

Strategic planning models: a step further

Nico Nieboer
Delft University of Technology
OTB Research Institute for Housing, Urban and Mobility Studies
Delft
The Netherlands
n.e.t.nieboer@tudelft.nl

Abstract

Following the neo-liberal trend of less government intervention and more room for market forces, the introduction of private sector models in the public or non-profit sector has gained a lot of attention and popularity. This has also been the case in several European public and other social housing sectors. In the Dutch social housing sector, models based on principles of strategic business planning and similar models have been applied to structure and to systematise decision-making about investments in the housing stock. These models, however, appear to be unsuccessful in their impact on actual investments in estates or buildings. Based on fieldwork among several social landlords, this paper deals with the shortcomings of the application of the models in social housing and gives suggestions for improvement.

Key words

social housing, strategic planning, business planning, investment, organisational behaviour, the Netherlands

1. Introduction

The last twenty to thirty years show a neo-liberal trend of decreasing government influence and support in several not-for-profit sectors in many European countries. In this period, 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.

The gap (and bridging the gap) between policy and action has for long been a matter of concern in spatial planning and spatial planning research. Although less often dealt with in housing literature, this gap also exists in housing investment planning. Before the neo-liberal period, the development of the housing portfolio, including the planning of large-scale investments, was mainly directed by government via, for instance, land policy, subsidies for renovation and new-building, and norms for maintenance expenses. Developing portfolio policies was primarily the responsibility of the local government, and the same was true for bringing these policies into action. The responsibility of social landlords was largely confined to property management. Because social landlords are now in a more independent position than they were in the past, there is a greater need for them to formulate their own policies and there is also a larger responsibility for bridging the gap between policy and action in housing investment.

It might be 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. This could be seen in approaches and methods such as 'strategic business planning', 'portfolio analysis', 'benchmarking' and 'balanced score cards', which are used to evaluate the performance of organisation and assets and to help develop management policy.

In strategic business planning, several models have been designed to assist organisations in developing their portfolio policies. Alternative versions of these models have been made for the social housing sector. This paper reflects on the practicability of the models for strategic business planning. It makes use of a recent research into the extent to which portfolio policies of several social landlords are reflected in their investments. From the results of this study, conclusions can be drawn about the reasons behind the modest usability of strategic business planning models. Based on these conclusions, some suggestions for improvement are presented.

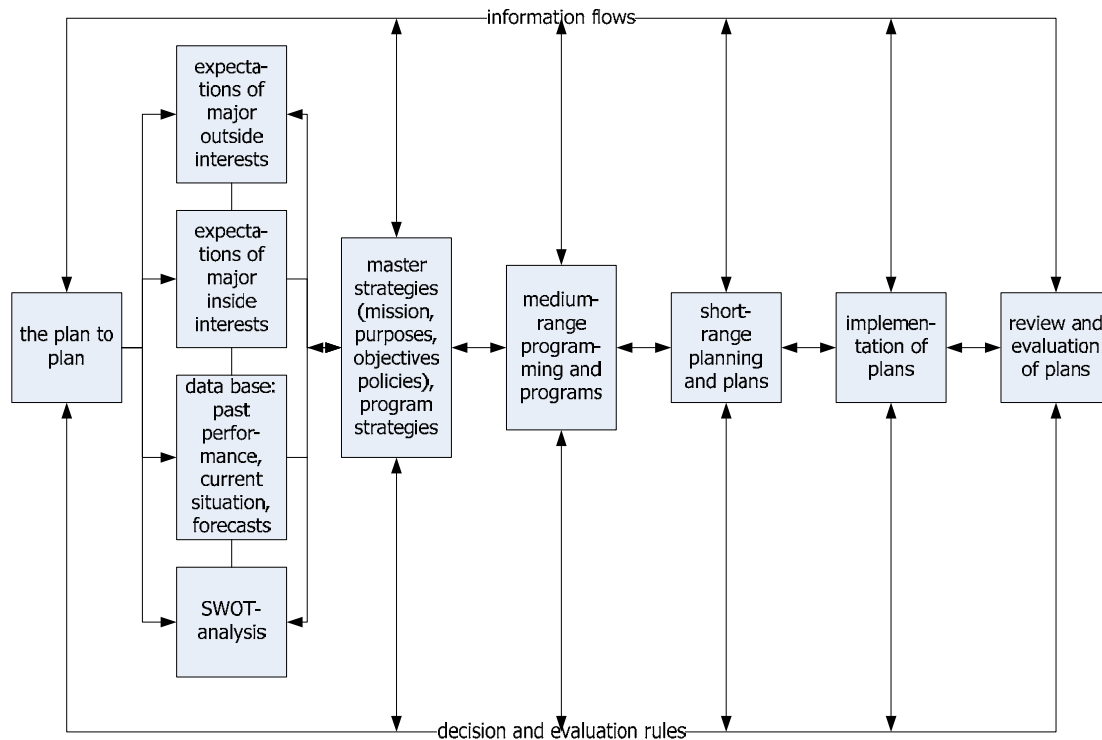
The following section goes into the most well-known models for strategic business planning. Variants of these models targeted at the Dutch social housing sector are also presented. Section 3 deals with the research, mentioned in the previous paragraph, about portfolio policies and investment choices. Section 4 goes into the implications of

