

Changing Housing Markets: Integration and Segmentation

W06 Social Housing in Europe: Institutional and Organisational Transformations

ENHR09 Prague Conference

Housing Associations and Customer Orientation

A paradigm shift in housing management

Jos Smeets

Department of Architecture, Building and Planning,
Eindhoven University of Technology;
Eindhoven, The Netherlands

e-mail:

J.J.A.M.Smeets@tue.nl

Key words: paradigm shift, customer orientation, organizational transformation, dilemmas

Intro

Since the nineties Dutch housing associations operate more and more customer oriented and strive to manage their housing portfolio by steering on customer responses. This new steering paradigm is the consequence of a paradigm shift that took place during the eighties. According to Kuhn such a shift occurs usually according to a fixed pattern of crisis, incubation, diffusion and support. It will be shown that the paradigm shift in housing management follows also this pattern. Next a rough sketch of the new steering paradigm is given. Steering management decisions on customer responses in terms of tenant's satisfaction, commitment and loyalty seems to be successful if it fits with the organizational structure. This new paradigm seems to be successful.

However during the implementation of the approach several dilemmas came forward, which the organization has to cope with. The paper will discuss these dilemmas and discuss or a next paradigm shift is necessary.

Paradigm and paradigm shift

The concept of paradigm is inextricable linked with the name of Thomas Kuhn (see also Steensma 1999, Dooremalen, de Regt & Schouten, 2007)

According to Kuhn (1962) each scientific discipline follows a dynamic scheme: after a period of 'normal science' a period of crisis typically follows. A paradigm shift usually occurs according to a fixed pattern of crisis, incubation, diffusion and support.

During the period of 'normal science' a scientific community works, acts and thinks from within a paradigm, seen as a sum of assumptions, theories, methodologies, manuals and techniques. Or, as Kuhn argued, a paradigm describes a scientific achievement that is sufficiently unprecedented to attract an enduring group of adherents away from competing modes of scientific activity. Kuhn states that no

paradigm is ever finished or without minor errors and problems. During a period of 'normal' science, scientist expands the paradigm and tries to get rid of mistakes and minor problems. He argues that in a normal state the paradigm of a scientific community is an immensely effective instrument for solving the problems of puzzles. Furthermore the result of solving those problems must inevitably be progress. If a crisis persist it will inevitable lead to a brief and sudden paradigm shift, after which practitioners return to a new period of normal science. If a paradigm is confronted with more and more problems the trustworthiness of the paradigm is eroded and problems accumulated. When problems become more then just another puzzle of normal science the transition to a crisis has begun. In this period the assumptions methodologies and accepted truths are being discussed.

A period of crisis can end in either two ways. The first way is to solve all the accumulated problems. If there are no or only a few problems left, the crisis is managed and the trust in the paradigm is restored. The second way to cope with the problems is the emergence of a new paradigm mostly from outside. A new perspective suddenly rises. This new paradigm will replace the old paradigm. This shift toward another perspective on reality is not the same as an improvement or growth. This takes place within a paradigm. A shift is a reconstruction of the field that changes some of the field's most elementary theoretical generalizations as well as many of its paradigm methods and applications, according to Kuhn.

It is clear that Kuhn's paradigm changes are fundamental shifts in people's view of the world. He describes changes in scientific thought. We should therefore be cautious in applying the notion of paradigm and paradigm shift to the changes of housing management. Housing management is not in a strict sense a science. Rather it is a form of social action directed at managing a housing stock, though of course management draws on relevant scientific understanding. Nevertheless, being alert to the dangers of overusing Kuhn's concept of paradigm shift, there is no abjection using it in a looser or more generous way to describe significant changes in housing management thought. Moreover Kuhn himself used the concept of a paradigm shift in deferent senses (see the postscript to his original essay published in the version of 1970), some more fundamental than others (compare also Taylor, 1998).

The crisis in the 80ties

As stated above a paradigm shift occurs usually according to a fixed pattern of crisis, incubation, diffusion and support. The housing crisis in the Netherlands came up in the in the 1980s, against the background of a serious economical recession.

