

## Shifting back in the Dutch social housing sector

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### Abstract

*Since the financial and administrative liberalisation from the government in the late 1980s and the 1990s, the Dutch housing associations have been very dynamic, regarding the considerable extension of both commercial and social activities, the increased reliance and dependence on market circumstances, and the large number of amalgamations, creating bigger organisations. In recent years the Dutch social housing sector is under increased pressure as a consequence of the credit crunch, increased tax levies and the national implementation in the sector of EU regulations on 'Services of General Economic Interest'. Factors like these are likely to have an effect on the organisational strategies of housing associations, the main providers of social housing in the Netherlands. The direction and the size of these effects, however, are not well known. A recent inquiry among housing associations sheds more light on this. In this paper, we make use of a classification including a social-commercial dimension and a dimension between so-called 'prospectors' and 'defenders'. This classification proves to be an adequate tool to describe the recent developments in the sector. It is concluded that, in general, housing associations are focussing more on traditional social housing tasks and 'defending' strategies, implying a shift back compared to the trend in recent decades.*

### Introduction

The rise of neoliberalism in the 1980s and 1990s went hand in hand with a shift of responsibilities from the public to the private sector in many western countries (Clarke and Newman, 1997; Peck and Tickell, 2002). Accordingly, the relationship between government on the one hand and non-profit and other private institutions on the other has changed dramatically, with government assuming more of a facilitative role. This change was particularly visible in the social housing sector (see e.g. Boelhouwer, 1997, 1999; Priemus, Dieleman and Clapham, 1999; Priemus and Dieleman, 2002; Whitehead and Scanlon, 2007; Czischke, 2009), where government influence is, almost by definition, greater than in the commercial housing sector. The shift away from government control and towards market forces was often accompanied by reduced levels of government support, growth in the owner-occupied sector, and greater independence for social landlords.



Since the late 1980s, the Dutch social housing sector shifted from a sector dominated by government regulation and government support to a sector that, in financial terms, had to stand on its own two feet. In the 1990s, brick-and-mortar subsidies were largely abolished and retrospective accountability, as opposed to asking consent beforehand, became the main principle in the national supervision of the sector. The introduction of capital market loans already took place in the 1980s. Portfolio development and long-term planning, which was used to be done mainly by national or local government institutions, became a task for the social landlords themselves. This caused an increased interest in planning methods among these landlords, an increase that was further stimulated by problems of low demand in both some peripheral regions and several urban neighbourhoods in the years around 1990 (Gruis, Nieboer and Thomas, 2004). The financial liberalisation of the Dutch social housing sector went hand in hand with a diversification of products and services. Not only project development got a more prominent role, social landlords also embarked on activities in the field of welfare, care, local economy and education (Brandsen et al., 2006; Gruis, 2008; Van Overmeeren and Gruis, 2011).

It was expected that social landlords, as a consequence of the developments just described, would behave more and more like 'real' entrepreneurs, adopting a strategic approach, in which they anticipate market developments and adjust their housing stock accordingly. Ferlie (2002) for instance argues that models and methods originally conceived for business purposes are increasingly applicable to organisations in public or non-profit sectors, because these sectors have become more similar to the private sector. This could be seen in approaches and methods such as 'strategic business planning', 'portfolio analysis', 'benchmarking' and 'balanced score cards'. This shift towards a more businesslike behaviour was also expected because the financial reform was followed by a considerable number of mergers between social landlords. The number of housing associations has fallen from 767 in 1997 to 492 in 2005 (VROM, 2007, p. 158) and further to 418 in 2009 (CFV, 2010, p. 18). As a consequence, the size of the organisations has dramatically risen. It goes without saying that this development has a profound impact on the structures of the organisations.

The shift towards a more businesslike approach has not always been followed. More or less as a reaction to the growing importance of finance in the social housing sector, there is a counter-movement in which the social values and duties of the sector play a central role. This strand emphasises local anchorage, welfare activities and social return, especially for vulnerable people and deprived neighbourhoods. Another line of thought tries to reconcile the financial and the social strand. Its advocates argue that financial return is necessary for social investments, referring to the so-called 'Robin Hood principle': gains from commercial activities are used to finance social, less profitable activities, which otherwise could not be carried out.

