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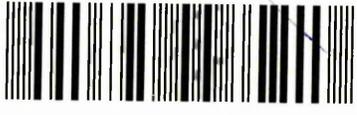
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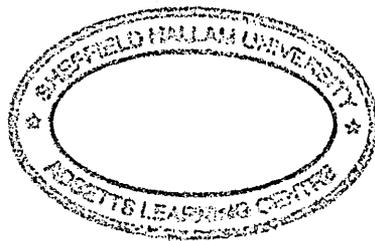
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# **Decision-making in the Housing Association Sector: The Case of Asset Management**

Francesca Claire Albanese

A thesis submitted in partial fulfilment of the requirements of  
Sheffield Hallam University for the degree of Doctor of Philosophy



November 2007

Collaborating Organisation: The Housing Corporation

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## Abstract

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There has been a rapid expansion in the role and size of the housing association sector in England since 1979, driven by changes in policy agendas. In the past ten years the problem of 'low demand' housing has also been an issue for housing providers in certain areas of the North and Midlands. Attention has been drawn to the asset management strategies of housing associations, however relatively little is known about the process by which stock investment decisions are made. This thesis investigates the decision-making behaviour of three housing associations, with a focus upon power and knowledge in the decision making process. Using the context of asset management and low demand housing it examines how and why decisions are made within the three case studies. Drawing on two decision-making models, the *political-bureaucratic* (Pettigrew 1973) and *behaviourist* (Cyert and March 1992) models, the study develops an analytical framework derived from Foucault's relational concept of power and Clegg's 'circuits of power'.

By adopting a qualitative approach the research explores current decision-making practices through the use of semi-structured interviews, focus groups and documentary analysis. The empirical evidence suggests that the concept of power is integral to understanding how decisions are framed and then made. However, power is a complex concept and housing associations are devising their asset management strategies in a shifting external environment. Different agencies are significant, depending on the commercial strength, geographical base, scale and degree of maturity of the association in question. The analytical framework enables power to be traced within each case study through examining the organisational tactics and 'game playing' in place. But it also identifies constraints with the 'relational' concept of power, suggesting that where power resides is also important.

Power is also closely linked to knowledge, and each case study used information selectively as an expression of power relations. In response to the greater commercialisation of the sector housing associations' approach to asset management is changing. Some are grasping at these opportunities, whereas others are finding such pressures in tension with their original mission. Some larger associations are becoming 'learning organisations' and it is anticipated that the more successful agencies in this group will become increasingly autonomous from the Housing Corporation and other regulatory bodies in their approach to asset management due to these changes.

# CHAPTER 1

## Introduction

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### 1.1 Rationale for the research

The housing system in Britain is undergoing rapid change, and the variations and inequalities in housing markets have led to a significant political focus upon this sector. There has been a substantial shift to home ownership in England (a rise from 56 percent of total dwellings in 1979 to 70 per cent in 2005; CLG 2006a) and rapid increase in house prices; the average house price in Britain has risen by 139 per cent between 1997 and 2005 yet average earnings have risen by less than 25 per cent in the same period (NHF, 2005). At the same time there has been a decrease in the proportion of social housing stock and also pockets of decline and instability in more vulnerable market areas. The Barker Review of Housing Supply (HM Treasury, 2004) recommended a fundamental change in Britain's planning system to accommodate the lack of suitable housing supply. More recently John Hills' report *Ends and Means: The future roles of social housing in England* (2007) has outlined a call for major reforms to occur to enable future social housing need is to be met. The dynamic and fluid nature of the housing sector has substantiated considerable interest in this area, and therefore this is an ideal time to conduct research to examine the impact of such changes.

This thesis is investigating the housing association sector in England, a tenure which has expanded by more than four fold since 1979. It aims to investigate the stock investment strategies of housing associations in 'low demand'<sup>1</sup> areas in England, which will be achieved by examining their decision-making behaviour. The focus of the research is

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<sup>1</sup> The author is aware that the problem of low demand housing was more prominent when the research began, and as the study has developed these 'fragile' markets have tightened and improved. However, low demand has been a significant issue for the three case studies taking part in the research and has affected subsequent organisational strategies and initiatives.

concerned with unpicking and applying decision-making models in the context of the housing association sector. Exploring decision-making more closely, the study aims to analyse how power and knowledge affect asset management decisions made by associations dealing with problems of low demand stock.

There is a theoretical gap in research which uses decision-making models and applies them to the public sector; it is a subject which has traditionally been explored in relation to commercial organisations. Specifically, there is little research which examines decision-making within social housing. Moreover, studies which have analysed power have tended to focus upon a theoretical conception of power rather than interpreting power within social settings (Kearins, 1996). Therefore this thesis, using an analytical framework derived from decision-making theory, will analyse empirically how power and the related concept of knowledge are exercised within the housing associations studied.

More recently there has been an interest by academics in the response of social landlords concerning their asset management strategies. Studies include those by Larkin (2000), Brown and Richardson (2002), Gruis et al (2003), Tait (2003) and Gruis et al (2004). However, these have tended to approach asset management from top-down policy orientated perspectives which have used financial and quantitative measures to assess landlord activity. In contrast, this thesis is going to tackle the issue of asset management using a qualitative framework and case study approach. The thesis is not attempting to explain approaches in asset management by all English housing associations but will explore three different cases. It will examine the organisational behaviour and culture within the three organisations examining how decisions are made, who is included and excluded from the process, and how it is played out at all levels of the organisation.

The focus upon asset management in the social rented sector is in line with the growing 'commercialisation' and more 'business orientated' approach of social housing and particularly housing associations. The housing association sector has rapidly expanded in size and broadened its role, driven by changing political agendas, over the past four decades. The 1974 Housing Act introduced new regulatory powers and grant systems, but

the most significant impact has been triggered by changes through the 1988 Housing Act. The introduction of private finance to meet additional running costs meant that housing associations began to operate in more market led systems, and, theoretically, risk has been transferred from central government to the associations themselves (Walker, 1998; Walker and Smith, 1999).

Amongst housing associations which operate in low demand areas, there are other factors which have contributed to the need to examine asset management. The significant growth of owner occupation in England until recently has been to the detriment of the social rented sector, and has resulted in what is termed the 'residualisation' of social housing (Forest and Murie, 1983; Malpass, 1990; Lee and Murie, 1997; Malpass and Murie, 1999; Kemp, 1999). In the past ten years 'low demand' housing is a phenomenon which has been recognised as an issue in certain areas of the North and Midlands. Although 'tenure blind' (Cole and Nevin, 2004) it is a problem which has disproportionately affected local authority and housing association dwellings. In 2003 4.5 per cent of English housing association stock was affected, in comparison to 3.6 per cent of the private sector (ODPM, 2003a).

Paradoxically, by expanding in size for business purposes, housing associations have acquired a lot of this 'difficult-to-let' and residual stock, and as a consequence the majority of housing associations operate in areas with growing social problems and some in areas of low demand. One of the outcomes of low demand housing has been the increased competition for tenants across both the social and private rented sector. Looking more specifically at the housing association sector, low demand has particularly been a problem for landlords because of their increased exposure to risk since 1988. This has been compounded by the tensions between their social objectives and financial viability, and the small area focus many associations take. In light of increased competition there has been a growing need for landlords to strategically assess the way they manage their stock.

## **1.2 Research questions**

As the study has progressed there has been a shift in focus of the research objectives. Originally the thesis was proposing to comment upon the implications of strategic decision-making processes for the future involvement of housing associations in low demand areas. The complexity and fast pace at which housing markets are changing in England makes it too large an issue to address within this piece of research. However, as the analytical framework has developed the research has examined more intently the changes in organisational behaviour.

Therefore the research is interested in how and why decisions are made by housing association landlords. Using the case of asset management it directs the thesis to investigate decision-making processes in the three housing associations taking part in the research. Other work which looks at decision-making has predominantly examined private sector organisations and therefore inevitably examined the commercial drivers which guide decisions. Although housing associations are becoming more business orientated they still maintain social responsibilities in their purpose to provide decent quality housing for residents at affordable rents. This thesis poses the question of whether the social role played by housing associations, and considers how the expectation to maintain financial stability, affects decisions that are conducted.

The research therefore examines decision-making within a conceptual framework that will help to understand the drivers behind stock investment decisions within housing associations. Chapter four looks more closely at the framework developed in the research but, in brief, it is concerned with how power and knowledge underpin the decision-making process. In light of the unique nature of housing associations the analytical framework has taken account of external government policy, Housing Corporation regulation and funding streams which add another dimension to the way decisions are handled and solved. It uses two models (the political-bureaucratic; Pettigrew 1973, and behaviourist; Cyert and March 1992 models) which have been applied to the private sector and combines them with analysis of power and knowledge, appropriate to the housing association environment. In

using this framework and identifying the gaps relating to work on asset management the following principal research questions are going to be explored:

- How useful are decision-making models in explaining decision-making behaviour within housing associations?
- To what extent can the analytical framework developed within the study (that is Foucault and Clegg's notion of power) be used as a tool to help understand the empirical processes of power involved in decision-making?
- How is knowledge and information used by housing associations within the decision-making process?
- To what extent are housing associations becoming 'learning organisations' in their approach to asset management?

In addition to the four principal research questions, the following six subsidiary questions are also going to be answered:

- To what extent, when applied to housing associations, do these models and theories work in practice?
- Who has access to knowledge and information and how do they control it?
- How does an association's organisational culture shape its approaches to asset management decision-making?
- What impact does their external environment have upon the stock investment process?

- Are housing associations becoming more commercial in terms of their stock investment strategies?
- How will the extent of their ‘commercialisation’ affect the relationship with the Housing Corporation (and Communities England) in the future?

A more detailed structure of the thesis is outlined in the following section, which summarises how the questions are going to be tackled.

### **1.3 Chapter outline**

Chapter two examines the housing association sector in England and the relevant policy and organisational changes that have taken place. This begins with an outline of the housing association sector defining its role and looking at its rapid growth and expansion. It goes on to look at the impact of the 1974 Housing Act and then outlines the significant transformations in terms of extended role and business risks of associations, which have occurred as a result of the 1988 Housing Act. These have been exacerbated by recent problems of low demand housing in some areas of the North and Midlands and the chapter looks at work which has examined this issue and the policy responses. Subsequently there has been a need to adopt more ‘business-like’ practices, and finally the chapter examines other research which has identified changes in the sectors structure, purpose and management.

The changes identified in the sector have created a need to look at asset management and chapter three evaluates current work on the subject. Although formal asset management planning by name has only been in place since around 2000, strategies concerning stock management have been developed by associations since the 1988 Housing Act. In low demand areas asset management has evolved from housing associations’ need to protect their ‘business’ interests, but more broadly it has stemmed from government and regulatory agendas concerning stock rationalisation. The chapter discusses the origins of asset

management examining its definition in the public sector. It addresses recent studies on asset management which have looked at both the English and Dutch case whilst evaluating Gruis and Nieboer's typology of asset management. As a result, chapter three draws attention to the gaps in knowledge which the thesis proposes to address.

Chapter four focuses upon the analytical framework in place which has been used as a tool to interpret and analyse the research findings. This looks at decision-making models as a basis to help understand decision-making processes within housing associations. Centring upon the political-bureaucratic (Pettigrew, 1973) and behaviourist (Cyert and March, 1992) models, the chapter identifies the concepts of power and knowledge as key theoretical frameworks for the thesis. Firstly, this discusses the historical and contemporary notions of power then looks in more detail at Foucault's relational view of power and the adaptation of this by Stewart Clegg in his model of 'circuits of power'. Power is linked to knowledge, and in interpreting Foucault's concept of governmentality and work on organisational learning, the chapter focuses upon how knowledge and information effect the decision-making process. The conceptual frameworks considered in the chapter help to draw up a coding framework which identify key concepts and questions used in the fieldwork.

In ascertaining the analytical focus of the research, chapter five goes on to explain the methods being employed. The methodological framework used in the study is a qualitative one, which has taken a case study approach and has been divided into three stages: 1) stakeholder interviews to identify the key issues, 2) an email questionnaire to broadly explore stock investment behaviour and identify suitable participants, and 3) the main data collection process looking at three in-depth case studies. The chapter explores and justifies the three levels of the research design, looking at issues relating to the researcher and researched relationship, access, ethics, and coding and analysis methods. Each case study is then introduced, providing contextual information about its size, geographical spread and location, organisational structure and asset management strategy.

Chapter six and seven present the research findings, defined by the two central concepts of power and knowledge examined in the analytical framework. Chapter six sets out the

decision-making criteria used by each case study, and explores the resources and information used to inform their decisions. The chapter is divided into two sections which address the internal and external or shared knowledge and information flows present within the three housing associations. In analysing how internal knowledge informs decisions, the culture of the organisation is examined by focusing upon how information is disseminated, evaluated and understood by organisational actors and groups. External decision-making concentrates upon the networks and partnerships that the associations are part of, including the role of regulatory and government databases. By assessing their current and past asset management behaviour the chapter considers the extent to which each case study has become a 'learning organisation'.

Chapter seven examines the 'circuits of power' present within and outside the three case studies concerning their stock investment decisions. Assessing internal and external decision-making it explains how power is exercised by individual actors and groups. Using Clegg's 'circuits of power' framework, the 'rules of the game' are drawn up for both internal and external processes, interpreting how power shifts between the actors and processes involved in the three case studies. This takes two examples in detail and traces back the decision-making procedure. The power networks and organisational behaviour identified in the chapter pinpoints three different types of approaches to asset management adopted by the three housing associations taking part.

Chapter eight concludes the thesis by drawing on key issues which have been identified within the study. These are centred on the concept of power and explore how stock investment decisions are shaped and underpinned by power relations. It proposes some conjecture about the future behaviour of housing associations concerning asset management and finally suggests possible further research in the area in light of the research findings.

## **Conclusion**

There have been significant changes concerning the provision of social housing in England. The housing association sector since 1979 has undergone rapid expansion and widened its role and the housing markets they operate in. Alongside this there have been instabilities within regional and local housing markets and consequently the issue of low demand housing emerged in certain areas of the North and Midlands. The housing association sector has acquired 'difficult-to-let' stock but there is little understanding about how landlords manage properties in these areas. Therefore the gap in knowledge has led the thesis to explore how and why decisions are made concerning asset management. Chapter two will now go on to explore the policy and regulatory changes which have occurred over the past four decades, the issue of low demand housing, and the effect these have had upon the structure, management and purpose of the housing association sector.

## CHAPTER 2

### Key Theme One: The Housing Association Sector

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#### Introduction

This research is examining asset management decision-making processes within housing associations operating in England. As a sector, housing associations have significantly changed over the past twenty eight years, firstly by their marked increase in size and importance, and secondly by their greater exposure to risk. This questions the extent to which transformation within the sector and subsequent processes has had an effect upon the asset management regimes employed by housing associations, and thus the chapter is going to examine these two important changes in more detail.

The chapter outlines the rapid growth of housing associations which explores their size, location and role within the social rented sector. In doing so, it examines key policies since the 1974 Housing Act, focusing upon the 1988 Housing Act and the increased risks experienced by housing associations in light of new financial frameworks. The growing 'residualisation' of social rented housing and the recent emergence of 'low demand' housing has impacted upon housing association landlords, namely by increasing competition for tenants. The changes in housing markets and greater exposure to risk have meant that housing associations have become more 'commercial' and 'businesslike' in their managerial practices. The chapter looks at research which has focused upon these transformations, identifying the need for housing associations to examine their asset management strategies.

## 2.1 The role and growth of the housing association sector

### *Defining the role of the housing association sector*

Classifying housing associations as organisations is a difficult task. They are unique in the sense that they deal with both private and public finance, are exposed to risk within the private sector, yet maintain social objectives and responsibilities, and are in receipt of public subsidies. In the simplest of terms they are described as “voluntary organisations whose main purpose is to provide rented housing at affordable rents on a not-for-profit basis” (Malpass, 2000: 4).

In contrast Walker (1998) examines how housing associations move along a public-private sector continuum and argues that in fact they are more aligned with the private sector, defining them as private not-for-profit institutions. Clearly, therefore there is some conflict over the exact classification of housing associations, and central to this is the tension between the pursuit of their social responsibilities whilst at the same time maintaining their business objectives (Lambert and Malpass, 1998; Walker, 1998). Striking a balance between these two seemingly polar organisational goals has triggered housing associations to examine their operational activities and, particularly, their stock investment strategies.

Further to the tension between the commercial and social business characteristics of housing associations, is the way that they organise themselves. Housing associations must have a board, of which members must be able to show that they have the necessary experience and status to exercise control over the organisation (Malpass, 2000). The nature of housing association boards is such that their control lies within the small group of shareholders, and as Malpass (2000: 5) argues, although:

*“[Housing association boards] are subject to periodic re-election at general meetings of the associations’ shareholders, the fact that boards can control the size and composition of the electorate means that housing associations are open to the charge that they are closed, undemocratic organisations”.*

The boards of housing associations are not accountable to the same extent as local authorities neither do they represent political parties like council elected boards. But they are in receipt of public funding and are the prominent providers of social housing, which raises questions concerning their accountability. They differ from private organisations in the way that their board members are unable to make any financial gain from their positions, yet the receipt of private finance further adds to the conflicts which they face in terms of their organisational objectives.

As Arden (1983; cited by Malpass, 2000) has described, housing associations are indeed 'curious entities', and the ongoing debate which surrounds the extent to which they can be aligned with private or public sector organisations will be pertinent to the research objectives regarding the effect it has on housing associations stock investment strategies. The sector has rapidly expanded over the past 30 years and this has greatly affected its organisational activities and structure, and the chapter will now go on to examine and explain this growth.

#### *Housing association growth*

In 2006 there were currently approximately 1.8 million units (CLG, 2006a) of housing association stock in England, which accounts for 46 per cent of social rented dwellings, the remainder provided for by local authorities. This proportion has rapidly increased over the past twenty eight years; in 1979 there were fewer than 400,000 units (ODPM, 2005) of housing association dwellings in England, a four fold increase within this period. This rapid expansion has been the dominant means for the break up of the local authority sector and they have become the main providers of new social rented housing (Malpass 2000). This growth has included the large-scale voluntary transfer (LSVT) of council housing to housing associations in addition to new build developments.