The volume of subventions gave the sector an image of one that swallows state subsidies. This ends in the middle of the 1980s in a political crisis and made the reorganization of the budget of the ministry inevitably (v.d. Schaar, 2006).

In the early 1980s a cut in public spending took place and a retrenchment in the quality of social housing. Problems of lettability in the social housing sector indicated an oversupply in this part of the market. The post-war housing shortage seemed to be solved.

The minister at that time, Heerma, started a far-reaching reform of the public housing system, which should lead to new political and administrative relations and a more efficient spending of the property set up by the housing associations. His memorandum "Housing in the '90" marks a new policy. Since his memorandum a house is no longer considered as a 'merit good', consumption of which should be encouraged, but as a 'consumer good', from which he sovereignty can choose. The

policy of the government did no longer aim at an overall upgrading of the housing quality (by subventions) and a uniform distribution among households (by housing allowance), but was targeted at market-oriented differentiation and allocation. So, since the mid-1990s, the State no longer provides subsidies for operational deficits and consequently, the financial risks during the development and management of dwellings have increased, which has prompted the development of a new guarantee structure for the sector as a whole. As a result of the deregulation and privatisation during the 1990s, the independency of the housing organisations has increased. In particular, following the 1995 grossing and balancing operation in which both the money owed to the housing associations by the State (subsidies) and the money that the organisations owed to the State (loans) were settled at once, managerial and financial independence has accelerated tremendously. (Smeets et al 2009)

During the nineties housing management organizations explored new management approach to cope with this new situation. During this incubation phase, insemination with new ideas from the outside took place. Especially insights based on marketing and management theories proved fruitful. Not surprisingly, these business concepts were helpful in organizing and streamlining new tasks, obtained after the privatization of the housing associations in the 1990s. The paradigm shift also had consequences for the organization. In the past, the provision of housing services took place along functional paths (technical, financial, commercial) and was coordinated by the top of a hierarchical organization. Now these functional tasks are interwoven and the coordination of them takes place at a lower level in a more process-oriented organization. This implies another dissemination of information inside the organization and between the organization and its environment.

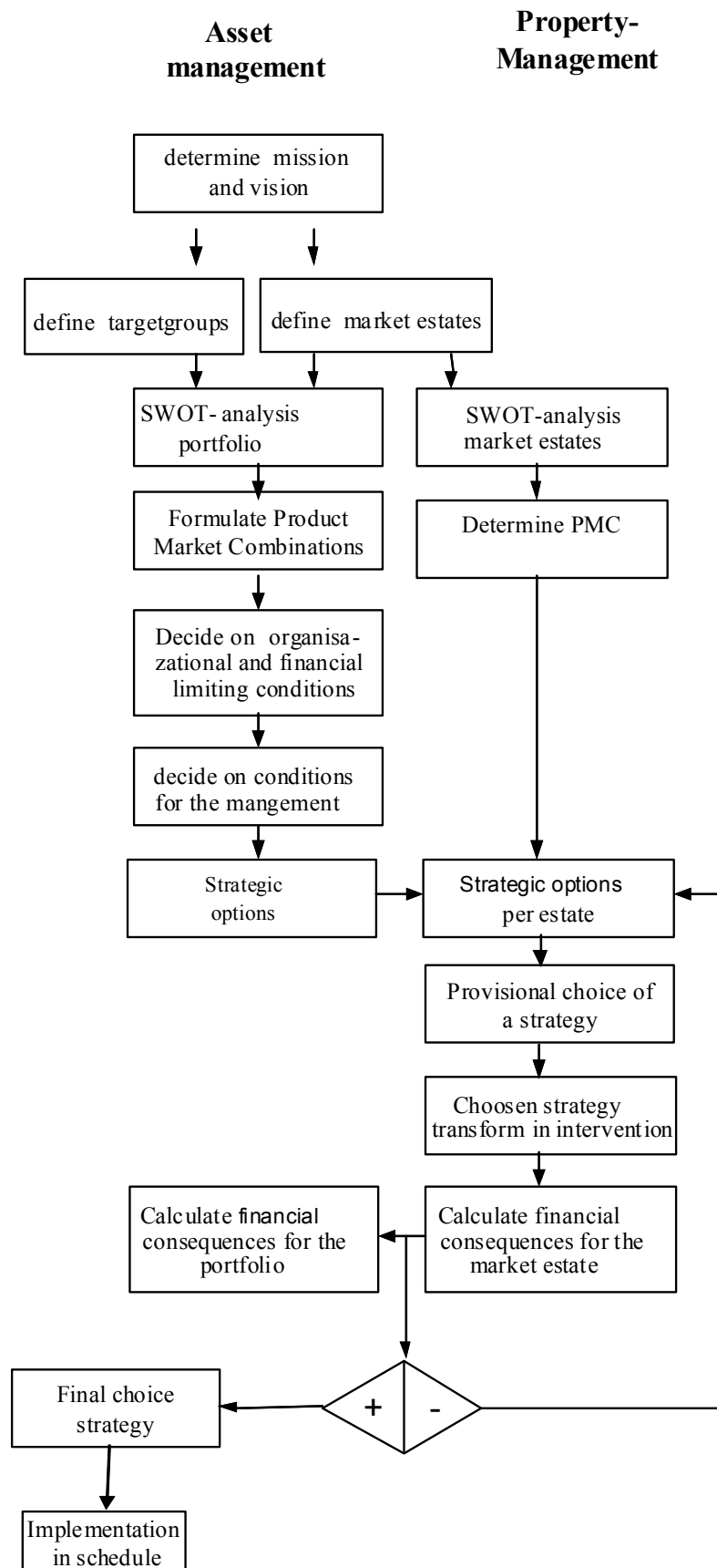
Figure 1: Adaptations in the steering paradigm

