue</td>
<td>Change in housing market pressures</td>
</tr>
<tr>
<td>Change in external supervision</td>
<td>Change in building cost levels</td>
</tr>
<tr>
<td>Change in land price levels</td>
<td>Change in taxation of not-for-profits</td>
</tr>
</tbody>
</table>

Note: Changes have been ranked by degree of importance using a seven point scale from ‘unimportant’ to ‘very important’. Information and rankings only relate to change variables that were assessed in both surveys.

Source: Surveys of housing TSOs, the Netherlands (2010) and Australia (2011).

In both countries, therefore, it seems that it is largely the external conditions, that is prevailing market circumstances and shifts in government interventions that have been critical factors either enabling or constraining how housing TSOs can operate. Until recently, Dutch TSOs had experienced a high degree of autonomy from government, which led them to develop a strongly entrepreneurial identity embracing significant commercial activity in the context of a rising housing market. Given comparable opportunities (albeit at a much smaller scale), the leading Australian TSOs have just begun to reveal an appetite and capacity for embarking on a similar path. Now, however, both sectors appear to be vulnerable to changing external conditions and to be facing critical turning points, as we consider next.

**Strategic decisions in the coming five years**

Table 2 sets out the views of panel members of the three most likely strategic issues to impact on their organisation over the next five years. In Australia important decisions for CEOs include: whether to expand into new jurisdictions (17% of all decisions mentioned), subject to national regulation that enables this; how to obtain alternative resources from outside government which is set to reduce direct funding considerably – for example by further entering into mixed tenure developments, providing more rental housing for moderate income households and house sales (14%); and organisational restructuring to create business opportunities or, more defensively, to manage risks and costs (17%). An upcoming dilemma raised in several interviews is whether to engage in larger scale transfers of public housing tenancies, which will
transform asset and resident profiles and bring significant financial, political and management challenges. Several participants expressed concern about whether the terms of any transfers will enable them to improve the quality of existing housing and neighbourhoods and offer better outcomes for tenants. However, they also recognised that this strategy may be ‘the only game in town’ to utilise their business capacity in the foreseeable future.

Perhaps, reflecting differences in underlying social values across the sector, there is also an appetite among some CEOs for going ‘back to basics’: reinforcing their organisations’ strong commitments to offering core housing services to low income households and embarking on a period of consolidation and refocusing around clients, especially on local issues affecting tenants, such as employment and training opportunities and local community development. In terms of the hybrid model this suggests a shift back from market to community.

“Our creative energy will go partly to settling and consolidating in the present and near future, but also a big push towards the creation of opportunities for community and economic participation for tenants” (interview Australian CEO).

In the Netherlands, panel members expected to be making decisions related to: organisational restructuring (14% of all decisions mentioned), financing and income (13%), consolidating (as opposed to diversifying) business (11%), and return and efficiency (11%). The underlying issues implied here are clearly interrelated. They reflect shrinking budgets, as a consequence of which housing associations have had to cut or defer projects and other activities and allocate their finances more strictly. Interviews revealed that the issues categorised under ‘organisational restructuring’ signal the need to achieve a more cost-efficient organisation, such as through reducing staffing costs. Rent increases (at turnover) are also proposed as an option to increase revenue in parts of the stock. While considerations of meeting energy efficiency and environmental sustainability goals featured in the Dutch list of priorities, this was the only physical quality aspect mentioned. In general, organisations fear that they have to reduce their quality ambitions to bring their expenses into line with their income.

Notwithstanding that Australia’s leading housing TSOs have done what governments have wanted them to do, interviews with CEOs show that it is now very difficult to plan for further growth, as political and policy changes and the end of economic stimulus measures put growth on hold. As well as indicating a lack of strategic vision for housing policy in Australia, governments are arguably naïve in their consideration of this sector. For example, they have at times, insisted on allocation targets that are irreconcilable with a leverage model underpinned by current subsidy levels, despite advice to the contrary (Victorian Auditor-General 2010; Milligan & Pawson 2010).