There are just under 1,700 housing associations in England and their size and distribution varies considerably, the majority (67 per cent; Dataspring, 2006) of housing associations own between 6 and 1000 units, with the largest housing association, Home Group Ltd, owning and managing 46,111 units (RSR, 2006a). In terms of their geography, the majority

of housing associations operate on a relatively local scale with 62 per cent (Dataspring, 2006) only operating in one local authority area, however there are some larger associations located nationally.

The growth and expansion of the housing association sector has been driven by the changes in political agendas during the past four decades. In some sense this growth has been imposed upon smaller associations as they have been used as a political tool to fit the policy changes and agendas during this period. As Kiddle (2003: 35) asserts:

*“...the sector [Housing Association] moves towards centre stage as providers of social housing. However, this move has been by default rather than by intention on part of the HAs themselves, thanks to the shedding, along with its stock, of the local authority’s role of housing provider and the move towards the more strategic role of housing enabler.”*

However, large and medium sized associations have used this growth to their own advantage. They have gained, both financially and strategically, from the move by central government and the Housing Corporation which has placed responsibility with the housing association sector as the main providers of new social rented housing.

These changes began with the 1974 Housing Act, under a Labour administration, which introduced new regulatory and financial systems for housing associations, firstly introducing a new grant system, the housing association grant (HAG), and secondly extending the powers given to the Corporation. At this stage, however, housing association activity remained small scale (around 200,000 units in the early 1970s; Malpass, 2000) especially in comparison to local authorities.

Since 1979 and the era of “Thatcherism” the housing association sector has been affected by varying government policies and changes, but as Hill (2000: 156) points out the housing sector declined in its political importance. The measures that were brought in through the 1974 Housing Act were the only legislative changes which the Conservative government

carried on after Labour failed to be re-elected in 1979; it was symbolically important that this housing policy remained in place. The housing association sector, although not initially a direct target for housing policy programmes, was affected through policies such as the right to buy (1980) and the wider impacts of the 'rolling back of the welfare state'. During the period 1980 to 1987 a total of 90,000 housing association dwellings were sold, of which only a fifth of these were right-to-buy sales, a small number in comparison to local authority figures of greater than 1.1 million in the same period (Malpass, 2000). The sale of housing association properties did in fact slow down the growth of the sector during this period, yet housing associations still rapidly increased the scale of their operations since 1974.

It was the 1988 Housing Act, however, which marked the biggest turning point for housing associations, and subsequently identified a new and important role for the sector which would take over the responsibility of providing most new build social housing and obtaining existing local authority housing (Balchin and Rhoden, 2002; Malpass, 2000). Between 1985 and 1995 new housing construction by housing associations increased from 6.2 per cent to 19.5 per cent of the total construction across all tenures. In comparison the local authority rate decreased from 10.5 per cent to 0.5 per cent during the same period (Wilcox, 2002).

In terms of the financial system governing housing associations, the 1988 Housing Act replaced the practice of fixed rents and variable HAG with fixed grants and variable rents (Walker and Smith, 1999). The most important change was the introduction of raising private finance to meet the remaining running costs needed by housing associations. The Act also decentralised regulation and funding, dividing the Housing Corporation into three separate units representing England, Scotland and Wales. These changes had significant implications for our understanding of housing associations in terms of their organisational status and structure, and the exposure to 'business risks'.

Further policy changes have shaped the growth of the housing association sector. These include the 1996 Housing Act, which redefined the sector from being called housing

associations to Registered Social Landlords (RSLs). They have now, however, returned to the name housing associations again. The name change referred the restructuring on two levels (Walker, 1998). Firstly, the large scale voluntary transfer (LSVT) of local authority housing departments to the housing association sector which significantly increased the number of housing units within the sector (ibid). Secondly, the possible involvement of new types of organisations in the social rented sector which signified an enlarged range of housing providers whom might receive funding (Walker, 1998; Harrison and Davis, 2001). By 2005 135 local authorities had transferred their stock with a further 56 local authorities pursuing stock transfer (DCH, 2005).

It was apparent by the late 1990s that Labour supported the Conservative approach that housing associations should be the “principal providers” of new social housing (Balchin and Rhoden, 2002: 247). Not only that, but after being placed in government in 1997, it was also evident that Labour were intent on increasing the future role of the housing association sector as the main social housing providers through the LSVT of stock from municipal ownership (Walker, 2001; Balchin and Rhoden, 2002). The housing association sector increased from approximately 980,000 units to 1.6 million units between 1997 and 2004 (ODPM, 2005), and although these were not all LSVTs a large proportion of this growth can be accounted for through stock transfer between local authorities and housing associations.

The growth of the housing association sector, however, has taken place alongside a rapid increase in the levels of home ownership in England. The proportion has risen from 59 per cent to 70 per cent of the total dwellings in England between 1981 and 2005 (CLG, 2006a). In comparison there was an 8.6 per cent decrease in housing association and local authority stock between 1991 and 2001 (ODPM, 2003b). This sharp increase in home ownership has particularly been to the detriment of the social rented sector as a whole and has resulted in what is termed the ‘residualisation’ of social housing. Although this is a term traditionally associated with council housing the large transfer of stock to the housing association sector means that it is a problem facing many housing associations.

The ‘Right to Buy’ (RTB) legislation of 1980 was a policy tool which has contributed significantly to the residualisation of the social rented sector. Through the RTB scheme 1.5 million homes were sold into owner occupation by 1996 (Wilcox, 1997) and although this met the goals of the Conservative government to increase the levels of owner occupation, as argued by many commentators (for example Forest and Murie, 1988; Balchin, 1995; Kemp, 1999; Cowen and Marsh, 2001) the benefits of RTB have been unequally distributed. This policy process has left council and housing association properties predominantly in the worst condition and in the least popular areas (Forest and Murie, 1983; Malpass, 1990; Lee and Murie, 1997; Malpass and Murie, 1999; Burrows, 1999; Kemp, 1999). Further, the demographic profile of council tenants has also been changed to become a sector mainly for the marginalised<sup>2</sup> members of society. Murie et al. (1998) describe the “hollowing out” of the age structure of social housing tenants to include two predominant types of tenants, the elderly and a young transient population who are in the main defined as socially excluded<sup>3</sup> (Burrows, 1997).

Paradoxically, by expanding in size for business purposes, housing associations have acquired a lot of ‘difficult-to-let’ and residual stock and thus the majority of housing associations operate in areas with growing social problems and some in areas of declining demand. Added to this is the increased risk attached to their operations which explains the reason behind the need for housing associations to concentrate on their asset management; the next section outlines the process by which housing associations have become more greatly exposed to this risk and the consequences which have followed.

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<sup>2</sup> Marginalised, with reference to council housing, usually refers to the elderly, unemployed, lone parent, and female headed households.

<sup>3</sup> Social exclusion has many definitions and connotations, but broadly speaking it is the “*process of being detached from organisation and communities of which society is composed and from the rights and obligations that they embody*” (Room 1995 quoted from Hill 2000: 117).

## 2.2 Risk, competition and demand

The new financial framework of the 1988 Housing Act opened up housing associations to a greater degree of risk. The new structure reflected broader changes within government agendas at the time, which were concerned with the modernisation and privatisation of public sector services as a whole. Prior to the 1988 Housing Act, although associations could technically get into financial difficulties, they would always be bailed out by the Housing Corporation, and as a result there was very little constraints concerning their financial viability. Through the 1988 Act, housing associations were opened up to a greater degree of risk as they would now operate within a market led system and compete for resources; in theory risk would be transferred from central government to the associations themselves (Walker, 1998; Walker and Smith, 1999).

However it is also widely viewed that housing associations are sheltered to some extent by the role of the Housing Corporation. By this it is understood that if an association were to find themselves in financial difficulty the Housing Corporation would provide the necessary means to prevent bankruptcy. Despite this, the change in the financial structures of housing associations has been a key driver in the extent to which they operate as commercial businesses, which has affected some of their organisational practices.

One of the consequences of the financial changes of the 1988 Act was the introduction of rent controls, which are set by each association to cover their borrowing and anticipated running costs, and on the whole has increased rents since 1988. Wilcox (1994) identifies by 1993 housing association assured rents stood at over 16 per cent of the average gross male manual earner. Prior levels had stayed between nine and ten per cent. It has been argued that these changes have favoured the larger housing associations, and have intensified the move towards larger and financially more secure associations, because of their substantial 'asset based' reserves; which is seen to the detriment of smaller associations (Walker and Smith, 1999). In essence *"the effect of 1988 Housing Act has been to reinforce the difference between those associations able to succeed financially and those which are not"* (Walker and Smith, 1999: 744).

Linked to the increased competition between housing association landlords is the notion of 'quasi-markets'. Quasi-markets reflect the move made by housing associations in adopting private sector techniques and operating within a competitive system. They differ from traditional markets in the ways in which they operate on both the supply and demand sides of the equation (Le Grand and Bartlett, 1993). On the supply side, although there is competition between participants, those involved are not-for-profit organisations and often their objectives are a mixture of commercially and socially based goals. On the demand side, consumers do not express their buying power in monetary terms but instead compete for contracts handed out by public bodies (ibid).

The concept of a quasi-market fits into the provision of housing supplied by housing associations. Malpass (2000) identifies that the way in which the annual cycle of bids from, and allocations to, housing associations fits in with the quasi-markets model. The Housing Corporation acts as a central authority which spreads the total grant aid available for the year between their regional offices based on the Housing Needs Index (HNI)<sup>4</sup>; therefore the distribution of grant aid is determined by administrative mechanisms rather than markets. Further, Bramley (1993) predicted the way that quasi-markets would impact upon an emerging housing association sector anticipating changes in efficiency, responsiveness, choice and equity. It is debateable the extent to which Bramley's (1993) predictions have occurred. For many associations increased competitiveness has forced them to become more efficient in their approach to financial and risk management, networks and diversification. In other ways it could be argued that the housing association sector has been the least responsive to changes in market demand, compared to the private and local authority sectors, and thereby at risk of over supplying housing stock in certain areas.

Risk has been a dominant theme in the private housing sector but as Bramley et al. (2004) highlight, the notion of risk is of greater relevance to the social housing sector as social

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<sup>4</sup> The HNI is a series of indices which attempts to measure housing needs which are priorities for housing associations dependent upon policy and changing circumstances (Malpass 2000).

landlords have a continued interest in the property and surrounding areas that they own and manage. What has been described as the new social housing model<sup>5</sup>, which has been shaped by the introduction of private finance initiatives since 1988, has been accompanied with the conscious awareness of the risks associated with different decisions concerning housing development (Bramley et al., 2004).

Changes in market conditions have also increased risks. In the late 1990s and early part of this decade there has been a decrease in demand for certain housing stock across all tenures in particular areas of England, specifically parts of the North and Midlands<sup>6</sup>. Whereas during the 1980s and early 1990s the housing association sector rapidly expanded in size, in the late 1990s there was the delayed realisation of market instability in certain localities and some housing associations were at risk due to lack of demand for their stock. Housing associations increased exposure to risk since 1988 and the expansion of the sector have resulted in significant levels of stock being located in low demand areas. Some stock has also been viewed as a greater risk by associations because of the need to generate sufficient income to satisfy private lenders. Greater competition between landlords and tenures for tenants has also been a key driver in this growing problem. The causes, incidences and consequences of 'low demand' are wide ranging and these trends have been widely researched in recent years.

#### *Defining low demand*

Defining the term low demand has been subject to some debate by academics. But in brief, low demand is a concept which has emerged in housing policy and has been recognised as a significant housing problem in Britain since the late 1990s. Overlooking the concerns of the precise and contended definitions of low demand, *"the crux of the issue concerns a*

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<sup>5</sup> For example operating in a number of localities, specialising in a more diverse range of housing products, being answerable to private sector accounting rules, and accountable to boards and regulation (Bramley, Munro and Pawson 2004: 119).

<sup>6</sup> There has more recently been some improvement and 'tightening' in these markets.

*mismatch between housing supply and demand so that the former exceeds the latter*” (Cole et al., 2003: 9). It has been estimated that low demand affects just over 600,000 homes in England (CLG, 2006b) which are primarily concentrated in parts of the North of and the Midlands.

The highest concentrations of low demand stock are found in the North East, North West, Yorkshire and Humberside and the West Midlands. Although there needs to be some caution, as definitions of low demand are unclear, official figures from CLG estimate that 5.5, 9.2, 4.5 and 5.8 per cent of total stock are effected respectively (less than 0.5 per cent of homes in London and the South East are classified as low demand; CLG 2006b). There are higher absolute levels of low demand private sector stock, but there is a higher proportion of social stock (housing association and local authority) classified as low demand. In England low demand affects 3.8 per cent of housing association and local authority stock in comparison to 2.6 per cent of the private sector (CLG, 2006b).

Bramley et al. (2000) in their study discuss how the terms ‘low demand’ and ‘unpopular housing’ are used quite loosely. They agree that low demand is best used to describe ‘housing market areas’ (HMAs)<sup>7</sup> in which there is a deficit of housing demand in relation to existing supply and, consequently, some housing becomes difficult or impossible to sell or let. However, this definition is further discussed in the DETR Good Practice Guide (Bramley and Pawson, 2000) and concludes that the differing contexts, symptoms and reactions to low demand, affecting different housing tenures, makes it difficult to precisely define the term. In contrast ‘unpopular housing’ describes particular neighbourhoods, estates or even streets and blocks where demand is weak and can exist in otherwise buoyant housing markets (Bramley et al., 2004).

Alternatively, Murie et al. (1998) have suggested that the term ‘changed demand’ is more appropriate. They argue that the phrase ‘low demand’ is used too often to refer to a range of

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<sup>7</sup> A term used to describe “*a higher subregional or locality level of analysis*” which is distinguished from “*the neighbourhood or small area level of analysis*” (Bramley et al. 2000: 39).

distinct processes and, as a consequence, its meaning can be unclear. In their study, Murie et al. (1998) note that changing housing aspirations, the residualisation of social housing, and a movement of higher income groups out of certain neighbourhoods, in addition to economic restructuring, all lend themselves to explain the incidences of low demand and the 'changed demand' for housing. This concept of housing market change has been further built on in a study on the Leeds housing market by Cole et al. (2003). Their findings concentrate on changing patterns of household mobility and other housing market trends, including housing aspirations and tenure preferences.

But again 'changed demand' is also a contested term. Bramley et al. (2000) and Bramley and Pawson (2002) argue that the term suggests that providers should adapt their housing supply to suit changing demographic and economic profiles but argue that the term can be ambiguous where there is 'genuine oversupply'. The debate is therefore focused on a trade off between the terms 'supply' and 'demand', and in either case both terms 'low demand' and 'changed demand' are relevant for the concepts discussed in this chapter. However, for the purpose of this study, the research wishes to address areas of low demand whereby housing associations are faced with 'genuine oversupply' and the case studies chosen for the fieldwork examine asset management processes whereby low demand is a significant issue.

#### *Reasons underpinning low demand*

The causal factors of low demand can be broadly classified as economic, behavioural, and neighbourhood based but they are complicated, often interlinked and difficult to resolve. Each factor works at differing spatial scales which affect housing at the national, regional, sub-regional, town, neighbourhood and even street level.

Studies have also concentrated on measuring and mapping the incidences of low demand which has used non-causal indicators in which low house prices, high vacancy and turnover rates, and small or non-existent waiting lists display the symptoms of low demand (Bramley et al., 2000; Nevin et al., 2001; Lee et al., 2002). As Bramley et al. (2004: 77) argue, these indicators are likely to get worse as a result of low demand and thus the "cycle

*becomes powerfully self-reinforcing*". By this it is understood that the non-causal indicators of low demand become themselves 'direct effects'.

Broadly speaking, changes in behavioural patterns, housing preferences, and the increase in two income households can be attributed to low or changed demand (Murie et al., 1998; Nevin et al., 2001; Lee et al., 2002). Home ownership has rapidly increased in England, and government policy has favoured this, contributing to the residualisation of both housing association and local authority stock. In areas where supply outweighs demand, social landlords are faced with a surplus of properties which they are unable to let. This tends to be certain types of less popular housing such as bed-sits or terraces in areas with the worst reputations. For housing associations, in particular, their increased exposure to risk, the recent emphasis upon their commercial viability, and their rapid growth means that they are particularly vulnerable to low demand.

Surplus housing stock has not just been limited to social landlords; the private market has increasingly witnessed low demand for particular types of housing. As Bramley and Pawson (2002) highlight, housing located in suburban areas with gardens has been more popular than smaller houses, flats and terraced properties. The late 1990s saw first time buyers effectively 'leap-frogging' the housing ladder and moving to modern suburban estates, leaving a surplus of terraced houses. Where low demand prevailed in these areas and there was an excess of housing stock, tenants and home owners were able to exercise greater choice within the housing market. There became a marked increase in competition between landlords and home owners, and subsequently the worst areas or the most unpopular types of dwellings continued to be abandoned.

Low demand housing has disproportionately affected the Northern regions and some parts of the Midlands. Economic restructuring within the UK has led to out-migration and depopulation at a regional scale (Lowe et al., 1998; Murie et al., 1998; Holmans and Simpson, 1999; Power and Mumford, 1999; Bramley and Pawson, 2002). The decline of the manufacturing industries within Britain, mainly located in Northern cities, has caused significant urban-rural and north-south migration. Between 1991 and 1997 all conurbations

excluding London saw a 41,800 decrease in their population, of which 36,200 was from Merseyside (Robson et al., 2000). Further, there was a net migration of 34,800 people from the north between 1991 and 1996 (ONS 1997; cited by Holmans and Simpson, 1999). This migration is seen to undermine local housing markets and hence be a contributory factor in explaining low demand.

But there are also smaller area disparities which effect demand at a sub-regional, city, town, neighbourhood and even street level. Some problems of low demand are a consequence of “area stigmatisation” and smaller scale neighbourhood factors (Lowe et al., 1998; Power and Mumford, 1999; Bramley et al., 2000). Incidences of crime, anti-social behaviour and a general decrease in environmental quality can lead unpopularity, which then begins the process of abandonment. In the past council housing has been seen to suffer from ‘problem estates’, but low demand has also affected the reputations of private sector stock as well as housing associations.