the results of this research for the existing strategic business planning models. Based on these implications, an adjusted planning model is presented in section 5.

2. Models from strategic business planning

The development of business strategies, including models to conceptualise this development, is an important subject in strategic planning. Most models are normative, showing the stages that are seen as necessary or at least desirable in the development of business strategies. It often departs from the business mission, which is seen as the central objective of the organisation, to which the goals and strategies are subordinated. The business mission determines what to analyse. After the analysis, goals are formulated and worked out step by step towards individual actions. Steiner is generally regarded as the founding father of strategic planning. In his model, published in 1979, several of the above-mentioned stages can be recognised (see Figure 1).

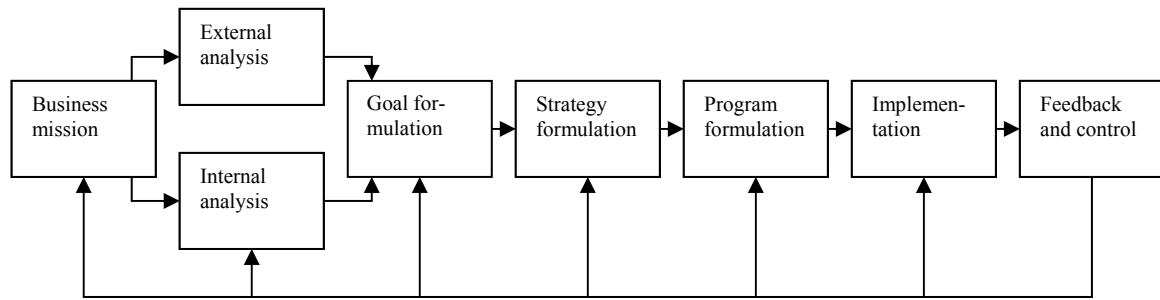
Figure 1 Steiner's strategic planning process model



source: Steiner, 1979, p. 17

A similar model has been developed by Kotler (1994) (see Figure 2). Kotler developed his model in the 1970s; the figure depicted here is from a more recent edition of the original book.