The lack of policy clarity and future certainty has meant that some organisations have already been forced to shed some of their recently acquired specialist capacity to cut back recurrent expenditures. For some however, the present policy hiatus also represents an opportunity to draw breath after the ‘growing pains of the last few years’; to consolidate around existing activities and to focus on client services and tenant support. On the other hand, several of the more commercially–established players are seeking to reduce their risks by pursuing alternative funding sources (to government), competing for commercial opportunities across jurisdictions and restructuring their programs and assets to improve their organisational viability. Organisations that have already gone down a path of diversification and set up
capacity to operate nationally have been best placed to respond to new market opportunities, such as those in resource regions, and to compete for government tenders, such as for neighbourhood renewal or stock transfer.

“I am so happy we went national as otherwise we’d be stopped dead” (interview Australian CEO).

Table 2: Upcoming strategic decisions facing panel members compared

<table>
<thead>
<tr>
<th></th>
<th>Australia</th>
<th>Percentage of responses</th>
<th>The Netherlands</th>
<th>Percentage of responses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Geographic expansion</td>
<td>17</td>
<td>Organisational restructuring</td>
<td>14</td>
<td></td>
</tr>
<tr>
<td>Organisational restructuring</td>
<td>17</td>
<td>Financing and income</td>
<td>13</td>
<td></td>
</tr>
<tr>
<td>Business diversification</td>
<td>14</td>
<td>Managing risk</td>
<td>12</td>
<td></td>
</tr>
<tr>
<td>Managing risk</td>
<td>12</td>
<td>Financial return and cost efficiency</td>
<td>11</td>
<td></td>
</tr>
<tr>
<td>Engaging in transfer, stock renewal</td>
<td>10</td>
<td>Consolidation of business</td>
<td>11</td>
<td></td>
</tr>
<tr>
<td>Dealing with government uncertainty/retraction</td>
<td>10</td>
<td>Dealing with market changes</td>
<td>10</td>
<td></td>
</tr>
<tr>
<td>Diversifying funding sources</td>
<td>9</td>
<td>Environmental sustainability and energy efficiency</td>
<td>9</td>
<td></td>
</tr>
<tr>
<td>Other – various</td>
<td>21</td>
<td>Other – various</td>
<td>20</td>
<td></td>
</tr>
</tbody>
</table>

Source: Surveys of housing TSOs, the Netherlands (2010) and Australia (2011).

In the Netherlands, the mood is dominated by plans to consolidate around existing activities and a focus on client services and tenant support. The Australian alternative to look for new funding sources in the market is not an option, because current market conditions are part of the problem. As a senior policy officer put it:

“As the number of homes that we sell is so few, the business model does not work anymore. (...) We tend to fall back to a traditional housing management organisation. Our project development department has shrunk by two thirds, and what the remaining staff has to do consists mainly of small renovation projects.”

However, the extent to which market conditions impose a problem is not the same for all housing associations.

“We did not do many commercial projects in the past, and our business model is not based on the sale of dwellings. So we do not have many problems at present” (interview Dutch CEO).

Conclusions
What emerges overall from our comparison of the two national cases is how volatile the scope for social enterprise may be in the life of a TSO. The last few years have seen the first substantial flowering of social enterprise among leading players in the
Australian housing third sector. Our evidence suggests that they made a strong and generally successful response to the funding opportunities presented by governments and in attracting private finance and partnering with both for-profit and not-for-profit agencies since 2008. However, with government plans for the sector now largely on ice, at least partly because of deteriorating global economic conditions and changing domestic political priorities, the future looks much more fluid and uncertain. There is a high risk that organisational capacity that has developed will be underutilised or lost and that, as in the Netherlands, organisations could be forced to reduce their scope of activities and retreat to sustaining their businesses rather than growing them. Alternatively, they may decide to shift their focus into serving those market segments where financial returns are better, such as key workers and resource towns.

The present situation in the Netherlands particularly highlights the vulnerability of the cross subsidy model to housing market conditions, a situation that has been aggravated by government and regulatory measures that have curtailed financial viability in the sector. Between financial liberalisation in the 1990s and the credit crisis of 2008, market circumstances were favourable, giving room for prospectors in the sector to flourish. This situation has changed dramatically, making more defensive strategies necessary, although unpopular with large parts of the sector. If the ability to cross-subsidise social returns from the re-investment of commercial surpluses is regarded as a central feature of hybrid social enterprise models, the experience of the Dutch sector in particular does not provide promising evidence of the sustainability of such a model in ‘troubled times’.