A contributory factor is seen to be the cross-tenure availability of Housing Benefit which has increased locational choice but generated greater neighbourhood stigmatisation (Bramley and Pawson, 2002). The housing association sector found that some of the stock they had obtained had quickly acquired ‘poor’ reputations (Page, 1993). Moreover, even new build estates and blocks managed by housing associations were susceptible to low demand. A housing block in the West End of Newcastle-upon-Tyne, Dr Henry Russell Court, was demolished just three years after it was built by North British Housing Association (Keenan, 1998). Whilst this was atypical, it exemplified that all types of dwellings were susceptible to low demand.

There are some small pockets of problem housing in London and the South East, but this only represents 0.1 per cent of housing association stock (CLG, 2006b). The problem of low demand in the North and Midlands has been heavily contrasted with, on the whole, extreme levels of high demand in the South, particularly London and the South East. In these areas there are generally larger waiting lists for housing association and council properties; in 2005 there were 309,072 on the housing register in London compared to

200,600 in the North West (NHF, 2005), and schemes such as key worker homes and shared ownership have been introduced to enable lower income households to afford home ownership. Also, in some areas of the North populations have been 'priced out' of the housing market such as parts of West Yorkshire and Cheshire. Housing associations therefore have to manage quite diverse problems dependent upon the location of their stock. For national housing associations and those operating across sub-regions asset management will need to include strategies for high and low demand. In contrast associations that are locally based, such as those with a neighbourhood focus, will reflect the local market segment in which they operate.

*Policy and sector responses to low demand*

Low demand with regards to council housing is a problem which has been addressed in regeneration policy since the 1960s; however it was not until recently that central government explicitly recognised the issue. Earlier research concentrated on 'difficult-to-let' estates or blocks which focused on indicators such as void rates and vacancy levels (Power, 1987; Lowe and Spencer, 1998). Other studies include work by Fielder and Smith (1996) who identified two types of vacant properties; 'transactional vacants' and 'problematic vacants'<sup>8</sup>. Consistent with their definitions the 1991 English Housing Survey located up to 250,000 problematic vacant dwellings (Keenan et al., 1999). Yet, the study did not define low demand or abandonment and neither did it recognise it as a significant problem.

Explanation as to why the problem has remained undetected or ignored could be due to the reluctance of local authorities to openly admit the scale of the problem for fear of further spending cuts in housing:

*"In particular, an 'under-supply orthodoxy' has been dominant for many decades at both national and local levels and despite the problems of coping*

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<sup>8</sup> Problematic vacants are described as "often in poor condition and the vacancy is likely to be prolonged" (Fielder and Smith 1996: cited by Keenan, Spencer and Lowe 1999: 706)

*with voids and managing housing stock in areas of declining demand, local authorities have for the most part remained quiet.”*

(Keenan et al., 1999: 710-711)

Lee and Nevin (2003) also note that surplus housing had existed for some time but it was the scale and rate at which neighbourhood decline occurred in the late 1990s which brought low demand to the attention of policy makers. In a study by Keenan et al. (1999) 3,500 properties in Leeds, Newcastle and Manchester were identified which had been either demolished or transferred to housing associations for improvement or demolition between 1994 and 1997.

The recognition by central government that low demand housing had become a serious issue in England is reflected in a series of key policy reports and interventions. A severe imbalance between supply and demand of both public and private housing in the North of England is first outlined in the Social Exclusion Unit's (SEU) 1998 report, *Bringing Britain together - a national strategy for neighbourhood renewal*. One outcome of this report was the creation of a policy action team on unpopular housing (PAT 7) to identify the scale and spread of low demand housing and to formulate measures to reduce the incidences. The report that came out of the PAT 7 on unpopular housing (DETR 1999) focused predominantly upon the local authority and housing association stock but also recognised that low demand was a significant problem in the private sector. The private sector was later discussed in more detail by the DETR (2001) with their consultation paper on private sector housing renewal.

The most recent government response to low demand has been the Housing Market Renewal Fund (HMRF) which was created to address the worst cases of low demand housing and abandonment across all tenures in the form of nine pathfinder areas across the North and Midlands<sup>9</sup>. The HMRF is outlined in the government report, *Sustainable*

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<sup>9</sup> The nine pathfinder areas are; Newcastle and Gateshead, Humberside (Hull and East Riding of Yorkshire), South Yorkshire (Sheffield, Doncaster, Barnsley, Rotherham), Birmingham and Sandwell, North Staffordshire (Stoke and east Newcastle under Lyme), Manchester and Salford, Merseyside (Liverpool,

*communities-building for the future* (ODPM, 2003a). The document sets out the governments' strategy for housing across England for the next fifteen to twenty years, examining the issue of low demand and housing market renewal, but (more extensively) considers the problem of housing shortage in the South.

The plan confirmed that £500 million of funding would be available for the nine pathfinders in the first three years and this was later followed up with a further £450 million for the year 2007/08 (Cole and Nevin, 2004). The strategy has since been accompanied by a follow up statement, *Making it happen: The Northern Way* (ODPM, 2004) a regional planning document for the whole of the North of England which reviews and highlights progress made on initiatives to tackle deprivation, and measures to improve housing quality and neighbourhood decline (Goodchild and Hickman, 2004). The *Sustainable communities* plan was criticised for its "building over the south and bulldozing the north" (Goodchild and Hickman, 2004: 24), which reflects the contrast in housing demand in both regions, that is over and under supply. In contrast, The Northern Way was used as a political tool to promote more positive aspects of housing market renewal and looks more specifically at growth and development rather than decline.

The pathfinder projects continue New Labour's focus upon tackling the 'urban agenda' (Hill, 2000) and continues the government's trend towards partnership working within the public sector. However the pathfinders have started to move away from the recurrent theme of community or neighbourhood centred approach to regeneration, which has denoted projects such as the New Deal for Communities (NDC) programme. In contrast the housing market renewal initiative has been addressed at a broader spatial level (Hall and Hickman, 2005).

Perhaps the most controversial outcome of the pathfinders and their approach to tackling low demand is the inclusion of demolition as a solution for tackling the worst cases of

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Sefton and Wirral), Oldham and Rochdale, East Lancashire (Burnley, Blackburn, Hyndburn, Pendle, Rossendale) (ODPM 2003a).

abandonment, which was initially recommended in the PAT 7 report. The issue of demolition in the past has been highly sensitive with regards to those communities affected by declining demand. However, the HMRF has brought with it a more radical approach to dealing with low demand stock, with some form of demolition included in all nine pathfinder programmes. There has been concern from some groups that the programme is dominated too heavily by stock disposal, with pathfinders dismissing other refurbishment options in favour of demolition (ODPM, 2005b). But, as the housing market renewal programme has developed, and as housing markets have changed, there has been a noted reduction in the level of proposed stock disposals, as opposition has mounted from residents and local pressure groups.

The involvement of housing associations within the housing market renewal programmes varies within the nine pathfinder areas. Early reports highlight that representation from groups on the boards of housing market renewal areas varies considerably, and in particular the relationship between pathfinders and local authorities has been commented on in the Audit Commissions scrutiny reports (Cole and Nevin, 2004). There is a concern that insufficient autonomy lies with the pathfinders themselves, and that the HMRF is predominantly local authority driven. In some cases housing associations, the private sector or community groups are not represented on the Pathfinder Boards (Audit Commission 2004a, b, c).

The three case studies chosen for the research all operate in at least one pathfinder area. The role they play within the HMRI areas they operate in is likely to have an effect on their asset management strategies. The study therefore examines the implications for each association's stock investment, retention, transfer and demolition plans, as well as partnerships with key stakeholders.

It could be argued that the housing association sector has responded quite late to low demand. Pressure was placed upon the government to commit money to the pathfinders but this was largely from issues within local authority stock and private sector markets. As early as 1993 David Page in his study *Building for Communities*, comments that housing

associations had begun to find that some of their stock had acquired poor reputations and as a consequence there was a need for intensive housing management. He further looks at how housing associations were continuing to build estates in areas where there was insufficient demand, not recognising the symptoms and points towards the dangers of this type of development.

Although the late response of the housing associations sector has not been explicitly documented, figures which show the level of housebuilding give some insight into the delayed response to low demand housing by the sector. In the North East, North West, and Yorkshire and the Humber the total dwellings started between 1990 and 1997 remained around 7,000, 19,000 and 14,000 respectively (NHBC, 2007). Of these, the proportion of RSL stock built was around 14 per cent. However, it is not until 2000 that there is a marked decrease in the level of RSL housebuilding (5 per cent in the North East and 8 per cent in North West, and Yorkshire and the Humber of total levels). In light of the problems with low demand housing in these regions, it would be expected that oversupply of housing association dwellings would have been recognised before 2000 with a more rapid decline in the level of new builds than has actually occurred.

This is further illustrated with reports in Manchester in the 1990s that the ten largest housing associations considered 50 per cent of their stock to be low demand (Keenan et al., 1999). Further, Cole et al. (1999) in their study looked at social landlord responses to changing demands and draw attention to measures made by some housing associations to the problem of low demand. Although landlords had employed some measures in response to low demand these were generally 'ad hoc' and 'unsystematic' and on the whole monitoring and evaluation procedures were insufficient. It is only within the past few years that the threat of 'business risks' and precedence given to the low demand phenomena within policy and academia that have motivated the sector to think more seriously about the level of demand for their stock. In particular the Housing Corporation have issued two sector studies examining the characteristics and measurement of low demand (Ford and Pawson 2001a, b).

The impact of low demand has included the increasing vulnerability of private housing markets, decline in local services such as schools and community groups, intensified problems concerning anti-social behaviour and crime, and a general decay of local areas (Keenan et al., 1999; Bramley et al., 2000; Bramley et al., 2004). What is perhaps the most crucial outcome of low demand is the increased competition for tenants across both sectors and this has been exacerbated by the emergence of mixed tenure estates. As a consequence landlords must strategically assess the way they manage their stock looking at issues such as their tenant profile, areas of operation, financial viability, and wider regeneration issues. Looking more specifically at the housing association sector, low demand has particularly been a problem for landlords because of their increased exposure to risk, the tensions between their social objectives and financial viability, and the small area focus many associations operate in.

The use of the housing association sector as a political tool to fit changing policy agendas led to its rapid expansion and greater exposure to risk. The introduction of new financial frameworks and also changes in housing markets, namely the impact of low demand housing, further helped transform the sector. These trends in turn have affected the culture and organisation of housing associations and the next section is going to assess changes in their structure, management and purpose.

### **2.3 Organisational change in the housing association sector**

Changes in the role, funding and management of housing associations can be placed within wider transformations of public sector services as a whole:

*“in the UK non-market housing is undergoing major reforms intended to introduce competition, price signals and other features of quasi-markets...these changes strongly echo parallel changes to welfare provision in other parts of public policy such as health and social care, suggesting that*

*social housing policy is converging with wider aims and structures of public policy reform in the UK.”*

(Gibb and Nygaard, 2006: 825)

The phrase ‘reinvention of government’ (Osborne and Gaebler, 1992) represents the change in managerial styles used in the public sector, more specifically the introduction of entrepreneurial or private sector approaches. ‘New public management’ as it is known, has generated much debate within academic and professional circles concerning its definition and the nature of the institutional and organisational changes associated with it (Lowndes, 1999; Stoker, 1999; Walker, 2000). Stoker (1999) highlights that although ‘new management’ has been difficult to define, it is acknowledged that the phrase accepts a fundamental belief that traditional bureaucracy and governmental decision-making is too inward looking, concentrating too much on actors within the system rather than the public as consumers and citizens.

New public management reforms reflect a more fundamental paradigm shift in which the state no longer provides services but administers private sector or quasi-private suppliers (Hill 2000). This reform programme has been underpinned by a market based ideology developed from new institutional economics and public choice theory (Niskanen, 1971; Williamson, 1975). The ideology, which has driven the reform programme, sought to reject the Keynesian welfare state beliefs of demand side intervention and replace with that of supply side measures of deregulation, along with the need to transform the organisation of public services (Ferlie et al., 1996; Hill, 2000). It is generally accepted that new public management concerns the introduction of market mechanisms and private sector management to the public sector.

Addressing changes in the social housing sector, and more specifically within housing associations, new public management ideologies have contributed to a number of processes spanning both Conservative and New Labour governments. Mullins et al. (2001: 599) address how the modernisation project has been focused on the ‘rolling back of the state’ with regards to Conservative government policies, and ‘improved efficiency’ associated

with the present Labour administration. Housing associations have changed to become more private sector orientated in terms of their structure, purpose and management. The housing association sector has adopted a more 'businesslike' approach. Until recently this has not included asset management but the following processes have occurred.

### *Structure*

There has been a rise in the number of larger housing associations (those that manage over 2,500 units) who have a dominant position either regionally or nationally. Between 1989 and 2005 the share of housing associations managing more than 2,500 units increased from 55 per cent to 84 per cent (Kiddle, 2006). In 2006 the ten largest housing associations managed 305, 839 units between them (RSR, 2006a), in 2000 this figure was 215, 272 units (Housing Corporation, 2001). There has also been a rise in the number of small and medium size associations joining consortiums or extended group structures; it is estimated that three quarters of all housing association stock are now part of a formal 'group' (Audit Commission, 2001).

This increase has been triggered by the financial frameworks introduced through the 1988 Housing Act. Larger associations are more attractive to private financiers and the financial incentives offered have encouraged landlords who varied in size and tenant base to join together and form consortiums to bid for funding for large sites (Manzi and Smith Bowers, 2004). As well as enlarging for financial reasons, many housing associations, because of the rapid expansion after 1988 suddenly found themselves managing large developments by default when they had previously only managed smaller numbers of properties (Manzi and Smith Bowers, 2004). The stock transfer policy has also meant that associations have rapidly acquired large amounts of stock within a short period.

As a result, there has been an increase in consortiums and shared schemes between social landlords. This type of development was popular as it shared risks as well as providing greater funding opportunities; however they were also viewed as time consuming, cumbersome and bureaucratic (Hare and Zipfel, 1995; Manzi and Smith Bowers, 2004). Research has further indicated that consortium schemes have brought about too many

management organisations being responsible for a small number of units. Issues have arisen such as problems with poor and unfinished facilities, lack of effective partnership working, and social problems due to the diverse need groups catered for within the developments (Manzi and Smith Bowers, 2004).

Despite the problems associated with larger group structures and consortiums, their existence continues to rapidly increase. The main drivers for this include growth, tax efficiency and improved management. For example, housing associations may form a group to tackle wider community needs such as social exclusion and regeneration (Audit Commission, 2001). More recently, housing associations have come under criticism from the government for the sheer volume of different organisations within the sector, suggesting the need for more mergers to take place to increase efficiency and competitiveness and to comply with EU regulations (Weaver, 2004).

In addition to the formal networks provided by consortiums, there has also been an increase in extended partnership arrangements by social housing providers. Mullins et al. (2001: 601) note that “*across the social housing sector organisational responses to partnership working have been both sophisticated and far more diverse than are generally imagined*”. These have particularly grown as housing associations have begun to diversify from their role as a traditional social housing provider to play a role in wider neighbourhood strategies and policies.

### *Purpose*

In expanding in size, large and medium sized housing associations have also redefined their ‘core’ roles and responsibilities (Mullins et al., 2001). Traditionally social housing providers have been seen as a direct public sector response to meeting national housing needs and providing housing for the most deprived and vulnerable (ibid). However, this has altered significantly since the late 1980s, whereby the private sector influence of funding and organisational cultures has transformed the traditional ‘social housing product’ from a single housing provider to that of one with a diverse range of organisational activities.

These have included the concept of 'Housing Plus', a scheme launched by the Housing Corporation in 1995 which identified the need for housing associations to think beyond the notion of straight forward housing provision and management to deliver housing strategies and involvement with other agencies. This has included participation of housing associations in wider regeneration policy such as 'City Challenge', the 'Single Regeneration Budget' and the 'New Deal for Communities' schemes which have been concerned with the cross boundary working of traditional public sector agencies (Hill, 2000). A focus upon wider 'neighbourhood effects' (Atkinson and Kintrea, 2002) has seen an integrated approach used by many housing associations through the creation of regeneration departments and wider links with the communities they operate. This has involved dealing with issues such as health and employment services in order to tackle the broader issue of community sustainability.

### *Management*

The broad changes to the structure and roles within the housing association sector have been accompanied by a transformation in managerial practices. As well as private funding steering associations to adopt more commercial strategies, the influence of 'managerialism' (Walker, 2000) associated with new public management has promoted a greater business culture within the sector. The definitive shift towards private sector techniques has focused associations to look at practices such as business planning, risk management and customer care.

Examples include technological changes which have encouraged housing associations to network information regarding repairs, rents and allocations, to allow access by all staff members in an effort to improve efficiency. Some housing associations have also developed 'customer call' centres to deal with applications and rent arrears which mirror private sector services such as telephone banking and insurance (Holder et al., 1998; Walker and Smith, 1999; Walker, 2000).

Housing associations are also trying to market themselves in a bid to secure private finance and effectively transform their old reputations; these have included North British Housing

Association changing to Places for People Group and Merseyside Improved Homes to Riverside Housing Association. More broadly, the sector has seen a change in image with the National Housing Federation repackaging itself as 'iN Business for Neighbourhoods'. This could be seen as one direct consequence of low demand housing. The image change recently associated with the housing association sector may be due to increased competition for tenants and therefore trying to provide a more attractive and marketable service to both tenants and private funders.

The varied roles and greater demands placed on housing associations, in line with government agendas and changes in regulation, have more recently questioned the nature of the of housing management professional (Reid, 1999; Walker, 2000). It is argued that generic forms of strategic management are required for this new type of managerialist techniques rather than the skills and knowledge traditionally regarded as specific to social housing. Housing management has also seen the need for diversification and broader definitions of what the role entails. The housing sector has historically had a weak professional status (Franklin and Clapham, 1997; Franklin, 1998; Furbey et al., 2001) but there is a growing consensus that housing managers are in need of a broader knowledge base and skills. It is not only managerial staff within associations that are part of the new managerialist agenda. The composition of board members and their interest with the performance of the organisation and its projected strategies are also part of this (Walker, 1998).