Paradigm adaptations with respect to	from	towards
values	Merit good	Consumer good
View on the client	The claiming consumer	Segments of customers
Defining residential situation	Dwelling	Residential area
Orientation	Product oriented	Customer oriented
Defining target group	broad	narrow
Tasks	functional paths	Interwoven functions

The current steering paradigm

During the incubation phase insights based on marketing and management theories were adopted. Marketing theory was pre-eminently suitable to support a better match of the supply and demand. Management theories offer the tools to underpin decision making on the strategic, tactical and operational level. These two theoretical frameworks were already integrated in the ‘strategic marketing planning approach’ and proved to be suitable for the field of housing management (Smeets, 1993). Later, the concept of ‘asset management’ is introduced as a framework for this

Figure 2: a two track step-by step plan



managerial approach (Gruis & Thomas, 2002, Gruis & Nieboer, 2004). Asset management ensures that the housing stock meets present and future needs and standards of residents in an efficient way, taking into account the objectives of the housing manager and the conditions set by the government. It offers a housing organization methods and tools to formulate strategic options and makes strategic choices in regard to their estates. The diffusion took place rapidly. Several authors have developed models for decision making (Broeke v.d. 1998; Dogge & Smeets 2001, Gruis et al 2004, Os, v. 2007).

All these models follow a standard method. Starting point is the specification of a mission and vision, followed by an inventory and analysis of the problems. Next, alternative options are formulated, feasibility studies are done and an ultimate strategy is chosen. After implementation and evaluation the cycle starts again. In all the models procedures are developed to gear the tactical and operational activities to one another. Levels, layers or switchbacks are used to deal with this problem of fine-tuning. In our model a two-track policy is presented: one track structures the decision-making process at the strategic-tactical level (the asset management), the other the decision process at the tactical-operational level (the property management).

As we saw, the paradigm shift also had consequences for the organization. This implies another dissemination of information inside the organization and between the organization and its environment. First of all, asset management requires adequate information to react on the environment of the organization. Information about dynamics in the market, behavior of competitors and changes in legislation and administration is vital for the management. Furthermore, information that gives insight in the performance of the organization became indispensable. For this purpose the traditional classification of estates, prescribed by the state subventions, is replaced by a clustering of housing estates based on the market position. These 'clusters' or 'market estates' are not only the basic levels at which information is gathered, but also the steering units for strategic interventions.