Figure 2 Kotler's strategic planning process model



source: Kotler, 1994, p. 79

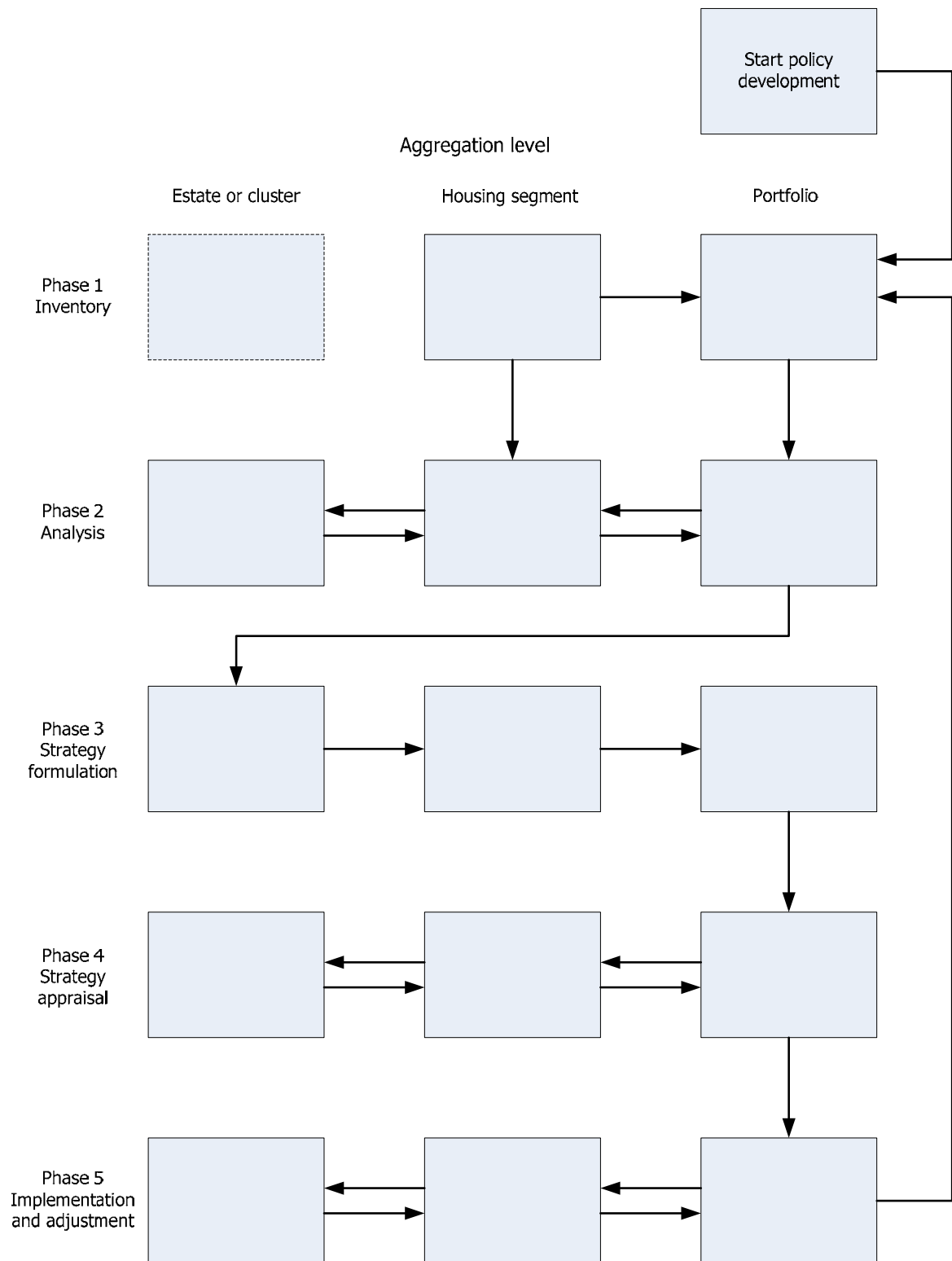
Today, numerous strategic planning models are available, mostly following a common approach: most models include the development of a mission statement, followed by analysis, constructing and implementing goals, objectives and strategies. In addition, there is growing number of models aimed at the non-profit sector (e.g. Bryson, 2004; Allison & Kaye, 2005). Since the 1990s, similar models have been made for the social housing sector, especially in the Netherlands (e.g. Van Vliet, 1993; Van den Broeke, 1998), the United Kingdom and Australia (e.g. Larkin, 2000).

Van den Broeke was one of the first authors who applied strategic planning models in the social housing sector. His model starts with the outline of a general policy, which can be seen as the policy framework for investment choices regarding individual estates, buildings or homes. The phases in his model are:

1. inventory (including policy outline);
2. analysis;
3. strategy formulation;
4. strategy appraisal;
5. implementation and adjustment.

Van den Broeke's model also contains several scale levels, taking into account the interaction between the portfolio level and lower geographical levels (see Figure 3).