Recent work by Mullins (2000 and 2006) and Mullins and Riseborough (2001), which has used the Delphi<sup>10</sup> method to examine the opinions of social housing practitioners suggests that *“although housing associations have been extremely responsive to Government policy*

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<sup>10</sup> The Delphi method is a process which uses both qualitative and quantitative techniques to examine views and opinions of participants on a series of topics in a longitudinal capacity. Questionnaires are distributed to respondents and then further refined from these results; semi-structured discussions are later use to acquire a deeper understanding of responses. Participants are given at least one opportunity to revise their answers after reading the groups responses but must give reasons for their changes (Linstone and Turoff 1975).

*signals, they have also been influential in shaping their own regulatory framework”* (Mullins, 2000: 269). Research has found that associations have developed their own responses to policy such as Best Value. In the pilot stage the Housing Corporation sought not to regulate Best Value delivery to encourage associations to develop their own frameworks (Mullins, 2000; Mullins and Riseborough, 2001). This suggests that the influence of greater commercialisation in the sector has encouraged housing associations to be more influential in shaping their own transformation. However, further work by Mullins also found disparities between practitioners concerning the direction the housing association sector was moving towards, with participants expressing dissatisfaction about new governance structures, organisational identity and the move towards social enterprise and entrepreneurialism.

Furthermore, a longitudinal study by Manzi (2007) has tracked cultural change within London housing associations. Using ‘grid-group cultural theory’ (Douglas, 1982) the research found that cultural and organisational behavioural change within the sector has led to several ‘unintended consequences’ (Manzi, 2007). These included ‘heroic managerialism’<sup>11</sup>, and an increase in inter and intra – organisational conflict. The rapid expansion of housing associations and the subsequent creation of large dominant organisations in the sector have also led to elitism as well as an increased sense of futility and cynicism among some groups about their influence (ibid).

The rapid growth of housing associations and their greater exposure to risk through changes in financial frameworks has significantly altered their structure, role and managerial practices. Until recently housing associations have been quite slow to respond to low demand housing but there is a growing evidence base which has begun to look at asset management and stock investment in the social rented sector. As Gibb and MacLennan (2006: 100) argue, stock ownership and management issues are no longer part of an

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<sup>11</sup> Manzi (2007) describes ‘heroic managerialism’ as one of the irreversible outcomes of the 1988 Housing Act. It is concerned with the view that senior managers, particularly chief executives, were corporate “fat cats” gaining the benefits of “over generous remuneration packages” (Housing Today 17, December 1998).

‘optional quality’ or ‘ideological debate’ but need to be examined in a serious capacity if housing associations’ resources are to be used efficiently:

*“To date almost £30 billion has flowed into social housing in the UK over the last decade. This money has not simply stretched public production. It has changed the way investment decisions are made and has forced non-market providers to look at likely future demands and costs in ways that had previously been ignored by councils and associations as long as they had complete and secure reliance on public funding.”*

(Gibb and Maclellan, 2006: 99)

Therefore there is a pressing need to address and explore how and why investment decisions are made by housing associations and what implications these have for future asset management behaviour.

## **Conclusion**

The chapter has identified key policy and regulatory frameworks which have led to the rapid growth and expansion of the housing association sector. In particular the 1988 Housing Act has directed housing associations to operate in more market led systems, exposing them to greater levels of risk. As housing markets altered in some areas in the 1990s, the sector became more vulnerable, and the recent issue of low demand housing has resulted in greater competition between landlords. Housing associations have responded to changes by adopting managerial techniques and cultural practices similar to those used in the private sector, in addition to widening their role to include ‘non-housing’ products. There is a growing evidence to suggest that social landlords are beginning to assess their current and future stock investments in response to changes in culture and housing markets. The next chapter explores these in more detail identifying gaps in knowledge relating to asset management behaviour which are going to be answered within this thesis.

## Chapter 3

### Key Theme Two: Asset Management

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#### Introduction

Formal asset management planning within the housing association sector in England is still in the early stages of development. The contrasts in regional housing markets within England, namely low demand in parts of the north and undersupply of housing in high demand areas in most of the south, have led to varied responses by housing associations. The issue of low demand has been a key driver for social landlords operating under such conditions, to critically examine their asset management strategies. However, the necessity for housing associations to protect their 'businesses', particularly in areas where housing markets are vulnerable, represents only one motive behind asset management. The governments efficiency agenda, introduced in the shape of formal asset management guidance in the public sector in 2000, has also triggered responses by landlords in areas of higher demand.

This chapter examines current theoretical frameworks used to analyse asset management in the social rented sector and the definitions provided by regulators, practitioners and academics. It draws attention to the need for associations to address their stock investment strategies and the interest from the Housing Corporation and the government relating to stock rationalisation and management efficiency. The chapter then assesses the few practical examples available relating to housing association asset management. By looking at current work on asset management the chapter will draw out gaps in knowledge in this relatively under researched field, whilst examining how these will be answered by questions posed in the thesis.

### 3.1 Theoretical approaches towards asset management

The recent publication of a collection of studies which addresses asset management in Europe and Australia, *Asset Management in the Social Rented Sector* (Gruis and Nieboer, 2004a) presents one of the few comprehensive sources on the subject. Additionally, there has been comparative research carried out between England and the Netherlands (see for example Gruis et al., 2003; Gruis et al., 2004), and more country specific studies (see Larkin, 2000; Brown and Richardson, 2002; Gruis 2002, 2005; Gruis and Nieboer, 2004b). In particular, the Netherlands has witnessed a weakened market position of social rented housing and increased levels of owner occupation, drawing certain parallels with the English case. Therefore, there has been a shared interest in looking at, and developing methods and tools, to examine asset management in the housing association sector.

Examining the current practice of Dutch and English housing associations Gruis et al. (2004) conclude that social landlords need to respond proactively to housing market developments and asset management strategies should reflect this. In addition, the use of systematic approaches are needed by social landlords to enable 'rational' decision-making concerning their stock (that is decisions relating to retentions, demolitions, transfers, or improvements) to prevent social problems and high void levels.

However, the term 'rational' brings with it many definitions and connotations, and it is not a concept that should not be used loosely. Gruis et al. (2004) understand rational decision-making, within the context of asset management, to consist of factors that are clearly marked to inform decisions which are well structured and reported. Nonetheless, a 'rational' decision for one landlord could be informed by ground level information collected by local housing officers, to another landlord the use of quantitative statistical evidence could be deemed 'rational' within the process of decision-making. Consequently, the criteria discussed by Gruis et al. (2004) are problematic and the notion of rational decision-making will be examined more closely when addressing decision-making theory in the next chapter.

In looking at rational systematic approaches to asset management Gruis et al. (2004) develop a framework to categorise the potential behaviour of social landlords marked by four categories: a) market-orientated, b) systematic, c) comprehensive and d) proactive. These are based upon general business theories such as those by Aaker 1988 and Ansoff 1984, and Gruis and Nieboer's research in the Netherlands (2001). The typology is further discussed in a paper by Gruis et al. (2003), and is also used by Gruis and Nieboer (2004a) in which they look at both ends of the spectrum for all four categories as a sliding continuum, which are outlined in Figure 1.

In adopting the typology the authors sketch what they determine to be a 'strategic' landlord, one which satisfies the market-orientated, systematic, comprehensive and proactive approaches to asset management. However, in practice it is unlikely for landlords to satisfy all four criteria and more likely that housing associations approach to asset management will be a mixture of these groups. Equally, they do not wish to classify landlords as either 'strategic' or 'non-strategic' but expect to find that landlords who are more market orientated are likely to be more proactive.

Their research then looks at this typology in developing a hypothetical model to carry out cross national comparisons concerning asset management with reference to housing associations in Europe and Australia. By describing how asset management operates within a national context the work distinguishes between two main variables within the model, 'housing system' and 'housing market'. The former refers to how housing policy operates within the country in question looking at regulation, financial support, legislation and historic developments (Gruis et al., 2003). Based on country monographs, and in the Dutch case interviews in eleven housing associations, the research proposes to locate a 'general picture' of asset management behaviour by social landlords within each country as a direct consequence of the housing system that they operate in. However, looking more closely at the English case there are diverse housing markets at work; particularly the extremities between high and low demand. Therefore there must be some caution when developing a 'general picture'.

**Figure 1** Typology of Possible Approaches Towards Asset Management

<p><b>a. Market-orientated or task-orientated</b> A market orientated landlord will place much emphasis on analysing market demand and opportunities. Important decision-making factors in strategy formulation will be the current lettability, future market expectations, financial return and opportunities for sale. Again, a wide range of strategies will be considered and applied (e.g. including sales); diversification of the portfolio according to price and quality will be central theme in asset management. A task orientated landlords will focus mainly on fulfilling 'traditional' social housing tasks: the letting of decent, affordable dwellings.</p> <p><b>b. Systematic or un-structured</b> A systematically operating landlord will put much effort in rational and transparent decision-making. The process of formulating asset management strategies will be well-structured. Decision-making factors will be clearly marked and the way in which decisions are reached will be reported. This rational strategy can be contrasted with an incremental approach involving a more fragmented and small series of changes.</p> <p><b>c. Comprehensive or partial</b> A comprehensive asset management will not only focus on individual dwellings or estates, but will also reflect on the composition of the stock as a whole. Furthermore, different aspects of stock management will be attuned, for example: technical and social activities, long-term and short-term objectives, activities at a strategic and operational level. A partial or ad-hoc landlord operating landlord will focus mainly on problematic estates, will not formulate objectives for the development of the housing stock and will not consider (the lack of) synthesis of different parts of its management.</p> <p><b>d. Proactive or reactive</b> A proactive landlord will actively seek for opportunities and problems stemming from developments in the housing market, housing policy and market positions of his housing stock. He will anticipate these developments with his asset management strategies (for example: renewal before deterioration of a neighbourhood instead of after). A reactive landlord will act after potential problems have become a reality.</p>
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*Source: Reproduced from Gruis, Nieboer and Brown (2003)*

In adopting Kemeny's (1995, 2001) distinction of social housing systems, Gruis et al. (2003) argue that English housing associations operate in a dualist rental system and are therefore characterised to a large extent by government regulation and financial support. In accordance with Kemeny's definition, there is little need for landlords to focus upon strategic asset management because of their provision for housing to lower income households. Exploring the case of English housing associations through secondary sources, Gruis et al. (2003) conclude that despite pressure from the government to operate in a more

business-like manner there is little evidence to suggest that associations follow a strategic approach to asset management. Nevertheless, it is anticipated that despite operating in a dualist rented system, English housing associations are moving towards a more strategic approach.

In contrast the Dutch housing associations operate in Kemeny's unitary rental market system in which their underlying values can expect more strategic behaviour and are encouraged to adopt a more market-orientated approach. Using Kemeny's definition it would be anticipated that Dutch housing associations operate with a more strategic approach to asset management, yet this was only true to some extent. Housing associations in the Netherlands have increased their 'market-orientation' but they do not behave in a systematic, comprehensive or proactive manner, thus not satisfying all aspect of Gruis et al's typology (Figure 1). However, there is a drive for Dutch associations to consider more closely strategic asset management and therefore it is probable that their behaviour will change in the future.

The research does acknowledge that there are certain methodological limitations. These include constraints regarding cross country comparisons and the trap of generalising activity based upon limited examples. In terms of the criteria used to develop the typology the authors recognise "*in certain situations they may have more value in theory than in practice*" (Gruis et al., 2003: 16), and for use in future rather than existing management practices.

### **3.2 Defining asset management**

The term asset management seems to first appear in housing policy formally in 2000, where it is referred to in government guidelines (DTER, 2000a, 2000b). It then later features in the Housing Corporation's regulatory framework in 2002, which states that: "*Housing associations must operate viable businesses, with adequate recourse to financial resources to meet their current and future business and financial commitments...The association's*

*business planning is informed by asset management information, which is reviewed regularly*” (code 1.1; Housing Corporation, 2002). The regulation has since been updated in 2005 (Housing Corporation, 2005). However, prior to 2000, the exact origin and discourse of the term asset management within the housing association sector is difficult to place:

*“The concept, in the current sense, must have evolved - probably over a period of years - after the 1988 Housing Act. Previously, I think it would just have been called 'stock management' & would have mainly been understood as relating to the best use of existing stock, especially keeping down vacancy rates & maintaining a reasonable standard of repair. These are of course still important in 'asset management,' but the older notion of 'stock management' would have taken stock as a given - i.e. landlords just kept on accumulating stock & getting people into it. There wouldn't have been the same sense that we have now of the stock acting as collateral as well as housing, or of stock being seen as an asset or liability depending on type/location. There is some guidance now on asset management. Previously, I suppose guidance on stock management would have been in our 'Performance Expectations,' which preceded the Regulatory Code.”*

(Head of Research, The Housing Corporation,  
cited from an email, 17<sup>th</sup> January 2006)

Furthermore, Brown and Richardson (2002) argue that the 1988 Housing Act created a framework that implicitly required the implementation of an asset management perspective. So although asset management is not overtly referred to, the introduction of mixed funding encouraged housing associations to consider the possibility of obtaining capital income from the sale of assets (ibid). More recently there has been attention drawn to asset management by academics at a cross-national scale, Gruis and Nieboer (2004a: 5) suggest that it is a concept which “*stems from the private sector where it is concerned with an analysis of the performance of an organisation's assets in support of decisions about holding, selling and repositioning*”. Gruis (2002), Gruis and Nieboer (2004a) and van der

Flier and Gruis (2002) further argue that asset management as used in the public sector is derived from the concept of 'portfolio management' used in the private sector.

Within the current regulatory and policy climate there are varying notions dependent on the context of which it is used. The National Housing Federation uses the following definition:

*“Asset Management is the effective targeting of resources to where they can have the greatest effect in raising standards, maximising value for money to deliver good quality property.”*

(National Housing Federation, 2000)

Building on this definition some further work has been carried out on asset management by the National Housing Federation, in conjunction with the Housing Corporation, in the form of a good practice guide for associations, *Managing the Assets – an introductory guide to asset management for housing associations* (Tait, 2003). As well as providing a framework by which housing associations can develop a successful asset management strategy, Tait looks at the constraints of the traditional 'static' approach which has been made by housing associations in the past, which concentrate solely upon the retention and planned maintenance of existing stock. Instead, Tait identifies that asset management, in addition to an associations assets, requires the understanding and management of the existing or potential risk to those assets to ensure the long term viability of the organisation; *“housing stock has little or no value and cannot be considered an asset, unless there is a need now or in the future for the property or the land which it stands”* (Tait, 2003: 5). Here the emphasis has been placed upon the future demand for housing association stock, particularly important for those landlords operating in low demand areas.

Gruis (2002: 247) looks at methods of risk analysis and asset management and uses the definition outlined by Van den Broeke (1998) who understand asset management to be *“the activities carried out by a landlord as part of a market-orientated, strategic and complete vision, which have as a goal to ensure short-term and long-term congruency between housing supply on the one hand and market demand and landlord's business goals on the*

*other*". This places an emphasis upon the market position of social landlords and the contribution asset management makes to the overall business objectives of the organisation, thus considering the financial criteria used by housing associations in evaluating their stock investments.

Further work by Gruis et al. (2004: 1230) describes asset management as concerned with the analysis of the operation of an organisation's assets looking at decisions made about stock retention, selling and transfer. The authors draw a distinction between the private and social rented sector asset management, maintaining that in the former financial performance is the primary goal whereas the latter is concerned with efficiency rather than economic gain. This fits in with Larkin's (2000: 8) definition of asset management as "*the range of activities undertaken to ensure that the housing stock meets needs and standards now and in the future in the most efficient way*". All definitions share a common theme that asset management must be concerned with the future viability of an organisation's operations.

### **3.3 Development of asset management**

Prior to the interest in asset management made by academics and policy makers, there was the realisation by officers in housing associations, local authorities and the government during the 1990s that in areas of the North and Midlands there has been a severe lack of demand for certain properties. Prompted by high levels of un-lettable stock and an overall threat to their 'businesses', there is some evidence to suggest that housing associations began to respond internally to the low demand phenomenon through more intensive partnership working concerning housing management. Work by Cole and Shayer (1998) found evidence of joint management practices on the Bessemer Park Estate Co. Durham after redevelopment had begun in 1992 as part of an Estate Action programme to prevent further decline.

Although the idea of asset management has been suggested since changes in policy in 1988, it is the issue of low demand which has prompted associations in these areas to intensify

their strategies and explicitly talk about asset management. Subsequently, a series of measures have been introduced to tackle low demand by the government, most notably the determination of nine HMR pathfinder areas in the North and Midlands outlined in the governments *Sustainable communities-building for the future* (ODPM 2003a). But in terms of stock management, the 2000 Housing Green Paper, *Quality and Choice: A decent home for all: the way forward for housing* (DETR 2000), outlined the need for the social housing sector to rationalise its stock. In particular it was recognised that changes in housing markets and the low demand of properties in certain areas have brought issues of housing management and in extreme case the viability of some housing associations to the fore of government agendas (Kiddle, 2002).

In contrast to the levels of low demand in parts of the North and Midlands there is a distinct lack of affordable housing particularly in the South East and high land values have made it more difficult for housing associations to grow in these areas. However, recent ADP (Approved Development Programme) allocations have been more sympathetic to this. In 2002-03, London and the South-East received 57 per cent of the ADP, whilst according to the Housing Corporation's housing needs index they were attributed 54.5 per cent of need (Robinson, 2003). The three northern regions were only allocated 17 per cent of ADP capital grant despite having 18.8 per cent of need (ibid). As Robinson (2003) argues, these figures exemplify 'apparent insensitivities' towards regional housing dynamics and particularly the vulnerable housing markets in the North and Midlands.