In the last few years, three new developments entailed new dynamics in the sector. First, the credit crisis severely affected the housing market and led to a sharp fall in housing construction. It also caused both a sharp decline in the number of homes sold and a more cautious lending policy by the banks, which reduced the capacity to invest (Priemus, 2010). Second, the national government lifted the exemption of corporate tax for non-profit activities, which also reduced the room for investments. Third, the Dutch implementation of EU regulations on state aid entailed a considerable change in the allocation of homes, in the sense that housing associations have to concentrate more on low-income households than they used to do in the past, in order to remain eligible for state support (Priemus and Gruis, 2011).

Thus, the financial liberalisation of the social housing sector together with recent political and market developments has created several responses from individual social landlords that change the face of the sector. It is expected that all these developments and views have had and will have a considerable influence on the organisations of social housing providers. Regarding the debate in the sector, there must be an effect on the strategic priorities of housing associations and the range of activities carried out by them, but little is known about the extent to which such a re-orientation has taken place. A

recent survey sheds more light on this. This paper describes the results of this survey. The research questions addressed in this paper are:

- What are the current strategic priorities of Dutch housing associations?
- To which extent do these priorities differ from those in the recent past?
- Which strategies and activities did Dutch housing associations carry out in the recent past?
- Which strategies and activities do Dutch housing associations expect to carry out in the near future?
- In which sense and to which extent do the strategies and activities in the near future differ from those in the recent past?

Our analytical model is based on a description of organisational archetypes developed for the Dutch non-profit housing sector. The following section describes these archetypes. Section 3 outlines the research method. In section 4 the findings are presented. Section 5, finally, deals with the conclusions of the research.

### **Organisational archetypes**

To classify the shifts in priorities and activities of Dutch housing associations we employ a description of organisational archetypes developed by Gruis (2008). On the one hand, these archetypes are based upon concepts from business studies, drawing in particular on Miles and Snow's (1978) distinction between Prospectors and Defenders. On the other hand, the archetypes are based on the distinction between housing associations that keep and develop their social orientation and associations that develop a more business-like, commercial orientation.

Within business literature, organisational strategies are often described on their scope of markets and products and level of innovation (e.g. Ansoff, 1984; Saly, 2001). Accordingly, Miles and Snow (1978) make a distinction between Prospectors and Defenders: "Defenders are organisations which have a narrow product-market domain. Top managers in this type of organisation are highly expert in their organisations limited area of operations but do not tend to search outside of their domains for new opportunities. As a result of this narrow focus, these organisations seldom need to make major adjustments in their technology, structure, or methods of operation. Instead they devote primary attention to improving efficiency of their existing operations. Prospectors are organisations which almost continually search for market opportunities, and they regularly experiment with potential responses to emerging environmental trends. Thus, these organisations often are the creators of change and uncertainty to which their competitors must respond" (Miles and Snow, 1978, p. 29). Applied to social housing organisations Defenders are not very innovative, except as far as the efficiency of their operations is concerned. They focus on performing the traditional activities: building and managing rental dwellings, in particular for lower-income households. Prospectors, on the other hand, are very innovative, in a broad sense, and undertake all kinds of activities outside their traditional working area.

Housing associations differ from normal enterprises, because they have to combine a commercially healthy operation with the achievement of social objectives. Housing associations can take different approaches when balancing their social and commercial objectives. On the basis of differences in social objectives, Gruis (2008) distinguishes housing associations that more explicitly follow a 'welfare', people-oriented approach, taking the (local) societal problems as a main starting point for their policies and associations that more explicitly follow a 'business', property-oriented approach, taking their position on the (residential) real estate market as a main starting point for their policies Walker (2000), for example, argues that managerialism in the context of social housing in the UK has worked to define core business and a property-based approach at the expense of aspects of personal and welfare-based services. According to Walker, tensions between the property and welfare approaches are likely to lead in the future to domination of property-based approach because of ongoing managerial and external pressures on social housing organisations (Walker, 2000, p. 281-

288). Nevertheless, Walker also suggests another scenario, which is the development and enhancement of the housing plus agenda which would turn associations into providers of welfare services where property management is only one aspect of their work (Walker, 2000, p. 296-297). Following Walker's scenarios, Prospectors can be further divided into housing associations that primarily seek to enlarge their activities in the (semi) public domain and social housing organisations that focus on expansion of market activities. Prospectors in the first group follow Walker's (2000) scenario of developing the housing plus services, while Prospectors in the second group maintain their primary orientation on property, but become more active in commercial segments of the housing market. Likewise, Defenders can be further divided into housing associations that primarily focus on their welfare function of providing social housing services and housing associations that primarily focus on the property management of the housing stock, although this distinction will be less visible in their output since both types of Defenders will restrict themselves to social housing tasks.