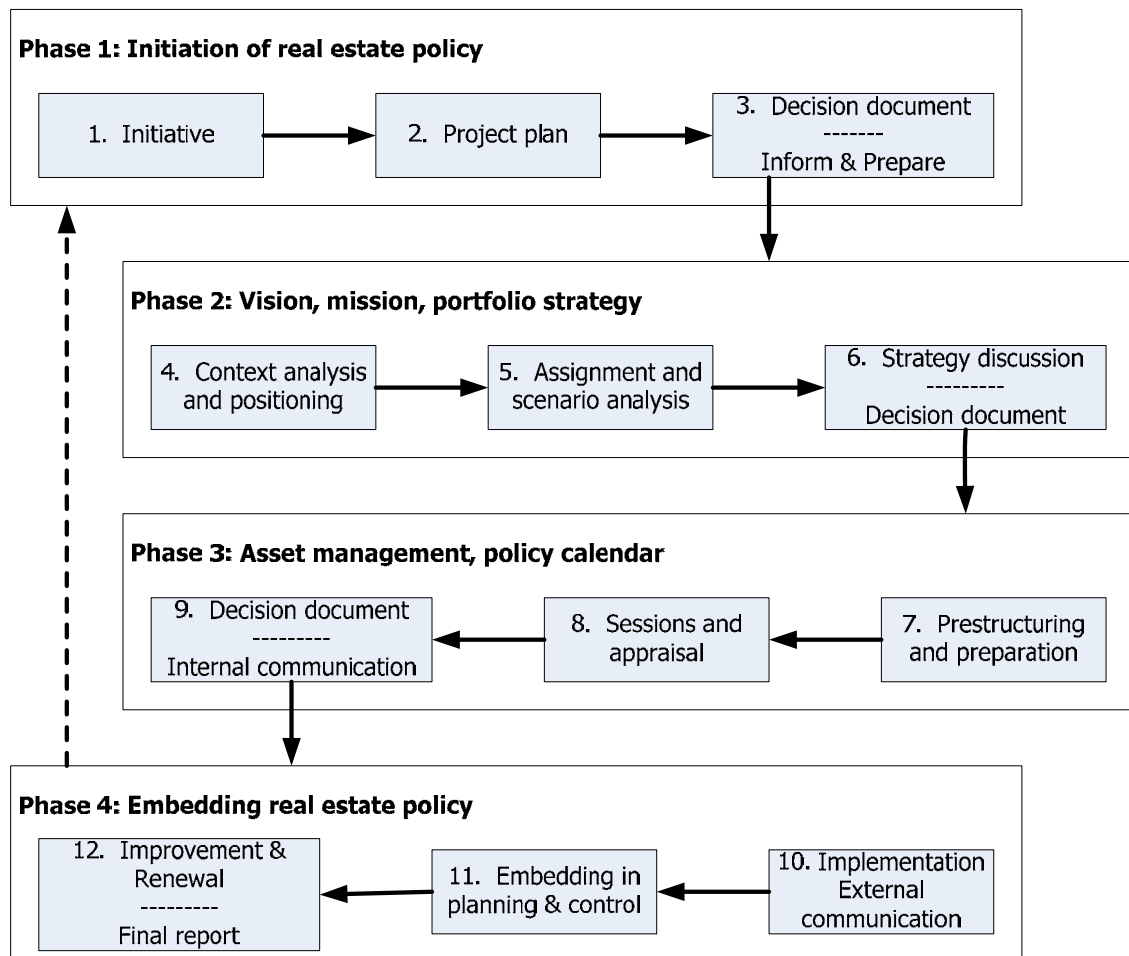
Figure 3 Van den Broeke's strategic planning process model



source: Van den Broeke, 1998, p. 71 (own translation)

A later model has been developed by Eskinasi (2006, pp. 30-33), who argues that the then existing models fail to recognise the importance of embedding the portfolio policies in the organisation. In his view, this is one of the main reasons why former models appear to be not very useful for the organisations that have adopted them. Eskinasi tries to mitigate this shortcoming by paying specific attention to internal and external communication and by incorporating the results of the policy development in regular, existing working procedures such as the annual budget preparations. His model is depicted in Figure 4.