Along with the threat to association's businesses and the vulnerability of some market areas, there has also been the concern for housing to meet decency standards. The 2000 Housing Green Paper set out a strategy to ensure that every household has the option of a decent home (Tait, 2003). The 2000 spending review then set a target to "*ensure that all social housing meets set standards of decency by 2010*". The guidelines have been set out in a series of good practice guides (ODPM, 2003; CLG, 2006c, 2007) and are also part of the Housing Corporations regulatory code. The code requires housing associations to monitor the progress of decent homes and levels of stock meeting the Decent Homes Standard are included as part of the annual RSR.

All of the above have emphasised the need for housing associations to consider their asset management strategy in the wider context of their long term business plan. Although formal guidance has highlighted the importance of asset management for all associations, it is important to stress that the issue of low demand first prompted those housing associations struggling to let properties to tackle the issue of asset management through a necessity to manage their stock portfolios. For these organisations, and especially smaller locally based associations, asset management was important because if not addressed, poorly managed stock investment would drain resources and potentially lead to bankruptcy.

Stock management by housing associations in the past has appeared to be development driven, opportunistic and lacking in a strategic approach (Kiddle, 2002). Housing associations have been criticised for stock being too widely dispersed, with the result that the scatter of properties are unable to meet local needs or achieve efficient management, whereby ‘pepper potting’ of landlords is increasingly difficult to sustain under the governments Best Value and neighbourhood regeneration agenda (Rowe, 2001: 30). This has been further supported by the Housing Corporation, which has addressed stock rationalisation in the following way:

*“Even the biggest associations seem to have a scatter of properties in places which probably don’t fit their future corporate needs. At the same time, there are some good smaller associations which are almost anorexic and could do with a square meal of some extra properties to manage close to their core area of operation.”*

(Chief Executive of the Housing Corporation in speech to the National Housing Federation Chief Executive’s conference, cited by Housing Today, 25 January 2001)

There is conjecture that, before the problem of low demand became an issue raised by academics and tackled by housing policy, housing associations continued to build properties with apparently little consideration for projected housing demand, or future

tenant profiles. Whereas in the past housing associations tended to look at stock management purely in terms of their existing stock, at present stock rationalisation and management is beginning to consider other options which can be grouped within the two following processes: i) management and organisational efficiency and, ii) stock swaps.

### *Management and organisational efficiency*

As part of the increased efficiency agenda one is increasingly seeing housing associations continuing to undergo the process of restructuring through mergers and takeovers. Between 1993 and 2005 there have been 178 transfers of engagement<sup>12</sup> (Mullins and Craig, 2005) and since 1976 over 500 housing associations have been taken over (Kiddle, 2002). Figure 2 further shows how the number of English associations has decreased over time whilst average level of stock managed has increased. As discussed by Cope (1999) smaller and minority housing associations are more exposed to these structural changes:

*“Small RSLs and newer black housing associations are particularly vulnerable in the current climate. As RSLs prepare to meet the challenge set before them, there is increasing evidence that some may consider merger to be the best way of obtaining a range of skills and the asset base required to give them the necessary financial and managerial strength to meet these challenges.”*

(Cope, 1999: 350)

Walker and Smith (1999) highlight that change in the housing association sector after 1988 has been more advantageous to larger associations, particularly in securing their financial status. Similarly, acquisitions usually take the form of a large and strong association taking over a smaller weaker one. The purpose of this will either be to i) increase their market share in a particular region, area or neighbourhood, ii) allow them to operate in a new area,

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<sup>12</sup> Transfers of engagement refer to when an organisation chooses to give up its separate identity and transfers its assets to another, either on a voluntary basis or enforced due to regulatory intervention or other contingencies outside the organisation's control (Mullins and Craig, 2005: 5).

iii) allow the association to quickly acquire stock in a specialist area such as sheltered or BME housing, or iv) a combination of some or all of the above. Many larger associations

have subsidiaries within their group structure which previously were small independent associations that have been taken over. An example of this is the Castle Rock subsidiary in the Places for People group which operates in Scotland.

Takeovers usually occur through mutual agreement, when two or more associations come together to form a new housing association. These can take place for many reasons, but are often associated with external policy changes. Thus there was a wave of mergers in 1974 and 1988. Both represent years where there were significant changes in the regulatory frameworks of housing associations (Kiddle, 2002), and the increase of risk and the reliance upon private finance posed a greater threat to smaller associations. Similar associations in terms of their stock profile, location and services may merge to improve economies of scale and reduce competition. This can also occur if they have different specialisations; in this way they are not in direct competition with each other but benefit from managerial strengths and financial gain. More recently there has been a rapid increase in group consortia within the housing association sector. This often allows small to medium size housing associations to gain greater power to tackle issues and voice opinions within the neighbourhoods they operate in without the threat of merger or takeover.

**Figure 2** Change in number and stock size of English housing associations between 2000 and 2006

	2000	2006
Number of housing associations	2,076	1,698
<b>Average size in units</b>	615	911

Sources: *dataspring (2007) and The Housing Corporation (2001)*

### *Stock swaps*

Sometimes it is not suitable or necessary for associations to go ahead with complete mergers or takeovers and stock swapping provides an alternative way to rationalise stock. Stock swaps usually occur where housing associations have a low level of dwellings in comparison to the rest of their stock profile or in areas where their stock is widely dispersed. Additionally stock swaps are particularly evident in areas of low demand where landlords wish to leave the area because of financial concerns. In these cases housing associations often have little impact in terms of decisions concerning wider regeneration initiatives and community projects in the area. Also, by trading with another association their stock becomes more contained and therefore management arrangements are often more efficient. Occasionally, in renewal areas the local authority may intervene to encourage housing associations to swap stock as it helps tackle regeneration issues and provide easier accountability. Other reasons for swapping stock may also be to dispose of a specialist type of properties such as sheltered housing or BME stock if the housing association no longer wishes to deal in this market segment.

Despite some of the obvious benefits of stock swapping they are not common within the housing association sector and this is mainly due to the difficult bureaucratic arrangements associated with the process. In addition, it is often difficult for landlords to come to a mutual arrangement concerning both parties receiving equal 'value' for the properties that they receive as part of the swap. But stock swaps may not be attractive in areas where properties are un-lettable. If a landlord wishes to disinvest in an area because of the financial implications then it would be difficult to find another landlord who would be willing to swap 'risky' properties in areas of low demand.

Because of the limited uptake of stock swaps, little work has been carried out which examines the process but a few examples have been documented. One of these concerns a stock swap between Riverside Housing Association and Liverpool Housing Trust (LHT) regarding properties in the Kensington and Garston areas of the city (renewal.net, 2004). As part of the City Council's proposal for Liverpool the city had been divided into four 'zone'

areas in which Riverside was the lead RSL for Kensington and LHT in Garston. Therefore both associations benefited from swapping stock in the respective areas in order to assist their role as leading partners in the housing renewal areas (ibid). Stock swaps are seen as a viable option to help housing associations tackle low demand because of the business improvements they bring and the improved service of the communities they operate in. However, there has been limited work in this area despite the focus upon low demand housing.

Clearly, there has been a growing need for housing associations to rationalise their stock portfolio and this has occurred under a series of measures which can be explained at two levels. Firstly, the dominance of some housing associations in areas of acute low demand has directed them to examine their asset management strategies through financial necessity. And secondly, the government, and later the Housing Corporation, have picked up on the issue of asset management and stock rationalisation to set out a series of guidelines for which all associations must use to improve efficiency concerning their stock portfolios. At the same time there has been some work carried out by academics and practitioners, although few in number, who have examined the asset management activities of social landlords.

#### *Asset management activity*

The few documented examples of asset management practice by housing associations are largely found within Tait's (2003) good practice guide with two further studies published by the William Sutton Trust and MOAT housing association. The approaches taken can be classified in three ways: issues concerning changing housing demand (both over and undersupply); partnership and wider regeneration frameworks; and mapping and GIS techniques.

Firstly, examining the issue of changes in demand, Bradford and Northern Housing managed 12,000 properties in the north of England. Large proportions were located in the low demand areas of inner city Bradford, Burnley and Middlesbrough. Therefore, the association developed a way of categorising low demand properties as part of their asset

management strategy which divides schemes into core, maintained and redundant stock to be able to monitor levels of demand more closely. Stock is classified according to socio-economic indicators including vacancy rates and tenant turnover. Part of the process includes monthly monitoring according to a 'tipping report', which is based on research carried out by CURS (Centre for Urban and Regional Studies).

The William Sutton Trust with HACAS Chapman Hendy (2000) has also devised a framework which categorises investment decisions. The framework has been driven by changes in demand for housing (particularly properties they owned in declining neighbourhoods), increased tenant turnover and the phenomenon of "churning" (frequent mobility of tenants between and within sectors), and the long term sustainability of its stock. As a result, the work was designed to look at high priority estates in terms of investment, long term solutions and the cost implications of these solutions (William Sutton Trust, 2000). In doing so, the model consisted of four main stages by which housing initiatives could be evaluated against and provide a regular review of the associations stock investment programme. These were: 1) estate prioritisation 2) estate assessment 3) option appraisal and 4) investment programming.

In order to identify estates at risk, the first stage in the model, a series of indicators were used which included quantifiable evidence about demand such as voids, turnover, and also the physical condition of the properties which required investment projections and energy ratings. Other wider issues were assessed looking at the estate environment, such as cases of vandalism, fear of crime and also the estate community. Wider social exclusion of the area uses indicators such as the presence of community groups, length of residency, unemployment rates and existence of GPs, libraries and other facilities.

Once the priority estates had been established, the next stage looked further into the causes of decline revisiting the five key factors used in the first stage, added to this was what was referred to as a 'focus team' which reflected local knowledge. From this analysis it was then possible to explore suitable solutions for problem estates and the relevance to tackling the specific problems in each area. In producing a costed list of options for each estate, the

model then moves on to produce a proposed programme of investment which can be incorporated into their business plan.

In contrast, Family Housing Association managed 8,500 properties in 30 out of 32 London Boroughs and operated in areas with an under-supply of affordable housing. Therefore, their key issue was concerned with the physical condition of stock particularly concerning energy efficiency and kitchen and bathroom replacements. Their asset management strategy involved implementing a monitoring programme so that information could be gathered concerning the economic and physical progress of each unit per month. Previous to this, maintenance had occurred on an ad-hoc basis which had led to financial difficulties and unnecessary work being carried out.

The Birmingham and Sandwell HMR area provides an example where asset management has been carried out at a broader scale including multiple organisations. Tenants and stakeholders were experiencing differing service delivery from the thirty nine housing associations operating in the area. In an attempt to provide more uniformity data was collected on the number and spread of stock. Additional research was then carried out which found low house prices in the area, large concentrations of poor quality and obsolete properties and a disproportionate level of BME and older tenants in these properties. In response there were proposals for the four largest housing associations to lead discussions around asset management, stock rationalisation and BME community needs.

MOAT housing group has used GIS tools to analyse and interpret asset management data. By creating a series of maps, 'hotspots' could be identified locating problems such as high tenancy turnover, high maintenance costs, or low levels of activity. This is accompanied by work with dataspring<sup>13</sup> to develop a market intelligence toolkit. The toolkit draws on socio-economic data to build up a picture of the local authority areas they work in which can then be used for asset management purposes, particularly projected tenant profiles and future

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<sup>13</sup> Dataspring is a local housing markets database based in Cambridge University which provides data and analysis for organisations such as housing associations, local authorities, the Audit Commission, and the Housing Corporation.

housing supply. The database provides in-depth reliable information, however the complexities of such databases can raise questions about their accessibility and use for day-to-day stock investment decisions.

The dichotomy between the social and financial objectives by housing association has been important in establishing the need for asset management within the sector. The diverse needs of the housing association sector have been explored in the examples above. Housing associations operating in areas of low demand have greater need to address stock investment, for many the financial concerns are as important as the social outcomes due to huge risks incurred in managing their properties. The idea that market orientation has recently become reinforced in social housing markets has been discussed as a proactive approach in attuning social housing to market demands and bringing in greater financial return (Gruis and Nieboer, 2004c). This is in contrast to the traditional approach of social housing management which solely focuses upon providing affordable and decent dwellings (ibid). However, Gruis and Nieboer (2004c) contend that market orientation should also be adopted with caution to avoid social objectives further diminishing the techniques fostered by social landlords, including asset management techniques. This poses the underlying question about the extent to which the case studies being explored in this thesis attach more value upon the social ethos of the organisation when making investment decisions.

## **Conclusion**

The typology developed by Gruis et al. (2003) and the further work developed by Gruis et al. (2004) concerning decision-making gives some insight into the relatively under researched area of asset management within the housing association sector. Despite the relatively recent focus upon asset management by the government and the Housing Corporation, few examples within the English context exist. This chapter has highlighted limitations of this research, namely that asset management methods have been generalised within the English context and questions are left unanswered concerning the 'rational' approach to decision-making. Additionally, the work by Gruis et al. (2003, 2004) only

examines asset management and strategy development at the top-level of social housing organisations and does not look at how asset management approaches operate at lower ends of the organisation. Therefore, the thesis is going to examine how and why asset management decisions are made, but will explore these by analysing the power relations that exist within the three participating housing associations. Chapter four examines the analytical framework used within the study which will be used as a tool to interpret asset management decision-making in the selected case studies.

## CHAPTER 4

# Analytical Framework: Power, Knowledge and Decision-Making

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### Introduction

The focus of the study has directed the research to examine and understand the concept of decision-making in order to analyse and interpret the behaviour of organisational actors and groups involved in asset management processes. This chapter explores the subject of decision theory identifying the main models and theoretical perspectives associated with decision-making behaviour. It focuses upon two models as a suitable basis to develop an understanding of decision-making within housing associations: the political-bureaucratic model (Pettigrew, 1973) and the behaviourist model (Cyert and March, 1992). In doing so the concepts of knowledge and power are singled out as important tools to help examine the three case studies in the research. The chapter goes on to explore the varied theoretical frameworks associated with power before looking in more detail at Foucault's notion of power and Clegg's circuits of power. By adopting a relational approach to power the links to knowledge are outlined and work which has investigated knowledge, information and organisational learning is further discussed. Finally the chapter looks at how these concepts provide an analytical framework which can be used as a tool to answer the research aims and objectives in Chapter One.

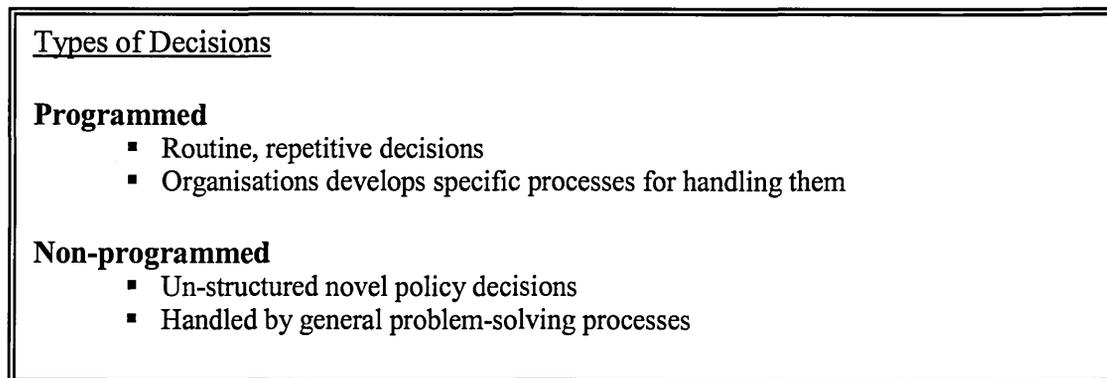
### 4.1 Understanding and modelling decision-making

Decision-making is a complex procedure which is seen to involve many stages before a desired end is reached. Kreitner and Kinicki (1995) divide decisions into two types: programmed and non-programmed (see Figure 3). The former is outlined as repetitive and

routine; organisations or individuals develop specific methods for decisions that occur habitually. For example in housing associations there may be a set procedure for handling rent arrears. In contrast, non-programmed decisions are unstructured and often unique. The outcome of these types of decisions is generally of greater importance to the organisation or individual in question, and therefore cannot follow a set pattern such as those prescribed by programmed decisions. In these cases decision makers “*tend to rely on judgement, intuition and creativity*” (Kreitner and Kinicki, 1995: 301). Taking both these definitions into account it is more likely that the decision processes discussed by the case studies will be non-programmed. The nature of stock investment decisions means that associations are often dealing with complex and diverse problems and therefore decisions are unlikely to be uniform or clear cut.

There is a diverse literature around decision-making, and several models have been developed to conceptualise the processes involved. These have evolved as theoretical discussions around decision-making have progressed and have examined concepts such as rationality, irrationality, power, political influence, information networks, and external environments. The relevance and use of these models is dependent upon the theoretical approach adopted by the researcher.

**Figure 3**      Types of Decisions



*Source: adopted from Kreitner and Kinicki (1995) and Simon (1977)*

Addressing the rational model (Simon, 1958) to begin with, the decision-making process is represented by a four step sequence: (1) identifying the problem, (2) generating alternative solutions, (3) selecting a solution, and (4) implementing and evaluating the solution. By using the four step approach the rational model generates a series of assumptions which works on the premise that managers optimise the knowledge they possess when they make their decisions. In doing so, managers have knowledge of all the possible alternatives, and the consequences which follow these alternatives. Additionally managers and decision makers have well organised and established sets of preferences for these consequences in which they have the rational ability to compare effects and determine the preferred outcome.

The rational approach does little to reflect a realistic representation of decision-making within organisations. It is unlikely that organisational members will have knowledge of all the possible alternatives. Nor will they have the rational ability to compare consequences to determine the preferred outcome without being constrained or influenced by time, resources, other actors, or external environments. Looking at the decision-making processes involved in this research project, the complex structure of housing associations and the influence of both private and public subsidies has tended to suggest it was inadequate to use the rational approach presented by this model. Herbert Simon (1979) also acknowledged that decisions do not follow rational procedures and consequently developed Simon's normative or bounded rationality model.

In this model Simon argues that *“economic agents follow a reasonable procedure, or sequence of thoughtful steps when they decide on whatever issue...The essence of bounded rationality is thus to be a ‘process of thought’ rather than a ‘product of thought’”* (Munier et al., 1999: 234). Therefore the decision process used by managers when making decisions is guided by bounded rationality. Following on from the limitations of the rational model, decision makers are restricted by a variety of constraints which can include personal and environmental characteristics that could limit rational decision-making. The model defines these characteristics under three main areas which are further explained by Kreitner and Kinicki (1995).