In his typology, Gruis (2008) combines the distinction between Prospectors and Defenders with a relative commercial versus social orientation to define four organisational archetypes (see Figure 1):

- the Social Housing Manager that emphasises traditional social housing tasks, strives towards efficient delivery of services to clients and has a primary focus on achieving social returns en actively uses its financial surpluses in the interest of housing;
- the Social Housing Investor that emphasises traditional activities, strives towards business efficiency and generates financial return through a going-concern approach towards the management of its housing stock;
- the Societal Innovator that has a broad working area according to market segments as well as public sectors, strives towards continuous development of its working area, products and services and has a primary focus on social return and actively uses its financial surpluses in the interest of society;
- the Societal Real Estate Investor that mainly undertakes activities on the real estate market, strives towards continuous (re)development of its real estate portfolio and has a primary focus on achieving a real estate portfolio with a good financial return, taking into account its social (housing) objectives.

Figure 1. Conceptual organisational archetypes of housing associations

Social orientation	Defender		Commercial orientation
	<b><i>Social-housing manager</i></b> emphasis on fulfilling traditional tasks, affordability and tenant satisfaction	<b><i>Social-housing investor</i></b> emphasis on traditional activities, business efficiency and yielding profit via going-concern approach.	
	<b><i>Societal innovator</i></b> emphasis on broad range of activities, continuous renewal of its products and services, and social return.	<b><i>Societal real-estate investor</i></b> emphasis on continuous renewal of its real estate portfolio and on financial return	
	Prospector		

Source: Gruis, 2008 (adapted by the authors).

## Research method

The research consists of two parts: a survey among housing associations, and interviews with some focus groups, consisting of a selection of housing associations that have completed the questionnaire of the survey. The second part has to be carried out yet, this paper goes into the first part of the research.

41 housing associations were approached to participate in the survey; 31 of them returned the questionnaire, which is a response of 76%. The number of associations approached is too small to be statistically representative, but if we would meet this requirement, we would have to include a far greater number, which would be extremely labour intensive. Instead, we chose for an intensive telephonic preparation among a group of a relatively limited size, but which is sufficiently large to allow indicative statements and pronouncements for the whole sector. This telephonic preparation enabled us to find the right officer to complete the questionnaire and created an opportunity to motivate him/her to participate in the research. Housing associations were selected from the professional network of the researcher or of his near colleagues. To minimise the risk that the strategic priorities of the organisation are not documented or otherwise articulated, we selected housing associations with own policy staff. Housing associations that were merged within the two years prior to the survey were excluded, because it may be expected that the policy of the new organisation is yet in a state of development. Partly due to this selection method, large and middle-sized housing associations are overrepresented in the response (all organisations own more than 4,000 homes). Another overrepresentation is related to the geographical dispersion: relatively many housing associations in the response are active in the Randstad (13 out of 31), an urban area in the western part of the Netherlands containing, among others, the largest four cities in the country.