Figure 4 Eskinasi's model for developing real estate policies

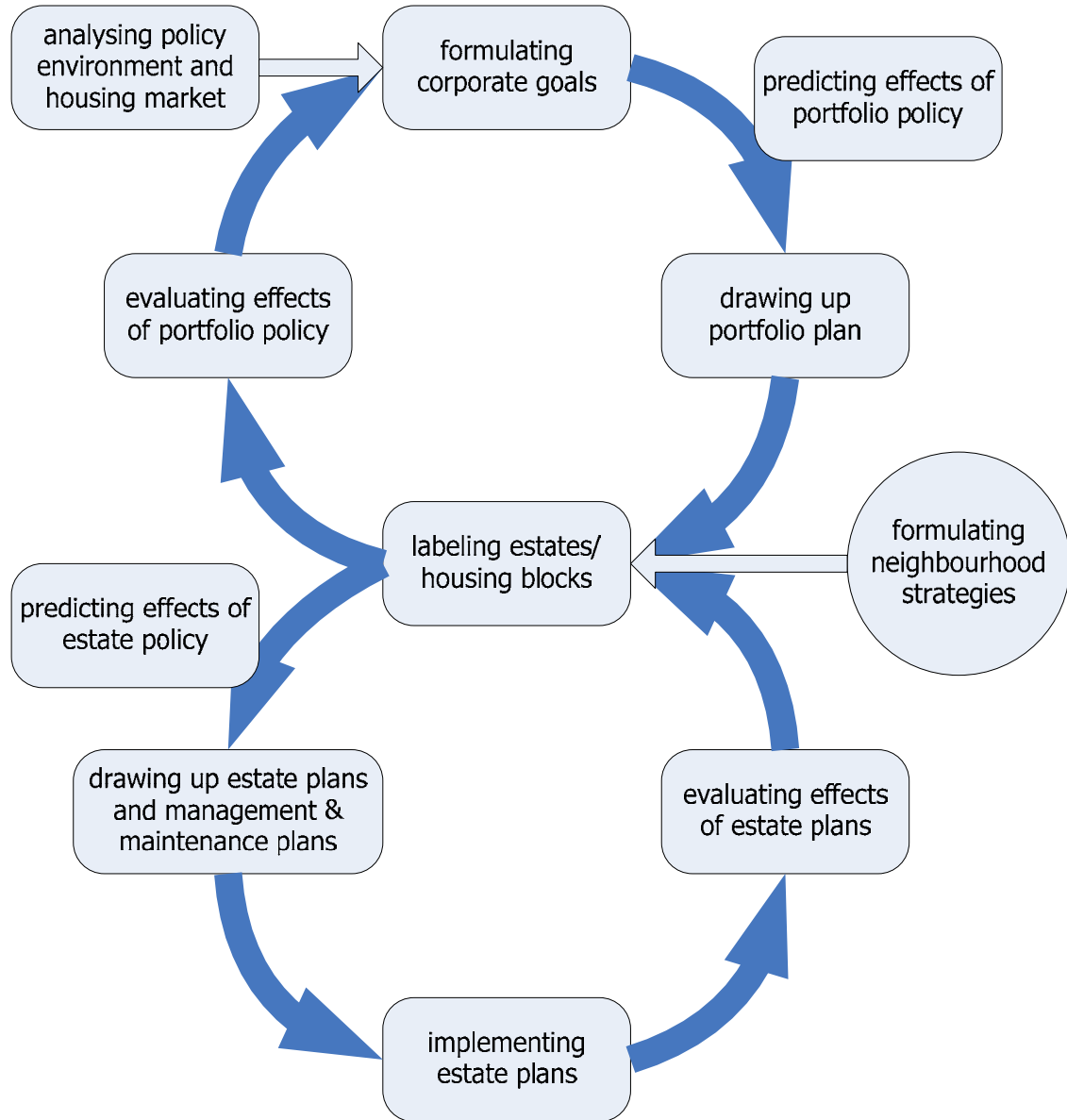


source: Eskinasi, 2006, p. 15 (own translation)

Finally, we mention Van Os' strategic planning model (Van Os, 2007 and 2008; see also www.beleids8baan.nl). As Van den Broeke's model, this model also contains aggregation levels. Het model distinguishes between two policy cycles: one cycle running from the strategic level to the tactic level and then back to the strategic level, the other cycle running from the operational level to the tactic level and then back to the operational level. Both cycles meet at the tactical level, where the investment options for the individual estates or buildings are formulated. Unlike the former models, Van Os' model clearly shows that these investment options are not only formulated at the strate-

gic level of the respective organisation, but also at the operational level. We will return to this issue later in this paper. The model is depicted in Figure 5.

Figure 5 Van Os' planning process model



source: Van Os, 2007, p. 25 (own translation)

3. Case studies

Research method

As has been stated in the introduction, we have tested the applicability of the existing strategic planning models by making use of a research into the extent to which portfolio policies of several social landlords are reflected in their investments. The study is car-

ried out among six social landlords, which form the empirical cases of the research. We have not aimed at a statistically representative selection: the 6 selected social landlords form only a little part of the whole sector, which counted 455 organisations at the end of 2007 (CFV, 2008). Expecting that strategic planning is rather unusual in the social sector, we have selected relatively advanced and also larger housing associations, which are expected to have a sophisticated portfolio management. Indications (from either literature or personal connections) for development of strategic asset management, has been the basis for selection of these housing associations.

A further criterion for the selection of the social landlords has been that they have concrete investments or investment plans for a neighbourhood in which restructuring takes place. It is, of course, not possible to take all the investments of a social landlord into account. For this reason, we have selected one neighbourhood for each landlord. As the research is part of a program on restructuring and urban renewal, we have selected neighbourhoods that are restructuring areas. Because certain investments are preferred above investment plans that are still uncertain, we have chosen those restructuring areas that are relatively advanced with regard to the progress of redevelopment. ‘Advanced’ in this context means that the investments in the housing stock are carried out or that the investment plans have such a solid base among the relevant actors that major changes are unlikely to occur. The names of the selected landlords, the main city in which they are active and the number of homes that they manage are given in the following table.

Table 1 Selected social landlords and neighbourhoods

Name of the landlord	Main city in which are active	Number of homes
De Key	Amsterdam	30,000
Ymere	Amsterdam	77,000 (45,000)*
Stichting Volkshuisvesting Arnhem (SVA)	Arnhem	13,000
Trudo	Eindhoven	7,000
Staedion	The Hague	33,000
Waterweg Wonen	Vlaardingen	13,000

* Before a merger on January 1st, 2008 the number of homes was 45,000.