Firstly, the model explores limited information processing; managers are restricted by how much information they process as a result of bounded rationality, in the long term this causes decision makers to fail to evaluate all the possible choices. Secondly, decision makers often use shortcuts to reduce information processing demands. Shortcuts often represent knowledge gained from past experiences and in using them decision makers can make biased decisions. Lastly, 'satisficing' occurs when people do not have the time, information or ability to handle the complexity to follow decision-making in a rational process. Decision-making in this way does not always have to be viewed as undesirable but provides solutions that are satisfactory as opposed to optimal.

Although a more realistic representation of decision-making, the normative or bounded rationality model still follows a methodical sequence. The model acknowledges the limitations of human perceptions, but again does not take into account other factors both within or external to the organisation. This study anticipates this will be a factor for housing associations and their decision-making behaviour.

In contrast to the rigid framework of the rational and normative models is the 'garbage can' model which assumes that decision-making does not follow a sequence of orderly series or steps. Instead it looks at organisational decision-making as "*an outcome or interpretation of several relatively independent streams within an organisation*" (Cohen et al., 1972: 2-3) which is described as a 'sloppy' and 'haphazard' process (Kreitner and Kinicki, 1995). These streams are classified in four ways: problems, solutions, participants and choice opportunities<sup>14</sup>. The complex interactions of these four streams occur in a random fashion which implies that the process of decision-making is a result of chance encounters as opposed to a rational procedure. Because of the random nature of the four streams of events, the quality of decision-making depends on timing. In this way solutions may exist

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<sup>14</sup> A **problem** is described as representing a gap between an actual situation and a desired condition, and **solutions** are outlined as answers looking for questions. **Participants** are members of the organisation who come and go throughout the organisation. The concept of a **choice opportunity** is expressed as an occasion in which the organisation is expected to make a decision.

which do not attach themselves to problems and problems exist that may not necessarily relate to solutions.

The model has certain implications. It is firstly sensitive to 'load', as the number of problems increases, relative to the amount of time available to solve them, the problems are less likely to reach a solution. The model also is more likely to work out important problems because they are more significant to participants in the organisation. In this way decisions are also guided by political motives in which participants are more likely to make decisions which alter their 'status'. The garbage can model does not necessarily solve problems well but it does enable choices and problems to be resolved even if an organisation is characterised by uncertain or competing agendas (Cohen et al., 1972). This is often the reason that the garbage can model gets applied to policy decision-making.

In particular, Kingdon (1995) has adapted the model based on American federal government policy decision-making. This has then been used by Tiernan and Burke (2002) to address the complexity of policy making in Australian housing policy. The model highlights the influence of organisational politics within decision-making but the ad-hoc nature of the garbage can model would makes it difficult to trace a practical example from a housing association through this process.

Further work in the housing context has been the recent attention to decision-making processes using a network theory approach (see Rhodes and MacKechnie, 2003; van Bortel, 2006; Mullins and Rhodes, 2007; Rhodes, 2007; and van Bortel and Elsinga, 2007). These studies concentrate on the complex nature of decision-making in relation to housing and examine the partnerships that exist between public, non-profit/voluntary and private organisations and institutions. Taking a broad housing policy perspective they examine the decisions made, the factors that influence them and the interactions that occur between the agents that exist within the network environment. In contrast to this thesis the work does not specifically explore the internal workings of one type of organisation (such as the housing associations analysed in this study) but addresses the decisions of an extensive set of agencies, ranging from builders to planners and estate agents as well as social housing

managers. The network theory research has also explored decision-making relating to the housing 'system', as opposed to the context specific approach of asset management used in this study.

As an alternative, two further models explore decision-making as a political process: Pettigrew's (1973) *political-bureaucratic* model and, Cyert and March's (1992) *behaviourist* model. Asset management is an activity which reflects the tensions in the underlying ethos of a housing association. This research assesses how the internal and external political environments of the case studies will affect their stock investment decisions and therefore influenced the use of these models in developing a framework of decision-making behaviour.

Pettigrew (1973), in his enquiry into decision-making, considers the organisation to be an open political system. Sub-units are created within an organisation through the division of labour and these sub-units develop interests based on specialised tasks and responsibilities. These sub-units will then make interest based demands within decision-making processes on limited organisational resources. Their success in claiming these resources will depend upon their ability to generate support for their particular needs. The final decisional outcome will develop from the processes of power mobilisation attempted by each sub-unit in support of its demands. According to Pettigrew, the political dimension of organisational decision-making is established through the involvement of sub-units in these demand and support mechanisms.

The research conducted by Pettigrew which illustrates his model is a longitudinal study spanning eleven years which looked at decision-making in computer purchasing firm. The fieldwork comprised of participant observation, documentary analysis, questionnaires and interviews. The main focus of the decision-making model was upon social processes and the 'political game' (Strati, 2000) that was played by conflicting parties within the organisation. The *political-bureaucratic* model therefore draws attention to the concept of power:

*“The political dimension will be analysed with reference to authority and power relations in the decision process. Particular emphasis will be given to the part played by individuals in the structuring of social action over time. By their ability to exert power over others, individuals can change or maintain structures as well as the norms and expectations upon which these structures rest”*

(Pettigrew, 1973: 31)

Drawing on Pettigrew’s theoretical focus, this study is going to expand upon the concept of power used in the model and develop a framework which uses the notion of power as an analytical tool to explain decision-making in housing associations.

In Cyert and March’s model, although they stress that decision-making is very much a political process, they fail to identify explicitly power struggles within organisations. They highlight the ability for organisations to adapt to their environments within the decision-making process, and the capacity that organisations have for storing and disseminating information. Cyert and March (1992) concentrate on what they term as the ‘firm’ and how it makes its economic decisions. For them, in order to understand contemporary decision-making the external or market factors which impinge on the organisation need to be observed together with the internal operation of the firm.

Similar to Pettigrew’s idea of sub-units, Cyert and March (1992) view the organisation as a coalition of individuals who are organised into ‘subcoalitions’. The coalition members are employees located throughout the hierarchal structure of the organisation. Within the coalition, Cyert and March (1992) argue that organisational goals can be conceived as either joint goals of all participants in the organisation or as the goal of the ‘entrepreneur’ at the top of the managerial hierarchy. A negotiating process then occurs within the organisation which can provide monetary, personal or authoritative rewards. Through this process the coalition member can decide to adopt a particular organisational goal. These goals adapt as the coalition structure changes, but the formation of organisational goals

results in internal conflicts within the organisation which can never fully be resolved because each member has their own agenda.

Cyert and March assert that the theory represented in the behaviourist model perceives the organisation as an “adaptively rational system”, which implies that the organisation learns from its experience. The complexity of an organisation signifies that it adapts to its environment at many different but interrelated levels. Part of this process concerns the handling of information within the organisation, and in this way the organisation is viewed as a communication system. The use of information within the decision-making process is a central theme in the behaviourist model, and highlights a further concept by which decision-making behaviour can be analysed in the housing associations taking part in this research.

Part of this thesis is interested in analysing how knowledge and information is used by housing associations to make decisions. Therefore the framework used by the behaviourist model provides a tool to examine where and how the information has been brought in to the organisation. It further evaluates the way information is disseminated and the implications of how and by whom this is carried out.

Decision-making theory is diverse in its approach; this section has discussed a range of perspectives and talked through the constraints associated with the rational, normative and garbage-can models. In examining the political-bureaucratic and behaviourist models two fundamental issues within decision-making have emerged: the presence of power and knowledge. Pettigrew’s work uses mixed methods and concentrates on social processes to understand decision-making, sympathetic to the approach used in this study. But the concept of power used in the model falls short in capturing the more recent developments concerning work on power. The behaviourist model differs by using a more quantitative and economic framework to identify the decision-making process. Both models have their limitations but draw attention to the central concepts of power and knowledge. The following sections are going to examine more closely work which has addressed both issues to develop a tool by which to examine stock investment decisions.

## 4.2 Theories of power

*“Power is an ‘essentially contested concept’ (Gallie 1955/6; Connolly 1983), one whose meaning and application is inherently disputed”*

(MacKenzie, 1999: 69)

As the above quote implies, there is little consensus about the subject of power and how it is used (Giddens, 1976; Clegg and Dunkerley, 1980). Clegg (1989a) conceives power to follow two schools of thought; those that adhere to the work of Thomas Hobbes and those who interpret the writings of Niccolo Machiavelli. Hobbes’ notion of power is concerned with sovereignty, looking at power as a ‘top-down’ mechanism. In contrast Machiavelli viewed power as strategic, and focuses upon games, deals, frauds and conflicts at play within a political community. For Clegg (1989a) the Hobbesian perspective of power looks at *what power is*, whereas the Machiavellian notion concentrates upon *what power does*.

Clegg (1989a) further argues that Hobbes’ conception of sovereign power has been far more influential in the fields of sociology and politics than Machiavelli’s, and has been particularly pertinent for the analysis of power in organisations. In his own framework of power, Clegg has developed a theoretical standpoint based on the pragmatic and strategic view of power used by Machiavelli. Before Clegg’s framework is examined more closely the chapter will explore the theoretical view points of the three dimensions of power which have been influenced by Thomas Hobbes and used widely in academic studies.

### 4.2.1 Three dimensions of power

Dahl’s (1961) critique of Hunter’s study of elitism has become a major reference point of the discussions of power (Clegg, 1989a). Dahl drew the conclusion that *“no one single elite does govern: different actors (people, in fact) prevail over different issues, producing a ‘pluralist’ rather than an ‘elitist’ distribution of power”* (Clegg, 1989a: 53). In other words, power could not be centred on one location but was wide ranging and uneven. Dahl’s ‘one-dimensional’ view of power focuses upon decision-making behaviour in which there is

overt conflict of interests (Fulop et al., 1999a). He uses the example of a power relation in terms of A having the power to get B to do something B would not usually do.

However, Dahl's perception of power was criticised by Bachrach and Baratz (1962) and Polsby (1963), who argued that the surrounding context in which decision-making is studied and the context of power itself is not considered by Dahl (1961) and thus could not establish whether the position of power was pluralist or not. Bachrach and Baratz (1962) went on to contend that power was not always an overt process and could in fact be an unintentional act. This is imperative in understanding how dominant social and cultural groups may subtly exert power in society over and above the power of actual decision-making (MacKenzie, 1999). In this 'two-dimensional' perspective, Bachrach and Baratz (1962) develop the concept of 'non-decision-making', that B is hindered by suggesting issues which may be unfavourable to A's preferences (Clegg, 1989a). 'Non-decision-making' processes are "*where latent power conflicts do not rise above the public face of power*" (Clegg, 1989a: 76) and are limited to institutional and political practices which are inclined to favour one or more groups over others.

For some decision theorists, non-decision-making has become the most relevant of the traditional management decision-making models and is essentially concerned with the way potential issues are turned into non-decision events by the very powerful (Fulop et al., 1999b). In organisations the competition for scarce resources and rewards encourages individuals and groups to intentionally control information, policies and procedures to gain advantage in certain decisions. Non-decision-making is a concept which has significant implications for the processes within the research and will be later considered in relation to stock investment decisions in housing associations.

Building on the first and second dimensions of power derived from Dahl (1961) and Bachrach and Baratz (1962), Lukes (1974) presents a third dimension or radical structural view of power. In Lukes' definition of power:

*“A may exercise power over B by getting him to do what he does not want to do, but he also exercises power over him by influencing, shaping or determining his very wants. Indeed it is not the supreme exercise of power to get another or others to have the desires you want them to have – that is, to secure their compliance by controlling their thoughts and desires?”*

(Lukes, 1974: 23)

Lukes main theme of 1974 work is that *“power is at its most effective when least observable”* (Lukes, 2005: 1). Further, Lukes’ framework is concerned with the idea of ‘real interests’ which, he argues, will differ according to whether one is a liberal, a reformist or a radical (Clegg, 1989a). Clegg argues that this perspective is *“implicitly both radical and humanist”* (1989: 92), that it theorises and evaluates actual behaviour according to what people would do if they knew what their real interests were.

In a study by Cairncross et al. (1994) on tenant participation and power in British council housing, Lukes’ third dimension is related to the implication that a social actor may fail to identify their objective interests because of the power of other agencies to affect people’s perception of the world. However, the problem with Lukes’ definition is that it appears to be quite ambiguous, interests are left unresolved, lying somewhere on a continuum between ‘objective’ and ‘subjective’ interests (Clegg, 1989a). Further, Clegg argues that Lukes’ radical view of power does not resolve the tension between the structural and agency features of power.

In a response to the 1974 work, *Power: a Radical View*, Lukes has published a new edition (2005) which aims to overcome the limitations of his original text. Lukes has explained that his third dimension of power was not meant as sufficient explanation but as a necessary part of conceptualising power (Edwards, 2006). In particular *“emphasising the importance of seeing power as a capacity that may or may not be exercised as well as distinguishing between that which furthers and that which runs counter to the interests of the dominated”* (Callaghan and Wistow, 2006: 586). In a recent interview Lukes suggests that Foucault “had gone too far” in his explanation of power (ippr, 2006: 272). The idea that power was

everywhere and peoples very identities are 'constituted' by power is a huge exaggeration according to Lukes (ibid). However, showing the limitations of Foucault does not therefore prove the merits of the three-dimensional approach (Edwards, 2006).

Clegg's critique of Lukes' third dimension of power has led him to develop an alternative model of power. Whereas Hobbesian perspectives on power have exemplified themselves in the first, second and third dimensions of power, and thus concerned with what power is, Clegg's view of power is more closely aligned with that of Machiavelli and Foucault, conversely addressing what power does. Clegg (1989a) begins by examining the implications of what has been termed post-structuralism and particularly the work of Foucault for his analysis of power.

#### **4.2.2 Foucault, Clegg and relational power**

Traditionally, the idea of power has often been viewed as the ability of powerful agents to get powerless people to do things which they would not normally do. Foucault's work tries to move away from the idea that power is a repression of the powerless and instead looks at the way that power functions within the everyday relations between people and institutions (Mills, 2003). For Foucault, power is multidirectional, operating both top-down and bottom-up (Kearins, 1996).

By looking at what he terms the 'analytic of relations of power' (1980a: 199), Foucault does not approach power by trying to answer the question 'what is power?' but prefers to resolve the question of 'how is power exercised?':

*"I am not referring to Power with a capital P, dominating and imposing its rationality upon the totality of the social body. In fact, there are power relations. They are multiple; they have different forms, they can be in play in family relations, or within an institution, or an administration."*

(Foucault, 1988: 38)

Foucault also criticises the view that power is a possession or a commodity that can be owned by an individual, a group or a class (Smart, 2002), in the History of Sexuality Vol. 1 (1980b) he argues that power is like a strategy which is performed rather than possessed (Mills, 2003). This is further built on in *Power/Knowledge*:

*“Power must be analysed as something which circulates, or something which only functions in the form of a chain...Power is employed and exercised through a net like organisation...individuals are the vehicles of power, not its points of application.”*

(Foucault, 1980a: 98)

Clegg builds his framework of power by looking, amongst others, at Foucauldian perspectives which reject the idea that power is a “single, all-encompassing strategy” (Foucault, 1980b: 103), asserting instead that power is inherently shifting; aligning himself much closer to Machiavelli’s concerns rather than the ‘monolithic’ third dimensional view of power contended by Lukes (Clegg, 1989a).

For Clegg the fundamental understanding of power is to view it as relational. People only possess power in as much as they are “relationally constituted as doing so” (Clegg, 1989a: 207). In other words, power does not exist as a ‘thing’ but as a relationship between two individuals or groups who are empowered or bounded by the relationship. In a different paper Clegg (1989b: 99) notes that part of the problem concerning the exercise of power:

*“is the pervasive tendency to think of power as something, rather than as a property of relations. The consequence of this is that the relationship becomes confused with causal mechanisms and their product. The mechanisms are worthy of investigation in their own right.”*

Thus Clegg’s analogy of power is centred on what he terms the ‘rules of the game’. Clegg points out that it is only in games of pure chance or skill that they will ever be played on a ‘level playing field’, and social games will seldom as such relate to the ideal conditions of

pure games. In this way the rules of social games will in fact be weak, uncertain and dependent upon interpretation by the players. In everyday life some social actors, because of their power, are at much greater liberty to make their interpretations of the rules count than for those whom the rules consist of much more restricted set of moves.

The two defining elements within any power system are the agencies that exist and the events that occur which are of interest to these agencies. In Clegg's framework (see Figure 4), power exists in three circuits of power: episodic, social integration and system integration, and each circuit is defined by a different type of power:

*“power is evidently present as each specified modality of episodic, dispositional and facilitative power...empirically, power may be contained within the episodic circuit only or it may flow through the dispositional and facilitative routes.”*

(Clegg, 1989a: 213)

It is specifically episodic power which Clegg conceives to be the most apparent, and evident circuit of power. As the most visible power circuit, the episodic route is viewed as one-dimensional conceptions of agency and power (Clegg, 1989a: 208). This circuit is able to examine the nature of power relations between A and B, which, are centred on an assumed relationship between power and resistance. However, the episodic circuit does not explain the *“relational field’ in which A and B presently are nor how this privileges and handicaps them respectively, in relation to those resources that are constituted as powerful”* (Clegg, 1989a: 209).

Therefore, it is the social and system integration circuits that make up the ‘field of force’ in which the episodic agency conception of power is expressed. As power in Clegg's system is ‘multifarious’ it may be articulated episodically but it can also move through the circuits of social and system integration. Clegg (1989a: 224) states that:

*“The circuit of social integration is concerned with fixing or refixing relations of meaning and membership, while the circuit of system integration will be concerned with the empowerment and disempowerment of agencies’ capacities, as these become more or less strategic as transformations occur which are incumbent upon changes in techniques in production and discipline.”*

Changes in power relations in both circuits (system and social integration) can be ‘endogenous’ or ‘exogenous’. That is, changes in episodic power can be a result of transformations of the ‘rules of the game’ that fix the meaning and membership by participating agencies (endogenous), or interruptions in the game-playing environment which shift the fields of force (exogenous) (ibid). Fixing these ‘fields of force’ is accomplished through involving other agencies such that they have to traffic through the enrolling agencies ‘obligatory passage points’ (Clegg, 1989a). Cairncross et al. (1994) understand these ‘obligatory passage points’ to be the channels through which power relationships are expressed, and where ‘battles are fought’ for resources and decisions.