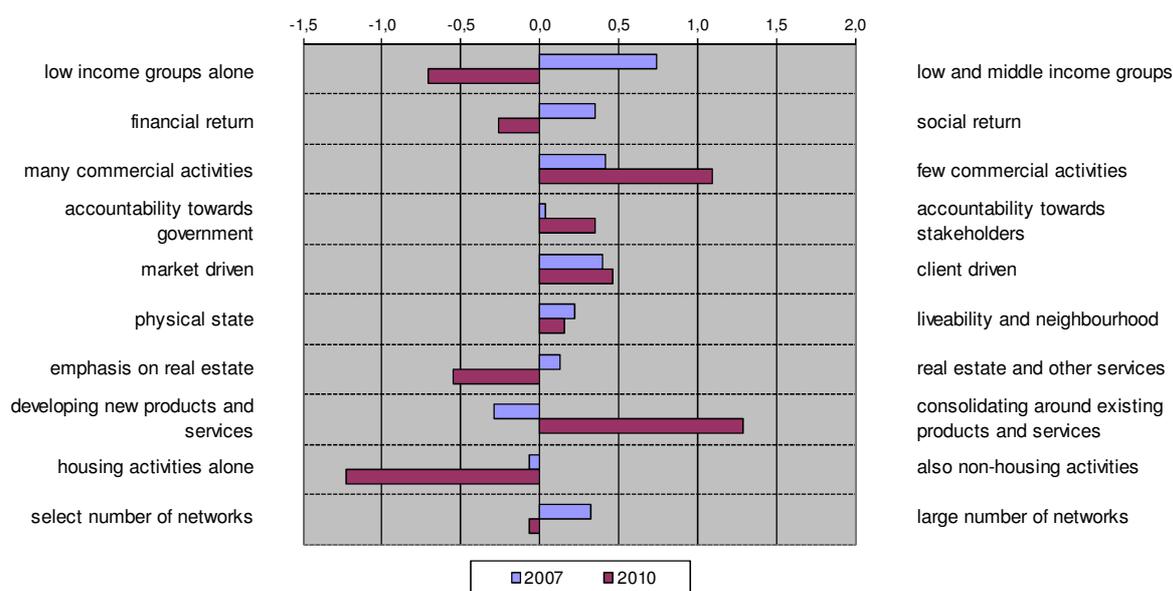
The housing associations were asked to have the questionnaire filled in by someone who has a good overview on the policies of the organisation and the motives behind these policies, and who is able to provide insight into the expected strategic direction of the organisation in the near future. This person could be a director, a member of the management team or a senior policy officer. Because the respondents were also asked to fill in their positions, we were able to check if the housing associations followed our request. In general this proved to be so, with the possible exception of a few cases in which the given names of the positions left some doubt.

## Findings

### *The balance of strategic priorities*

The questionnaire put pairs of possible strategic priorities to the respondents, asking them to indicate for their particular organization to what extent one priority took precedence over the other and what the situation was three years earlier. The answers were given on a seven-point scale, which was converted into a number from -3 to +3. The lower the number, the more emphasis on the priority on the left; the higher the number, the more emphasis on the priority on the right; the number 0 meant that the two priorities had equal emphasis. Fig. 2 shows the average score for each pair of priorities and housing association, thus showing the extent to which one priority predominated over the other in the group of associations as a whole.

Figure 2. Average balance of pairs of possible priorities, in 2007 and in 2010



The differences between the situation at the time of the survey and three years earlier are substantial. Among the associations as a whole the net effect is a restriction in their field of operations: more focus solely 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 themselves to functions in the housing sector. While the fairly large standard deviations from the averages (not shown in the figure) point to the fact that the results are not true of each individual association, this does not really detract from the general picture. As regards the social/commercial dimension, we find an apparent contradiction: on the one hand, compared with three years ago, the balance between financial return and social return leans more towards financial return; on the other hand there is less involvement in commercial activities. It may be that reduced liquidity and greater risk awareness in the housing association sector play a role here: this is consistent with the fact that associations are expected to take more care of the pennies and they are more reluctant to engage in projects that entail major financial risks.