With each landlord, two neighbourhoods, namely a restructuring neighbourhood and another, ‘non-restructuring’ neighbourhood, have been selected for an investigation of the concrete investment choices on the estate or building level and the motives behind these choices.

The research has been carried out through interviews and literature study. The interviews have been held with, generally speaking, two types of persons:

- persons who are closely involved in or responsible for policy development of the respective social landlord;
- persons who are closely involved in or responsible for major development projects.

The main topics of the interviews are the portfolio management of the respective landlord, the translation of the portfolio policy into investment decisions, and the motives behind the investments that are actually made. The documents studied are mainly stock policy plans and neighbourhood investment plans.

Results of fieldwork

This paper concisely describes the results of the fieldwork. A more detailed description of the results from several of the six selected landlords can be found in Nieboer (2007 and 2008).

Modernisation of the housing stock occupies a prominent place in the portfolio policies of all six landlords. Considerable parts of the housing stock are regarded as out-of-date. According to these landlords, these homes do not meet present standards, because they are too small, have a poor physical appearance or lack several amenities. The ambition to transform deprived neighbourhoods into mixed-income neighbourhoods is also often mentioned. Not surprisingly, the latter argument is notably heard with respect to restructuring neighbourhoods, in which considerable changes in the housing stock are planned.

Concerning the desired composition of their housing portfolio, the social landlords have formulated the following policy statements.

- De Key and Ymere indicate a few priority groups and determine for each population group the number of homes to be realised. Until now De Key has set these quantitative objectives every five years, Ymere does this on a yearly basis.
- SVA and Waterweg Wonen apply a self-developed classification of maintenance standards. All homes have to meet one of these standards in the future.
- Staedion, SVA and Waterweg Wonen apply a minimum for the number of affordable homes available for low-income households. Next to this, these and other landlords in the selection for this research have made agreements with local governments on various issues, notably on the affordability of their housing supply.

The sale of homes has a special place in the portfolio policies of the researched landlords. Ymere yearly determines a number of homes to be sold - a number that the district offices have to divide among themselves, taking into account the guidelines of the central office about priority areas. De Key, Staedion en Waterweg Wonen have also set an annual target for themselves, but have also carried out a portfolio-wide investigation to assess the homes eligible for sale. SVA performs a similar investigation, but per neighbourhood instead of simultaneously for the entire housing stock.

A striking phenomenon is the variety of sale possibilities. Most options found in the research include a discount off the market price, which may amount to 50%. In return for this discount, households are obliged to sell the home back to the landlord when they move out. At that time, the increase in value of the property will be divided between the household and the landlord. For Trudo, such an arrangement is central in its portfolio policy, because this landlord strives to sell the majority of its homes (about 75%!) under this regulation (Smeets, 2009, p. 74).

The 'translation' from the portfolio policies into decisions about what to invest in which estate is mainly made on the district or the neighbourhood level. For example, Ymere's decisions on investments in estates are primarily to be made at its district offices, after which follows an appraisal carried out by the central office. De Key and Staedion follow a similar procedure. In the last five to ten years, SVA and also Staedion have undergone a development from a central approach to a more area-based approach. Staedion indicates that there has been a shift from a more or less imposed translation of portfolio policies towards a more flexible policy which leaves more room for operational aspects and for new developments. SVA has initially made global investment

choices for all its estates (so portfolio-wide), but has dropped these for the benefit of a neighbourhood approach.

As for the arguments and motives behind the investment choices in the selected neighbourhoods, it is not surprising that, speaking about individual estates, arguments on the estate level dominate. More surprising is the virtual absence of arguments related to the portfolio policies of the organisation. Some interviewed staff responsible for investment projects remarked that portfolio policies hardly have any impact. Some policy staff even complained that all their work to develop a more sophisticated portfolio policy seems to be a waste of time.

Nevertheless, the results of this research show that portfolio policies have a noticeable impact on certain aspects, notably:

- general notions about the state of the housing stock;
- the presence of specific investment options (e.g. choice between buy or rent, sale arrangements);
- external agreements (e.g. with local government) about the minimum supply of affordable homes in existing and/or new building;
- sale policy, especially the determination of the homes eligible for sale.