The passage points within the circuit are continually changing, due to the players involved or other external factors. If ‘fixing’ of these points does occur then this often causes resistance of this exercise of power by those who are already involved in the ‘game’ or alternatively a type of resistance which is referred to as ‘organisational outflanking’ (Mann 1986). This is where a new relational power becomes involved and a new ‘obligatory passage point’ is formed thus changing the ‘rules of the game’. In other words, Clegg is emphasising the process of power, looking at the way ‘the game is played’ (Cairncross, et al., 1994). Power shifts are inherently dependent upon the actors involved, their alliances, the relationships that are formed and the conditions under which these occur.

As Kearins (1996: 1) suggests, there is little application of theoretical views of power in social settings. Further there is a tendency in organisational studies on power to look at quantitative analysis: who has power, what are the relative strengths of power, and what effects are manifested (ibid: 6). The functionalist/behaviourist conception of power which

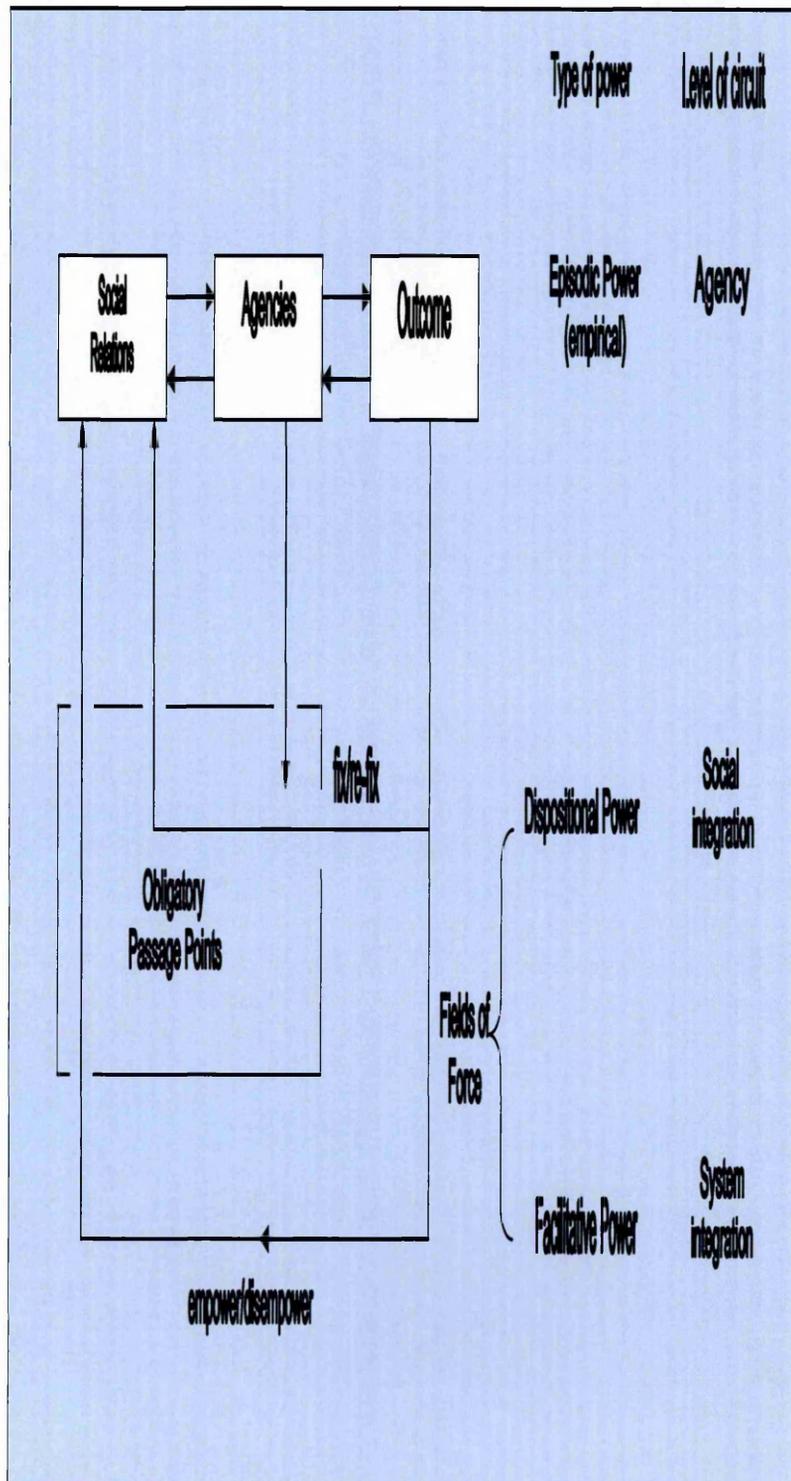
incorporates the first and second dimensions of power is viewed as a static process. In using Clegg's framework, which draws on Foucauldian notions of power, the research will examine the fluid processes involved in decision-making within housing associations. This will particularly look at who takes part, who is excluded, the relationships that exist, the resistance that occurs, and how decisions are 'played out'.

### **4.3 Knowledge and information**

The behaviourist model has underlined the way that organisations process and communicate information within decision-making. It further argues that organisations are adaptive, in that they learn from past decision-making experiences. This draws attention to three inter-related concepts: knowledge, information and organisational learning. Often knowledge and information are terms that are used inter-changeably but it is important that their meanings are given clear distinctions for the purpose of the research, as both will have implications for the decision-making process.

Using definitions adapted from the Oxford English Dictionary, *knowledge* is expressed as awareness or understanding of a person, fact or thing, which has been gained through experience. If this is applied to the research context, some actors within the decision-making process may have firstly gained 'knowledge' of asset management by working within the sector for  $n$  number of years. Others may have gained a theoretical understanding of the subject by accessing information and transferring their skills to the housing association sector. On the other hand, *information* is defined as "*something told, or items of knowledge*", thus an actor may have been disclosed or have access to a large source of information, but they may not necessarily have a practical or theoretical understanding of it, or an awareness of its purpose. The concept of organisational learning combines both knowledge and information and is concerned with "*the capacity or process within an organisation to maintain or improve performance based on experience*" (Nevis et al., 1995).

**Figure 4** Clegg's Framework of Power



Source: Adapted from Clegg; 1989a: 214

### 4.3.1 Power/knowledge

Addressing first the concept of knowledge, fundamental to Foucault's work on power is its relationship to knowledge: "*power produces knowledge (and not simply by encouraging it because it serves power or by applying it because it is useful); that power and knowledge directly imply one another; that there is no power relation without the correlative constitution of a field of knowledge, nor any knowledge that does not presuppose and constitute at the same time power relations*" (Foucault, 1977: 27). The term 'power/knowledge' used by Foucault describes this juxtaposition of power relations and information-seeking (Foucault, 1980a; Mills, 2003).

In adopting a relational view of power within the research framework, the links to knowledge are significant when addressing decision-making. Mills (2003: 69) discusses how Foucault's power/knowledge accentuates the way "*that in producing knowledge one is also making a claim for power*". Thus, in a housing association the knowledge available may be carefully controlled by organisational members dependent upon who they want to have access to it, and how it can be used in the decision-making process. Senior managers may only disseminate knowledge concerning strategy and policy to those they consider having the ability to understand it, or the capacity to use it in the way it is intended. Equally, decisional outcomes may only be communicated to certain staff or departments.

Foucault's idea of 'governmentality' is in essence concerned with the exercise of power and knowledge (Flint, 2002; Stokes and Clegg, 2002). Governmentality was first introduced by Foucault in a series of lectures in 1978 (ibid) but was not extensively discussed by Foucault himself, and therefore the application of governmentality has been more widely developed by other authors, particularly Miller and Rose (1990) and Dean (1999). Foucault understood governmentality to encapsulate both the strategies of organisational governance (that is governing others; Miller and Rose, 1990) and self-governance (Clegg et al., 2002; Stokes and Clegg, 2002). As Stokes and Clegg (2002) assert, Foucault did not wish to refer to two different levels of governance but bring the two together within the idea of power/knowledge:

*“The personal projects and ambitions of individual actors become meshed with, and form alliances with, those of organization authorities and dominant organization actors.”*

(Stokes and Clegg, 2002: 229)

In addressing the housing association sector, the knowledge and opinions exercised by staff may be influenced and guided by the organisational culture and managerial agendas. In looking at governmentality, and particularly the way housing associations are regulated, the approach taken by the case studies to asset management decision-making may be bound by knowledge and power exercised by these ‘organization authorities’ such as the Housing Corporation, central government, and local authorities.

Using a framework developed by Clarke and Newman (1997), a study by Stokes and Clegg (2002) followed organizational change in a large Australian public sector organisation. In addressing the impact of new public management reforms upon the organisation, the research found that the observed senior staff, known as Beta Managers, reacted to change by using ‘macho’ styles of management. Although not completely in line with Clarke and Newman’s hypothesis, the ‘macho’ styles of working is explained by the increased exposure to competition within the public sector. Following this argument, the idea of governmentality would suggest that housing associations in self-governing terms may draw from changes in the sector as a whole and wider public policy reforms. Hence, knowledge around asset management and the way it is practised may reflect a wider discourse of greater commercialisation within the housing association sector.

#### **4.3.2 Information**

Knowledge is concerned with the practical or theoretical understanding of a phenomenon whose use or meaning is dependent upon the exercise of power by actors or organising institutions. However, information relates to the process by which sources of data such as surveys, statistics, and documentation are accessed and communicated within the organisation. For the purpose of the research this definition uses Gouldner’s (1970) concept of ‘depersonalised knowledge’: a pursuit of information, which can be conceived as a

product such as a book or a database. Placed in the context of housing associations this could include CORE and census data, or neighbourhood statistics.

Choo (1996) looks at the way organisations handle information, and he underlines how information is vital to the operation of organisations:

*“How do organizations use information?...Without a firm grasp of how it creates, transforms and uses information, an organization would lack the coherent vision to manage and integrate its information processes, information resources and information technologies.”*

(Choo, 1996: 329)

He identifies three ways that information plays a ‘strategic role’ in the development and growth of an organisation: 1) evaluation of information to make decisions; 2) response to external environment and 3) organisational learning. Taking the first two concepts (organisational learning will be examined in more detail in the next section), information corresponding to decision-making follows Simon’s concept of ‘bounded rationality’. That is, organisational actors look for satisfactory levels of information rather than evaluating all possible alternatives. Secondly, Choo addresses the use of information by organisations to sense changes in their external environment. In this way organisational actors have to understand their surroundings in order to take action. Choo further asserts that organisational members do not process information rationally but apply their own meaning and understanding to a situation:

*“In other words, people in organizations create their own subjective reality rather than try to discover some existing reality.”*

(Choo, 1996: 333)

As Choo has highlighted information can rarely be thought of as impartial. Although the study is interested in the databases and information used by housing associations in the decision-making process, Gouldner’s (1970) ‘depersonalised knowledge’ cannot be viewed

in isolation. As the behaviourist model states, the process of gathering, evaluating and disseminating information will affect its outcome. In other words, the transfer of information within an organisation is inevitably linked to the concept of knowledge. This is further discussed by Gouldner (ibid) as 'knowledge awareness'. Awareness is articulated as a relationship between people and information, and relates to their ability to be able to hold onto and use information. A housing association may hold specific sets of data but its communication will depend upon the staff skills they have to analyse and interpret it.

Research which has looked at the role of data and information within the public sector includes work by Percy-Smith et al. (2002) who conducted an extensive review of research activity in local government. They found that responses to using research to inform public policy were largely influenced by the culture enforced by the Chief Executive. However, even those authorities who had a strong research interest found that front line staff often felt 'swamped' by the amount of information they were sent and only made use of research they classed as essential. More commonly, senior staff were receptive to research and often information did not filter down to front line or operational staff. This follows the idea of 'satisficing' referred to by Choo and the bounded rationality model. Staff also found it difficult to share information across departments as there was a lack of knowledge of other people's interests and difficulties in communication.

Whittle et al. (2004) examined the evidence based practice of good housing management. It found that up-to-date information was only available if someone in the organisation had a specific role to find good practice methods. In the case of housing organisations there was also an issue of 'insularity' concerning accessing information; very few housing practitioners were conscious of, or used non-housing sources. Similarly Percy-Smith et al. (2002) found that research and information within local authority departments was more likely to be disseminated if it was 'in-house' or commissioned by that particular authority. Yet in some cases policy officers would carry out research which they were unqualified to do, the study found that there was a particular 'skills gap' in utilising and interpreting research in a local context. This skills gap has been further highlighted within a broader context. The Egan Review (ODPM, 2004) recommended the need to improve the current

skills base of built environment professionals in order to effectively deliver the Sustainable Communities Plan. In response the Academy for Sustainable Communities has been set up.<sup>15</sup>

### 4.3.3 Organisational learning

By exploring how organisations process, organise and disseminate both knowledge and information, it poses the question of what purpose this serves organisations, and how do they utilise these methods for decision-making? The concept of organisational learning identifies the importance for organisations to have the ability to adapt, transform and reinvent themselves (Reid and Hickman, 2002). Commentators who have explored organisational learning identify that organisations do so to increase competitiveness, improve service quality and to encourage personal development and motivation among staff (ibid).

There is some dispute between the two distinct concepts of organisational learning and what is termed a 'learning organisation'. Easterby-Smith (1997) suggest that research which focuses upon the learning organisation are concerned with examining how organisations should learn and therefore as Pedlar et al. (1989) prescribe is "*an organization which facilitates the learning of all its members and continuously transforms itself*". However as Easterby-Smith further highlight and Reid and Hickman (2002) argue the learning organisation is part of the organisational learning process which involves adapting and evolving on the basis of past experiences.

An influential framework used to analyse organisational learning is Argyris and Schon's (1978) 'single' and 'double' loop learning (Hatch, 1997; Fillion and Rudolph, 1999; Vince and Broussine, 2000; Reid and Hickman, 2002). The first level of organisational learning, the single loop, is concerned with obeying orders and rules in what is termed 'compliance

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<sup>15</sup> The Academy for Sustainable Communities, based in Leeds, has been set up by the government to improve the "skills, knowledge and behaviours" (CLG, 2006) with reference to delivering sustainable communities. This has included the set up of a national skills centre and promoting an interest in careers in sustainable communities.

fashion'. Double loop learning relates to organisational change triggered by events in which organisations seek to improve their current practices in response to past behaviour. The second level in Argyris and Schon's framework is similar in the approach prescribed by the behaviourist model which argues that organisations adapt and learn from experience and their external environments.

The changes which have occurred within public sector services as a whole guided by political agendas have led authors to examine organisation learning within public sector organisations. Work includes studies by Reid and Hickman (2002) that have analysed the role of the 'learning organisation' in relation to housing organisations and tenant participation. Vince and Broussine (2000) have examined how local authorities perceive and put into practice the notion of organisational learning. Furthermore Finger and Bürgin Brand (1999) develop an alternative conceptualisation of the learning organisation by using the case of the Swiss postal service. These examples identify that public sector organisations have been slow to change (Finger and Bürgin Brand, 1999), and Vince and Broussine further point out the self-limiting behaviour of local authorities when it comes to organisational learning. However, as the present Labour governments 'modernisation' agenda causes fundamental changes within public sector services, Reid and Hickman argue that organisations have begun to display evidence of some 'double loop' learning within tenant participation practices.

The changes discussed in Chapter Two, which in particular have looked at the impact of new financial frameworks upon the size, purpose and managerial practices of housing associations, may influence the understanding and practice of 'organisational learning' with regards to asset management. To what extent will the case studies adopt single loop behaviour and obey orders from regulatory, government and local authority instructions? Or will they implement their own approach to asset management reactive to increased competitiveness, past behaviour, future tenant profiles and new managerial and leadership styles?

#### **4.4 Towards conceptualising decision-making behaviour in the housing association sector**

This chapter has identified two key concepts which will be used to analyse and interpret decision-making processes within the three case studies participating in the research: power and knowledge. It has further explored a range of theoretical perspectives relating to these concepts and work which has reviewed and applied them. This final section examines the key points from the concepts discussed and relates them to research strategy in place, producing an analytical framework which can be used to help inform the research questions and develop an understanding of stock investment decisions examined in the case study fieldwork.

Firstly, Pettigrew's (1973) political-bureaucratic model has drawn attention to the concept of power and the idea that decision-making is a 'political game' (Strati, 2000), where groups and individuals compete for resources and maintain their own agendas. This thesis has adopted a relational view of power and has specifically examined Clegg's circuits of power. Using the framework devised by Clegg, the study is going to explore the relationships that exist both internally and externally relating to players involved in (and excluded from) stock investment decisions, and how power is exercised by individuals and groups. This will seek to outline the 'rules of the game' concerning asset management, concerning what obligatory passage points exist, if organisational outflanking occurs (such as what resistance takes place), how power shifts over time and the tactics that are played out.

By looking at power and the work of Foucault there is strong relation to the concept of knowledge and this has been further outlined with reference to the behaviourist model. Knowledge is used as an expression of power and therefore the research is going to look at how knowledge is controlled by the organisations involved in decision-making. This will address how organisations and individuals respond to their internal and external environment, how they are 'governed' by dominant actors and authorities, and how they 'self-govern'.

Linked to the concept of knowledge is information and the research is concerned with looking at the sources of information used by housing associations to inform decisions. The study will look at who has access to information and how it is evaluated and communicated. Using Gouldner's (1970) concept of knowledge as 'awareness', it will examine how information at differing levels of the organisational structure is accessed and disseminated. Moreover, it will interpret the meanings and understanding attached to information by staff ranging from director to operational level.