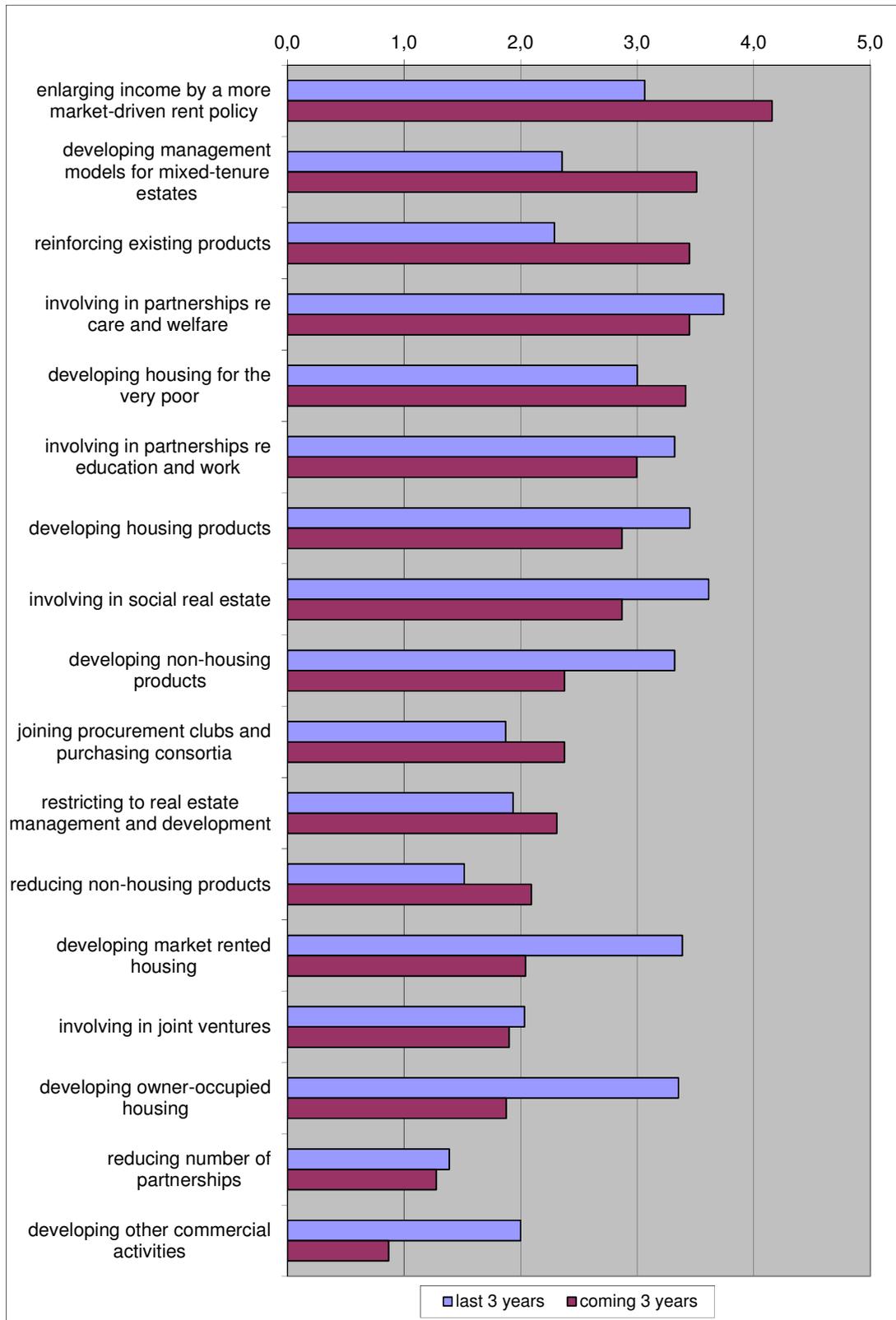
### *The importance of strategies*

The respondents were presented with a number of strategies and asked how important each one had been to the particular association in the last three years, and how important they expected those same strategies to be in the next three years. The point is not which strategies *ought* to be important (the desired situation) but which strategies *actually were/will be* important to the association (the actual situation). The respondents again gave their answers on a seven-point scale, which was converted into numbers from 0 to 6, where 0 meant 'very unimportant' and 6 'very important'. In other words, the higher the number the more important the strategy was/will be to the association(s) in question. If a particular strategy had not been adopted, respondents were asked to indicate that it was 'very unimportant' to their association.

According to the answers the associations gave, on average the strategies are more important in the future than they were in the past: on the 0-6 scale used the average for all the strategies listed was 0.39 units higher for the next three years than for the past three years. In order to make the comparison between past and future for each strategy more realistic, the averages for each strategy for the next three years were adjusted by this amount. The results for the associations surveyed are shown in

figure 3. This figure only shows the strategies relating to the two dimensions, namely social/commercial and prospector/defender.