In general, however, the influence of portfolio policies on investment choices on the estate or building level is modest. Most portfolio policies are formulated in general terms (e.g. a considerable quality improvement of the housing stock, more homes for the elderly), leaving a lot of room for interpretation on a lower scale. There is a considerable difference between portfolio policies and investment choices as regards the level of abstraction. So, the intrinsic nature of both portfolio policies and investment choices requires a long bridge to overcome the gap. Neighbourhood plans could help to bridge this gap. Findings from this research indicate, however, that these plans tend to supersede the portfolio policies rather than to support them. Not the portfolio level, but the neighbourhood level proves to be the main integration framework for investment decisions. This geographical scale is apparently considered high enough to balance the gains and losses on individual projects and low enough to be manageable. This is especially true for restructuring neighbourhoods, where area-based interventions in the housing stock dominate investment decision-making. Furthermore, none of the social landlords in the research has imposed systematic methods to decide which of the relevant investments should be chosen, nor do they have corporatwide norms (cost levels, quality levels etc.) regarding investment choice, for instance about when to demolish, when to refurbish, and when to choose for 'only' regular maintenance. (The only exceptions to this are norms for the selection of homes eligible for sale.) The absence of such methods and norms does not necessarily mean that social landlords take unsophisticated decisions, but that these decisions are hardly based on portfolio policies. From all these findings we can conclude that an area-based, neighbourhood approach dominates over a central portfolio approach.

4. Implications for strategic business planning models

As has been indicated in section 2, an important element of the 'traditional' models for strategic business planning is the stepwise elaboration of central goals and objectives into strategies and concrete actions. Because of this structure, these models seem to assume that:

- investment decisions follow from centrally developed policy and are a crystallisation of these policies;
- with respect to policy making, the social landlord can be seen as one undivided actor, speaking with one voice;
- the social landlord decides about its investments on its own.

In the research described in section 3, however, these assumptions do not apply. Instead of an only centralised policy, there appears to be a division of responsibilities within the organisation, in which each department has its own part. This means that policy development does not only take place in a (central) policy department, but also elsewhere in the organisation. Following from this, there is not one, but there are more actors involved in policy making within each organisation. As indicated above, each of these actors may have drawn up its own plan and does not necessarily ‘wait’ for a portfolio plan to do so. The strategic planning models assume that portfolio plans come first and are then stepwise elaborated in plan at the estate or building level. In reality, however, plans are made all the time, and mostly not in the order of geographical scale.

In this research, there are at least two actors, namely those responsible for the development of portfolio policies and those responsible for the development and execution of investment projects, but it is also conceivable that there are more actors. This multiplicity of actors is even truer if we also take external actors into account. From this point of view, it is easy to explain why portfolio policies play such a modest role in investment choices: these choices can be seen the result of interaction of various internal and external actors. Instead of vertical steering, in which decisions are imposed from the top, we have to deal with non-hierarchical, ‘horizontal’ relationships between mutually dependent actors. In situations as this, theories based on a network approach or on implementation studies apply rather than strategic business planning models.

Seen from the network approach mentioned in the last paragraph, the weak connection between portfolio policies and investment choices is not to be seen as negative, but rather as a result of a realistic balancing of different interests. In addition, the weak connection can be regarded as a ‘fact of life’ that must be taken into consideration. Nevertheless, the modest implementation of portfolio policies entails some risks that can better be avoided or minimised. The first and most obvious risk is that portfolio policies will not be realised, because interests on other geographical levels (e.g. neighbourhood, estate, building) dominate, pushing the portfolio ambitions into the background. The second risk has to do with investment allocation: if the (financial) consequences at the portfolio level of the investment decisions at a lower geographical scale are not known, it is difficult to assess whether these investments overcharge the total budget of the organisation. The research gives some examples of landlords unable to maintain their quality standards in restructuring the housing stock because it turns out to be too expensive. These two risks can largely be reduced through a regular interaction between the policy actors, in this case between the ‘official’ policy developers and those responsible for project management. This interaction also opens the possibility for integrating new developments and insights, which frequently occur, in the planning process.

5. Conclusion: towards an adjusted model for strategic planning

Most literature on strategic management is about centrally formulated strategies. Many authors are aware of the fact that strategies are not only formulated by strategists and