The strategic positioning of the older Dutch associations and their newer Australian counterparts appears to be converging from opposite poles towards a middle ground. The former are large, mature social enterprise organisations that have operated in fair weather as big market players but which now are being forced to restructure and consolidate around a narrower range of core social activities in adverse economic times and in response to a loss of political support. The latter are much smaller organisations exhibiting new social enterprise behaviours that are trying to expand their activities and remit but are at risk of being unable to build an enterprise model and extend its social returns in the face of piecemeal, inadequate and uncertain government investment and more volatile market conditions. For both sets of organisations, continuation of prevailing market and policy trends threatens to reduce their capacity to contribute to meeting their nation’s housing needs, compared to their previous contributions.

Our comparison of these two national situations, therefore, also seems to expose the critical importance of both market conditions and government policies to the success and stability of third sector enterprises. Over a similar period, while the well-established independent housing organisations in the Netherlands have been buffeted by market failure and re-regulation, their newer counterparts in Australia have also become more vulnerable to policy and market risk. One thing that matters in this context is whether the organisations respond to changes in external factors as threats or opportunities in relation to the legitimacy of their organisations (Ko & Kong 2012: 169). For example, if tax rules are changed, do they curtail their activities and try to find loopholes, or do they adapt their business to work with a new set of rules? It may well be that the success or otherwise of housing social enterprises can be gauged by their approach to such issues.
The capacity to handle such challenges successfully may depend on a third dimension of these hybrid organisations, their values base and its linkage to a third pole (beyond state and market) of community or societal accountabilities. Strongly anchored TSOs who are clear about and supported by their stakeholders in their values position may be less vulnerable to legitimacy challenges such as those faced by the Dutch housing sector in the face of financial scandals. They may also be less prone to ‘mission drift’ in which market logics or responses to adverse market conditions can lead less well-anchored organisations to abandon the very activities that their founders cherished.

Finally, does the research tell us more about the usefulness of either hybridity and/or social enterprise as frameworks for understanding decision-making in not-for-profit housing organisations? Social enterprise is the more long-standing concept but has become entwined with somewhat optimistic policy aspirations about substituting alternative forms of investment for government subsidy and win-win solutions of re-investing commercial surpluses to deliver social returns. Social enterprises may be depicted as recalibrating their commercial approach to achieve social objectives in the light of external market and policy changes. While such virtuous circles can be particularly effective in the good times, as the first 15 or so years of ‘financial independence’ of the Dutch housing sector indicates, the real test may be in troubled times. This is yet to be tested in the Australian context where economic growth has continued since the GFC and there has not been a substantial decrease in housing asset values.

Does the analytical approach associated with the concepts of hybridity and of hybridisation have something to offer? These concepts may be seen as tools in understanding the process of re-balancing between state, market and civil society interests. The balancing decisions that actors make in TSOs may be influenced by both their modus operandi and relative allegiances to state, market and society as some of the examples and quotations included in the paper highlight. The different choices of TSOs operating in the same context (which have tended to be downplayed in this overview of the Delphi results but which could be explored in a future paper) may be explained by different patterns of ‘principal ownership’ (Billis 2010). Some TSOs may be more state–orientated and committed to a public housing type role and others keener to embrace higher income market segments. Strong anchorage to community and society, for example through local stakeholder partners, may lead some TSOs to react in different ways to similar economic and political constraints.

The concept of hybridisation, however, may also capture the extent to which elements of the balancing process are no longer in the control of organisational actors. One thing may lead to another and certain strategies may no longer seem feasible to organisational actors. A strong impression that comes across from the analysis presented here is the apparent dominance of constraint over strategic choice and the dominance of the economy and the market over other drivers (although clearly state policies have also been important). The more hybridisation has occurred the less strategic choice organisational actors appear to have – as suggested by the situation of the Dutch TSO that had been less involved in commercial projects and thus was less damaged by market changes. This could suggest that the apparent ‘magical’ potential of social enterprise to enable independence is in practice a chimera. In the Australian case, however, arguably the most significant driver of change has been the availability of NRAS financial incentives which most, although not all, of those interviewed see as the key to new business models and organisational positioning. Perhaps an incentive-based approach which does not prescribe organisational forms but enables
consortia of for-profit and not-for-profit organisations to develop housing in different ways that suit local contexts generates greater innovation and can be a more effective means of developing social and affordable housing than state-led approaches.

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