Figure 3. Importance of strategies in the past three years and in the coming three years



Strategies that point to a restriction in the field of operations scored low for the past three years. Examples of such strategies which the associations said were not so important to them during that period are: phasing out/cutting down on non-housing products or services; reducing the number of contractual partnerships; and restricting products and services to property management and property development. The picture for the next three years is very different. The shifts point to a retreat from certain activities: less involvement in commercial activities (expensive rented homes, owner-occupied homes, etc.); less involvement in social property; more focus solely on low-income groups; and more emphasis on strengthening existing products and services. There are associations that do not display a retreat of this kind (only a small shift, or a shift in the opposite direction), but they are a small minority.

We find a different picture in the case of partnerships, however: entering into such relationships is much more important than reducing the number of them. Indeed, in the case of procurement there is a substantial increase in the importance of entering into partnerships, and this is also true of applying a more market-driven rent policy. These last two trends may confirm the impression mentioned earlier that associations are taking more care of the pennies than in the recent past and they are therefore keener to find ways of increasing their income/reducing their expenditure.

As regards the social/commercial dimension – as with the strategic priorities – we do not find any clear trend in either direction here: apart from the more market-driven rent policy just mentioned, commercial activities are becoming less important, while partnerships in the social or socio-economic sector (care/welfare, learning/employment) remain important. Few associations are out of step with the general picture in this respect.

Hardly any strong relationship has been found between the answers on the 38 strategies mentioned in the questionnaire. As for the strategies in the last three years, nevertheless, we found connections between some strategies related to organisational restructuring, namely making the maintenance service self-sufficient, outsourcing of project development and downsizing the organisation (Cronbach's alpha = 0.804; NB only values between 0.7 and 1.0 are seen as meaningful). We found similar connections between a group of six variables, namely disinvesting in maintenance, developing housing in the more expensive rented sector, developing owner-occupied housing, developing other commercial activities, integrating own project development with that of external parties, and engaging partnerships on procurement (Cronbach's alpha = 0.808). The connection between these six variables points to an overarching strategy to save costs and to increase income from commercial activities.

As for the strategies in the coming three years, we found a connection between developing new housing products and services, developing non-housing products and services, and developing products and services in general (Cronbach's alpha = 0.775): housing associations that find the one strategy important, also find the other activities important. We found a similar connection between increasing the financial reserves, reducing the delivery of non-housing products and services, consolidating around existing products and services, reducing the number of partnerships, and disinvesting in maintenance (Cronbach's alpha = 0.797). The connection between these variables points to an overarching strategy to cut back in particular activities and related budgets.

The answers of the housing associations do not vary with the number of homes that they have in possession. The only exception is that smaller housing associations are more inclined to merge certain parts of their organisations, both in the past three years and in the coming three years (Spearman's rho = -0.545 and -0.532 respectively). This exception, however, is not related to the dimensions in Gruis' typology. Another exception, which is related to this typology, concerns the development of housing products and services: the decrease in importance has been bigger with the relatively smaller housing associations (Spearman's rho = 0.521).

## Conclusions

The recent trends among associations can be described using Gruis' organisational typology, which is based on two dimensions: social/commercial and prospector/defender. As regards the social/commercial dimension, we find contradictory trends: on the one hand, involvement in commercial activities is in decline and the importance of partnerships in the social and socio-economic sector remains high; on the other hand, the relative importance of financial return vis-à-vis social return has increased, as has that of a more market-driven rent policy. These trends are partly related to the substantial shifts in the prospector/defender dimension: on average, associations have moved towards a defender position. In other words they are confining themselves more to their original function of managing and developing homes for low-income groups, and they are more cautious about tackling other activities and more inclined to phase out such activities. In terms of the archetypes in Figure 1 we see that, since the financial liberalisation, many associations said they would like to develop in the direction of a Societal Real Estate Investor or a Societal Innovator. Recent events, however, have led many associations to develop more in the direction of a Social Housing Investor. Whether this is a healthy adjustment to a trend that was allowed to go too far in the past, or an unhealthy bloodletting in the scope for investment, is not a question that can be answered from the survey. Adverse effects can however be predicted, for example as regards the continuation of the neighbourhood approach: there are likely to be fewer physical interventions in problem neighbourhoods. And now that associations are focusing more on their core function and their financial resources are in decline they will be less inclined to make generous contributions to social schemes. At the same time the changed context also provides an opportunity to achieve greater clarity about the involvement of associations. From the fact that the range of partnerships is being maintained we may cautiously conclude that associations are still willing to play an active role in tackling problems at local and sublocal level.

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