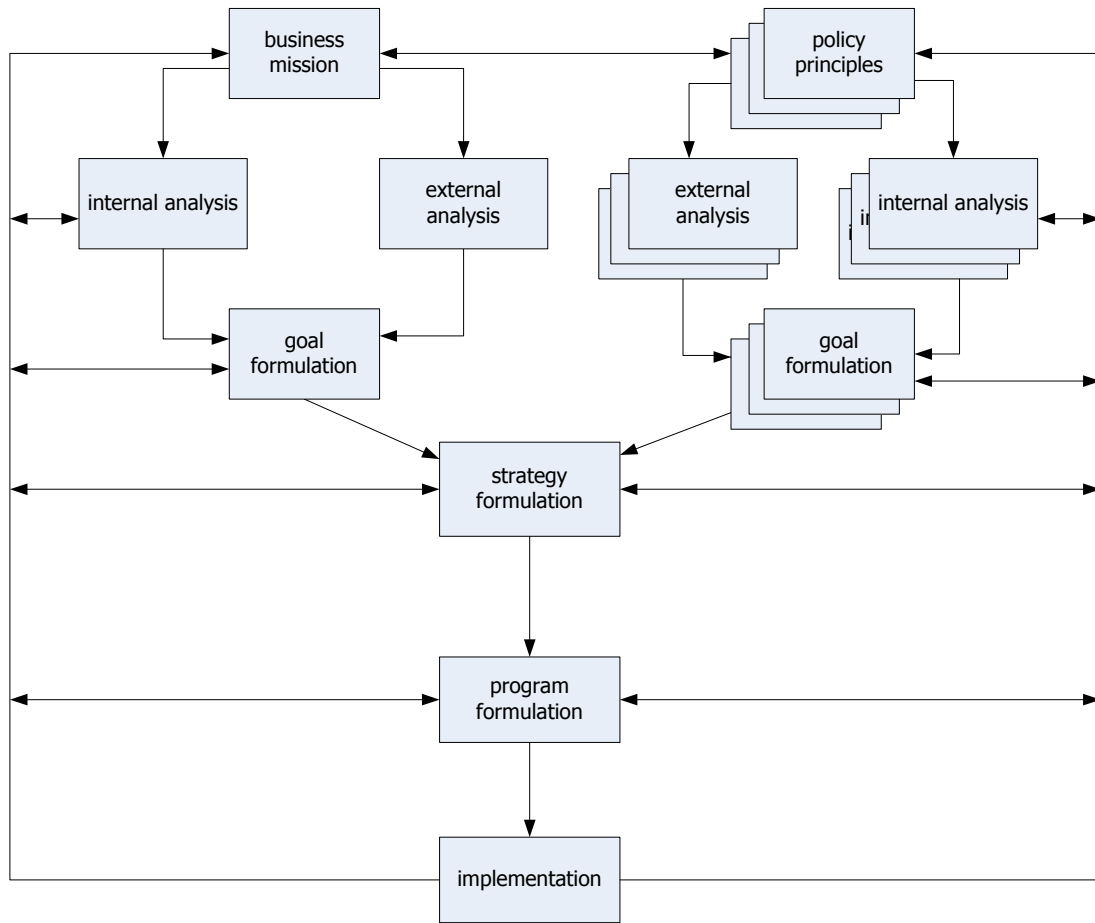
other policy developers (or those that are appointed to act as such), but also by other persons. Despite this, many authors put centrally formulated policies in the middle as if this is the overarching policy for the entire organisation. Although this is correct in the sense that these policies pretend to be so, what we have found among the selected social landlords shows a different picture: portfolio policies are just one of several policies. What is more, these other policies sometimes prevail over portfolio policies. From the viewpoint of a portfolio policy developer, other policies in the organisation could be seen as flanking measures, but the reverse can also be true: portfolio policies act as flanking measures to another policy.

Returning to Kotler's business planning model, we would suggest the following adjustments:

- strategy formulation (in this case investment choices such as refurbishment, demolition, sale or regular maintenance) is not only dependent on goal formulation at the top or in policy departments, but also on policy formulation of other (internal and external) actors;
- these actors can have their own policy principles and their own analyses;
- these policy principles are not developed entirely on their own, but there is a mutual influence with the business mission and the policy principles of other actors.

This results in the following model (Figure 6).

Figure 6 Adjusted model of Kotler with several policy actors



The model shows two ways to get from the business mission to strategy formulation. The first and most direct way is through stepwise elaboration of this mission via organisational goals, as depicted at the left side of the figure. Vertical steering, whether or not accompanied with strict planning methods, dominates here. The second, more indirect way is through interaction with policy principles of other actors, as depicted at the right side of the figure. Discussion about values, ambitions and objectives dominates here. As regards the strategy formulation of the social landlords in this research, the second way seems to prevail. The ‘translation’ of portfolio policies into concrete investments does hardly take place through vertical steering and through the application of systematic planning methods as described above, but more through the mutual transfer of norms and values between equal parties. In this respect, notions from spatial planning theory, notably notions of collaborative planning, apply to a larger extent than the business planning models mentioned above. These notions have mostly been formulated with regard to the interaction between organisations or within large (governmental) organisations. This research indicates that they also apply to considerably smaller organisations and thus have a wider meaning than originally demonstrated.

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