The information concerns the technical, financial and commercial performance of the individual estates as well as the entire portfolio. In the steering process managers can emphasize on financial performances and effectiveness of the organization or on the marketing of products and services and customer intimacy (Treacy & Wiersema 1993). In the first case information to monitor the financial health of the organization will be gathered, like data on solvability and liquidity. In the second case the information should give insight in the market position of estates and on tenant's satisfaction. Data concerning lettable, customer satisfaction and loyalty are relevant. In both cases information about the efficiency of the departments in the organization is a matter of significance.

In our approach the attention is focused on the user and on the creation of customer perceived value (Gale, 1994, Oliver 1999). Housing can be seen as a high involvement product and customer value is created during the use of the dwelling. The assumption is, that by creating customer value tenants will be satisfied. Thus, tenant satisfaction is seen as an indication of customer value. The research shows (Dogge & Smeets, 2004, 2005) that if a landlord wants to create value he should offer a bundle of quality aspects at the level of the dwelling, the dwelling type and the environment. To create customer perceived value, the housing organization has to look for cross-border solutions. Tenants themselves and other stakeholders outside the organization deliver a vital contribution to the realization of the desired quality. Asset management becomes increasingly less adequate and there is a need for network-management, in which several parties are involved (Smeets & Dogge, 2007). Furthermore, our research shows that satisfied customers are not necessarily highly

committed and loyal. Even if the majority of the tenants is satisfied and does not intend to move, a substantial part of the tenants intend to move in spite of their satisfaction. So satisfaction may lead to loyalty, but is not a guarantee that tenants will stay. The only steering instrument landlords have is creating value for their customers to achieve satisfied customers. More satisfied tenants are also more committed. Tenants with a high commitment in the consumption-phase are not inclined to move and are recommending the neighborhood. They are loyal and will stay long in the dwelling.

However, it is not enough to analyze satisfaction and the strength of the relation alone in choosing a strategy at the estate level. Two other parameters are important as well (Smeets & Maussen, 1998). Financial parameters are relevant to determine whether there is an opportunity for additional investments. Technical parameters are critical to explore the remaining life span of the dwelling. To steer on customer perceived value the managements needs also insight in the best match between an estate and a target group. For that purpose product-market combinations are developed. (Smeets & Dogge, 1998) They give an overview of the suitability of an estate for one or more of the distinguished target groups is presented. The PMC-analysis gives insight in the strength and weakness at the estate level. In combination with a SWOT-analysis at the organizational level insight in the strengths and weaknesses, and opportunities and threats is gained. Her distinctive competences enables an organization to take advantage of the opportunities and to cope with the treats.

The dilemmas

During the implementation of the managerial approach some dilemmas emerges. Such dilemmas should not be seen as necessary evils and should not been avoided, but should rather trigger the organization to reflect on the process. They are challenges that foster organizational change and provide a foundation for explaining future actions and decisions. (Garsten & Hernes, 2009) Seven dilemmas will be discussed:

1. Defining the housing situation in a restricted sense or in a broader way.

First of all, the management organization is responsible for the quality of the house. However, the tenant considers a complex configuration of the dwelling, the semi-public part and the public environment in his appreciations of a residential situation. For the household, the total 'package deal' is relevant. Should the housing association take responsibility for the core product (the dwelling) or for the total product (residential situation)? This choice has consequences for the housing association at all levels. If the association feels responsibility for the total package a more area-based management approach is vital. Also, the association has to decide to what extent it wishes to give attention to the wider living situation, without raising false expectations.

2. Managing the geographical fixed estate or facilitating dynamic tenants.

The geographical demarcation of the estate makes the living situation manageable, for the landlord as well as the tenants. However, in some cases mobility is quite high. The general expectation is that mobility will become greater. In the future, a housing association has to face the dilemma that management plans focus on demarcated units, whereas the situation becomes more dynamic. To deal with this new situation, new management tools or concepts are required. Concepts like commitment and loyalty presume a great stability in the estate. Beside this traditional view, new concepts are necessary. These concepts should reflect the tenant's dynamic as a variable as 'attitude towards newcomers' or 'interaction between tenants'.

3. Labeling dwellings for specific groups or offering freedom of choice.

Another dilemma is the labeling of dwellings for specific target groups or leaving the choice to individual households. In the first case, product market combinations are appropriate to tune estates to the requirements of target groups. The disadvantage of this approach is that the dwelling situation is seen as fixed. The freedom of choice approach implies a response to the different preferences of households but bears the risk that the allocation of the dwelling stock will become suboptimal. A solution could be to develop more neutral, flexible and adaptable dwellings instead of a rigid translation of particular wishes in a specific program. Also at the level of the environment such an approach is possible by offering a diversity of facilities and services which meet the requirements of different target groups. Thus, when a housing association (re)develops new products, it has to choose between a niche specific approach and a more flexible type of dwelling situation. A life course-proof approach implies certain forms of neutrality and flexibility at the dwelling as well as the environmental level.

4. Focusing on a narrow or broad target group.

The fourth dilemma refers to the question whether a housing association wants to provide housing services to the primary target group or to a broader spectrum of households. Arguments in support of the second option are manifold. First, they can continuously upgrade the quality standard of their dwellings by building for higher income groups as well. This approach gives lower income groups also more freedom of choice in the market and reduces the risk of stigmatization. Also, the cash flow will be bigger which allows building up a greater reserve. Furthermore, this makes it possible to keep up a more professional apparatus. Thus, a broad target group offers many advantages for asset- and portfolio management. Such an approach offers better opportunities to create customer perceived value than one that focuses on a narrow target group.

5. Servicing customers or managing stakeholders

The marketing approach is often criticized as 'reducing' human beings to 'customers'. Should a housing association define his tenant as a 'reduced' customer or in a broader way as a 'stakeholder' or even as a 'citizen'? In recent years, managers recognize that their relation to the tenant is not an one-sided customer-provider relationship, but that it is a more 'dialectical' one, in which the tenant as a stakeholder has his own responsibility. He should play a more active role in the provision of services. As a stakeholder the tenant should be involved in the housing policy and management. By doing this he can have a positive effect on management decisions and therefore influence his own living situation. However, this implies access to information and possibilities for consultation.

6. Steering on customer perceived value or on technical life span.

In most estates regular management is appropriate. This method carries the risk that the functional life span of a dwelling estate will exceed the technical one. Given a restricted technical lifespan of a dwelling (for example 80 years) the speed of replacement will be dropped to a level that heavily burdens management in the long run. An integration of technical and functional assessment is necessary. The applied classification of life spans is flexible and gives the housing association the opportunity to manage to speed of replacement of its stock.

7. Asset management versus network management.

The challenge is to offer a bundle of quality aspects. The complexity and interdependency of these aspects induce the housing organization to look for cross-border solutions in creating customer value. Stakeholders outside the organization deliver a vital contribution to the realization of the desired performances. Asset management is becoming increasingly less adequate and there is a need for network-

management, in which several parties are involved. Various kinds of partnerships (strategic contractors, alliances) are necessary to deliver housing services. The bottleneck is that housing managers have to break with their product-oriented approach and make way for a more process-oriented approach in a network of stakeholders. Success in the future will depend on this ‘coöpetitive’ approach (Brandenburger & Nalebuff, 1996).

A new steering paradigm?

Is another paradigm shift necessary to overcome these dilemmas? The answer is no. Kuhn states that no paradigm is ever finished or without minor errors and problems. During a period of ‘normal’ science’ scientists expand the paradigm and try to get rid of mistakes and minor problems. After all, a paradigm is ‘open’, it is sufficiently open-ended to leave all sorts of problems for the redefined group of practitioners to resolve.

To create customer perceived value a housing association has to undergo a twofold process of internal reorganization and external cooperation. A re-design of the internal structure is not enough. Associations should also pay attention to their stakeholders outside the organization. Stakeholder management in regard to governmental agencies, tenant organizations and suppliers is necessary. To make the existing steering paradigm more adequate it needs some adaptations.

Figure 3 provides an overview of the required adaptations in the steering paradigm.

Figure 3: Required adaptations in the steering paradigm

Paradigm adaptations with respect to	From	Towards
Values	Consumer good: freedom of choice	communal good: co-responsibility
View on the client	Segments of customers	One of the stakeholders
Defining residential situation	House	Dwelling
Orientation	Customer oriented	Also: area-based
Defining target group	Narrow	Broad
Tasks	Interwoven functions	Chain and network oriented
Coordination	At the lower levels in the organizations	Integration at all policy-levels of stakeholders
Management	Asset management	Area-based, stakeholder management
Steering	On customer perceived value	On stakeholders value
Local authority	Facilitating	Partnering

Literature

- Brandenburger A.M., B. Nalebuff (1996) *Co-opetation*, Currency and Doubleday, New York.
- Broeke R. van den (1998). *Strategisch voorraadbeleid van woningcorporaties: informatievoorziening en instrumenten*. Delfts Universitaire Pers, Delft.
- Dogge P. & J. Smeets (2001) Nota Strategisch voorraadbeheer, Woonstichting Etten-Leur .
- Dogge en J. Smeets (2004) Housing management and the creation of customer value. *Open House International*, vol. 29 nr 3 pp23-30.
- Dogge en J. Smeets (2005) In Search of Customer Loyalty. A Research on the relation between tenants' satisfaction and commitment. *Journal of Applied Psychology*. Special Issue 18 th IAPS Conference, 6(3-4) pp 111-120.
- Dooremalen, H, H.de Regt & M. Schouten (2007) *Exploring Humans*. Boom Amsterdam.
- Gale, B. (1994). *Managing customer value: creating quality and services that customers can see*. New York: Free Press.
- Garsten C. and T. Hernes (2009) *Ethical Dilemmas in Management*. Routledge London.
- Gruis V.H., A. Thomas (2002) 'Approaches to option appraisal in social housing investment: English and Dutch experiences compared', paper presented at the *ENHR-conference*, Vienna, Austria.
- Gruis, Vincent & Nico Nieboer,ed. (2004) *Asset Management in the Social Rented Sector*. Kluwer Academic Publishers Dordrecht.
- Kuhn (1962) *The structure of scientific revolutions*, University of Chicago press.
- March, J. (1988). *Decisions and Organizations*, Oxford Blackwell.
- Oliver R,L. (1999) Whence Consumer Loyalty? *Journal of Marketing*. Vol. 63 (special Issue 1999),33-44.
- Os, van P.(2007) *Mensen, stenen geld. Het beleidsproces bij woningcorporaties*. RIGO Research en Advies, Amsterdam.
- Schaar J. van der(2006) *Verzelfstandiging van woningcorporaties*. Dynamiek in beleid en organisatie RIGO. Rapportnummer 91530.
- Smeets, J (1993). Housing Tenancy, Data Management and Quality Control. In: H. Timmermans (ed.), *Design & Decision Support Systems in Architecture*. Dordrecht: Kluwer.

- Smeets J. & P. Dogge (1998) Housing Challenge : Managing Tenant's Appreciation in Shifting Balances Changing Roles in Policy, Research and Design Proceedings of the 15th Bi-Annual Conference of the International Association for People Environment Studies (IAPS) Jan Teklenburg e.o. (ed) EIRRAS Eindhoven, pp. 66-77.
- Smeets, J. & S. Maussen (1998) a decision Support System for Housing Management. Towards an integration of object related technical, commercial and financial data. 4th DDSS Conference Maastricht the Netherlands. Tu 3.3.
- Smeets, J. & P. Dogge (2007) Housing Associations, Competences and Strategic Sourcing The case of Trudo. In Housing, Theory and Society Volume 24,1, pp 49-62.
- Smeets, J. et al (2009) The Netherlands In: Vincent Gruis et al (ed) Management of Privatised Housing International Policies and Practices. Wiley Blackwell pp 60-82.
- Steensma, H (1999) Management van organisatietransformatie. In *Trends in organisatieverandering*. Herman Steensma (red) Lemma Utrecht pp.148-164.
- Taylor, N (1998) Urban Planning Theory since 1945. Gateshead: Sage Publications.
- Treacy M.& F. Wiersema (1993) Customer Intimacy and other Value Disciplines - Three Paths to Market Leadership. In Harvard Business Review Vol 71(1) pp.84-93.