Following on from the use of knowledge and information is the notion that organisations learn from their experiences (Cyert and March, 1963). Organisational learning and the 'learning organisation' assess the extent to which organisations adapt, change and transform themselves in response to past experiences and behaviour. Drawing on Argyris and Schon's (1978) single and double loop model the research is going to assess the extent to which housing associations learn from past experiences and the effect it has on decision-making processes. This will look at how 'compliant' housing associations are with formal models of asset management (if they exist), or if they have developed their own approach to tackle stock investment planning.

## **Conclusion**

Decision-making has historically been conceptualised by a range of models which have addressed issues such as rationality, information processing, human perceptions, power and politics. These models have identified important issues when exploring decision-making behaviour but also have their limitations. The rigid framework, and on the whole quantitative approach, taken by the models does not suit the case study research undertaken in this thesis, but the models have highlighted important concepts relating to decision-making behaviour. Using the political-bureaucratic model and behaviourist models as a point of reference, the chapter has looked at the concepts of power and knowledge. This study is proposing to use Clegg's circuits of power based on the Foucauldian and

Machiavellian relational view of power to examine the fluidity of power relations in asset management decision-making. In analysing power, the research will also look at how knowledge, information and organisational learning fits into the decision-making process. The next chapter will look at the research methodology and examine how these concepts in the context of decision-making have been explored within the three case studies.

# CHAPTER 5

## Methodology

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### Introduction

When undertaking a piece of research, the research design and methods used are crucial to understanding the research phenomena in question. How the data are collected, analysed and interpreted can significantly affect the way that research aims and objectives are approached and answered. It is therefore essential to consider the methodological framework used in research projects and how the researcher and participants affect the final outcome of research process. This thesis has used a qualitative research framework encompassing a case study approach. This chapter examines and justifies the theoretical perspectives of the research design. It looks in detail at the three stages of the fieldwork process, in view of the power relations that exist between the researcher and the researched community. The chapter then examines the analytical methods used and the ethical considerations of the project. Finally, the three case studies are profiled.

### 5.1 Research design: qualitative and case study methodology

Previous work which has examined asset management within the social rented sector has taken a largely policy or strategic orientated approach. Studies such as those by Brown and Richardson (2002), Gruis et al. (2003), and Gruis et al. (2004) draw attention to different approaches adopted by housing associations in both England and the Netherlands, but do not present in-depth empirical analysis. Further work by Gruis (2002, 2005) and Gruis and Nieboer (2004a) concentrates on economic and quantitative analysis to measure social and financial performance in asset management.

In contrast, this study is concerned with the asset management decision-making process and how decisions are taken. This requires an understanding of the organisational culture of associations and how it impacts on their stock investment processes at a strategic and operational level. Using quantitative methods (such as social surveys and statistical analysis) falls short in terms of capturing the relationships that exist within the researched community, and often generalises the experiences of the population being studied. Research topics cannot always be defined by 'measurable' variables traditionally used within a quantitative framework.

This research does not seek to understand or generalise the decision-making behaviour of the entire housing association sector in England. The size and diversity of the housing association sector means that it would not be possible to reach an understanding of every approach made by housing associations regarding their stock investment decisions. Instead it wishes to examine particular cases in detail which provide an insight into the broad issue of asset management in the social rented sector. Therefore the nature of the research objectives, and the level of knowledge required, lends itself to using a qualitative research methodology and a case study approach.

Qualitative research encompasses a wide variety of research methods ranging from interviews, focus groups and participant observation to discourse and textual analysis, and life histories. It is undertaken to try and encapsulate an in-depth understanding of the meanings, values and interpretations of social life. As Sarantakos (2005: 41) outlines '*in qualitative research, human beings occupy a central position; they create the meaning of systems of events and with these they construct reality*'. In using a qualitative framework, the study is able to examine the dynamics of decision-making processes, looking at how power is exercised, who is involved, and how the organisational culture of each housing association influences its stock investment practices.

Turning first to the case study approach, Yin (2003) describes the case study as a research strategy which is used to investigate a specific context and/or uses multiple sources of evidence. Further Stake (1995) defines three types of case study: instrumental, intrinsic and

collective. An instrumental case study provides an insight into a broader issue or theory, to facilitate a better understanding of the subject area (ibid). Sometimes, in using an instrumental approach it may be preferred that several cases are examined and therefore produce a collective case study. In contrast, the intrinsic case study is undertaken because the researcher wants a greater understanding of a particular case. The study is not concerned with what it tells us about a general phenomena but it is the case itself which is of “*intrinsic interest*” (Stake, 1998: 88).

A case study approach was being undertaken in this research project to provide in depth examples of how housing associations operating in low demand areas made decisions concerning their asset management strategies. Therefore it can be described as a collective instrumental approach, as three housing associations were studied to illustrate the research context. Instrumental case studies were selected over an intrinsic case, as the housing association sector in England did not follow a specific asset management model or strategy, nor was there one individual housing association that offered an exemplary case. Instead three instrumental case studies have been chosen to provide comparative evidence for analytical purposes.

Responses to asset management by housing associations vary greatly and cannot be generalised. It was felt that a large scale survey of the sector would do little to draw out detailed analysis of the process; instead the research was interested in looking ‘in-depth’ at asset management processes. The case study approach allows this by encompassing a mixture of qualitative methods; specifically interviews, focus groups, observation and documentary analysis to examine decision-making behaviour. Before more information concerning the selection criteria, access and fieldwork experiences is discussed, the chapter will examine the broader theoretical considerations and perspectives of the research design.

## 5.2 The interpretive paradigm and reflexive approaches

Denzin and Lincoln (2003: 33) discuss the interpretive paradigm that all qualitative researchers are bound by. By an interpretive framework they refer to how research “*is guided by a set of beliefs and feelings about the world and how it should be understood and studied*”. The interpretive paradigm questions the relationship between the inquirer and the known (epistemology), and consequently how we see the world and gain knowledge of it (methodology) (Guba, 1990).

The interpretive paradigm or framework makes particular demands on the researcher, looking at the research questions they ask and the interpretation of the answers to these questions. Denzin and Lincoln (2003: 31) also consider how the influence of poststructuralists and postmodernists has helped us to understand that individuals (both observers and the observed) in the research process are always “*filtered through the lenses of language, gender, social class, race, and ethnicity*”. In carrying out a qualitative inquiry one must be aware of the boundaries concerning who/what they are investigating and their own role in the research encounter, referred to as reflexivity.

Reflexivity, or self-examination, concerns the need for researchers to reflect upon, and account for, themselves in the research process. Garfinkel in 1967 formed the idea of ‘self-reflexive’ research practices, which signified a change in social research ideologies from the need to attain ‘universal truths’, to one which identified that knowledge could only be understood in the context and time it was produced. This was further developed in 1970 by Gouldner in what he referred to as a ‘reflexive sociology’ which asserts that all research to some degree is ‘contaminated’, and therefore as researchers we should recognise and understand the influence we have in generating and interpreting data.

Bourdieu’s work underlines a strong relationship between theory and empirical research, and central to this has been his concern for reflexivity in the research process (Jenkins, 2002). Described as ‘the objectification of objectification’, Bourdieu is interested in putting the researcher through the same level of scrutiny and critical evaluation as the researched

community themselves, in order to seek to accurately understand social reality (ibid). By acknowledging the level of influence a researcher brings to the research process, reflexivity hopes to subject rigorous checks to qualitative or less tangible knowledge to compete with the objective and scientific validity more often associated with quantitative research techniques.

In this research an analytical framework has been developed which uses the concept of power as a tool to help to understand the decision-making processes within the three case studies. By studying power there also needs to be an awareness of the role that I am playing in the power process, as well as the dynamics between individuals and organisations. This needs to reflect upon how power affects the relationship I have with the three housing associations.

Firstly, this needs to address who I am researching, and secondly what I am researching. The subject of asset management is one which predominantly operates at the top level of organisations, and therefore it was likely that suitable participants would hold senior or elite positions within their own organisations, such as directors and group managers. Researching power is difficult, as it is a complex and elusive process. In looking at empirical evidence of power through interviews and observation the subjective interpretation of both the researcher and participants needs to be acknowledged.

As well as the participants in the research process there needs to be some consideration of the subject area. Asset management is a highly sensitive subject particularly for associations dealing with low demand stock. There is greater pressure upon associations to be 'seen' to be responding with a certain approach when it comes to managing demolitions and void properties. There has been growing attention in the media to the concerns of residents regarding the housing market renewal pathfinders and particularly the compulsory purchase of homes and subsequent disposal of stock. The sensitivity surrounding asset management will have affected who I gained access to and the willingness of associations to participate in the research.

Being a young female PhD student in comparison to the predominantly older male and senior level participants taking part in the project probably had some impact on the research process. I was relatively 'powerless' in the research process in terms of gaining access, and acquiring information. My lack of previous knowledge and experience in the social housing sector also added to this 'low' status in the research community. Being part funded Housing Corporation also potentially affected my relationship with the housing association taking part in the study. On the one hand it may have increase my perceived 'status' and credibility of the research. Conversely it may have also raised suspicions that the research was part of a regulation check concerning their asset management practices.

I found identifying and accessing organisations willing to take part in the research at the outset quite difficult. The initial stages of the case study fieldwork involved repeatedly phoning and emailing contacts in the housing associations to set up the initial interviews. They were cautious about what the research would be used for, and why I was particularly interested in asset management, probably for the reasons outlined above. In some cases they were just unwilling to allocate time and resources to be part of the project. However, once I had gained approval from the organisation and explained the process it was then easier to recruit further interviewees. One technique which assisted in this process was agreeing that the associations could look at the research once it was completed in exchange for their co-operation. I exerted power by drawing attention to the positive experiences of taking part in the study.

Work which has looked specifically at elite groups and researching 'up' identifies a need to understand particular qualitative research methodologies which can try to overcome some of these power disparities (Ostrander 1995). It also draws attention to elements of the observer/observed relationship which is not simply a 'one-dimensional hierarchy' (Duke, 2001), which is further outlined by Hunter (1995: 151-152):

*"The research relationship is also a power relationship between researcher and subject. In the actual act of studying elites the ethnographer cannot ignore the elites power and must not ignore his or her own power in the relationship"*

The next section will explore the three stages of the fieldwork process. In doing so it will examine the power relations between the researcher and the researched population, looking at issues concerning gaining access, and the type of knowledge acquired.

## **5.3 Fieldwork**

The fieldwork process comprised three main stages; 1) stakeholder interviews, 2) a short email questionnaire survey and 3) three in-depth case studies. Stage one helped to identifying the key issues concerning the research questions. Stage two provided some preliminary information on stock investment practices and housing market intelligence used. Finally, stage three is the main data collection process which looked at three housing associations to explore their asset management decision-making behaviour using semi-structured interviews, focus groups, observation, and documentary analysis.

### **5.3.1 Stage 1: Stakeholder interviews**

To extend the information gained from the evidence base around asset management, seven stakeholder interviews were conducted with key practitioners from the Audit Commission, the Housing Corporation, a private consultant, and the ODPM<sup>16</sup>. These were semi-structured interviews consisting of broad topics around the issues of asset management, low demand housing, and organisational change in the housing association sector (see Appendices 1, 2 and 3 for interview schedules).

The range of participants, and the organisations they represented, reflected the scope and type of information I wished to address to gain a full understanding of how housing associations approached asset management. This included gaining a national and local perspective from the Housing Corporation by speaking to staff in the central offices in London and at one of their regional bases in Liverpool. The interviews conducted in London offered a broad outlook relating to Housing Corporation regulation; whereas staff

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<sup>16</sup> Now Communities and Local Government (CLG)

in Liverpool discussed stock investment issues specifically concerning low demand housing and responses by local associations. In contrast, the interview conducted with the private consultant provided in-depth information regarding the relationship associations had with private lenders. This gave a more economically driven perspective in comparison to the viewpoints considered by representatives from regulatory organisations and government departments.

The Housing Corporation's involvement with my research provided relatively easy access to their employees. The key actors from the other organisations were acquired through my supervision team and my own existing contacts. Interviewees were contacted by letter which outlined the research proposal, explaining why I wanted to speak to them (see Appendix 4). The letters were addressed by name to the potential participants, stressing that I was interested in their views and experiences. Thomas (1995) and Duke (2001) assert that 'personalising' research in this way can prevent being dismissed by elites or 'shunted off' to other departments.

The information obtained from these interviews informed the design of a self-completion email questionnaire which was used to identify suitable case studies, and also informed the interview schedules used within the case study research.

### **5.3.2 Stage 2: Email questionnaire survey**

The housing association sector is diverse, due to its size, the type of housing that associations manage, and the geographic location. The choice of case studies for the research needed to represent some of this diversity. Firstly in terms of their geography, the research wished to look at one national and at least one regional housing association to examine their comparable approaches to asset management. In doing so, this would consequentially identify case studies which also differed in scale and prominence in the sector, as it was likely that the national housing association would manage a large stock base in comparison to the usually smaller regional associations. It was anticipated that the difference in size and governance structures between a national and regional association

would present varied approaches and highlight differing issues around asset management behaviour.

However, the subject area of the research, asset management, also needed to be taken into account. I was interested in looking at case studies where there was asset management activity; there would be little merit in choosing a case study where asset management or associated processes did not exist. If an association was too small it was likely that they would not have a robust enough asset management strategy to examine, or employ staff that deal specifically with stock investment. Therefore I decided that the research would only target the largest five hundred housing associations operating in England.

The focus of the research on low demand housing also narrowed the geographic focus down to housing associations in fragile housing markets. For the national housing association this meant that they should manage some stock in these areas in addition to higher demand areas. For the regional association it was important that a significant proportion of their stock was located in low demand areas to satisfy the research aims and objectives (it was decided as a guide that this should be greater than 40 per cent of their total stock).

The questionnaire was designed to acquire some preliminary information concerning whether asset management activities took place. These included questions concerning stock investment practices, housing market intelligence and stock profiles of the largest five hundred housing associations (see Appendix 5 for the questionnaire). It comprised mainly of closed questions, as the main purpose of the questionnaire was not to collect extensive data for analytical purposes, but to find suitable organisations to take part in the research. It was hoped that by using short closed questions the survey would be quick and easy to fill out and ensure a higher response rate.

Through the Housing Corporation a data management company was used to circulate the questionnaire. Because of the Data Protection Act information on individual employees could not be disclosed. Access was only available to the names and postal addresses of the

Chief Executives of each housing association. There was a concern that if Chief Executives were used as points of contact there would be a poor response rate due to time and work pressures. Instead, through the data management company, the questionnaire was emailed to the RSR (Regulatory Statistical Return) contacts in each housing association. The RSR contacts were most likely to have immediate access to the information and knowledge required to complete the questionnaire.

Five hundred questionnaires were sent out. Of those, seventy seven were returned. Initially only around forty questionnaires were sent back but this number increased after a reminder letter was circulated to participants. A response rate of 15 per cent is a reasonable level but the data generated from the questionnaire has not been used to conduct any statistical analysis, only to identify potential case studies. Most of the replies came from housing associations with high demand for stock (those that stated less than 20 per cent low demand stock). There were only six responses from associations (five regional and one national) dealing with forty per cent or greater of low demand housing that would be suitable to participate in the main part of the research. It could be suggested that more questionnaires were filled out by associations in high demand areas because they had less sensitive information to disclose. Organisations dealing with low demand stock may have been reluctant to draw attention to themselves.

Three case studies were chosen for the main data collection process. It was considered that three housing associations would generate enough data to produce valuable and in-depth comparative analysis whilst keeping within the limited resources available for a thesis. Selection would depend upon the co-operation of the suitable respondents, but ideally one large and one small regional association and a national association would be chosen.

### **5.3.3 Stage 3: The case studies**

#### *Access to case studies*

Authors warn against overstressing the problems of gaining access to elite groups (Duke, 2001; Walford, 1994; Ostrander, 1995). But after receiving responses to the email

questionnaire it took a further two months to recruit three suitable case studies, and a another two months before the fieldwork could commence within these organisations. Gaining access to elite groups (in the case of my own research, senior members of social housing organisations) can be problematic for PhD students because often they lack 'academic prestige' and work alone. Explaining to an organisation or people with high levels of work commitments what taking part in the research entails can often mean that PhD researchers rank low in their priorities. If there are no previous links with organisations or 'elites' then this can further hinder the process.

From the questionnaire responses I telephoned three housing associations (two regional, one national) to explain the research project to the respective respondents. The other three regional associations that had returned the questionnaire were not approached because two had indicated on the questionnaire they were unwilling to take part in further research, and the other was a BME housing association with specific stock investment activities. All three RSR contacts preliminarily agreed to take part. But the research proposal needed to be discussed with their senior management teams due to the confidential information that may be disclosed by colleagues during the fieldwork process. Even after authorisation had taken place, the national housing association failed to respond to phone calls and emails with regards to recruiting interviewees. A further national housing association needed to be selected. The replacement case study was gained through a contact known to my supervision team.

Access to each case study was reliant upon one contact in the organisation which Duke (2001) refers to as a 'gatekeeper'. These were the RSR contacts who had filled out the original email questionnaire and acted as a filter with regards to who else took part in the project. These 'gatekeepers' helped to access further participants for the research, and were particularly obliging in approaching other senior and middle management staff within each organisation. However, using the 'snowballing' technique does bring some limitations with regards to who further participates in the study.

In addressing the issue of gatekeepers, Duke (2001) argues that often these individuals will only pass on contacts they feel mirror their own views and perspectives. In terms of researching organisations, elites may not wish junior staff to be interviewed because they are willing to disclose unofficial information. In my own research I was keen to speak to front line staff to gain a range of views and perspectives about decision-making. However most senior managers could not understand why front line staff were relevant to the research. When I requested contact with colleagues in ground level roles managers repeatedly discussed that asset management was not a concept that would be understood by front line staff. This may have been the case, but I was also aware they could have been worried about how front line staff would portray the organisation. Without wanting to jeopardise the participation of each case study I was only able to organise one focus group with junior colleagues. The other two case studies were unwilling to allow me to access to front line staff, and therefore I did not feel I could pursue this further.

Similarly, I was keen to speak to board members to hear their views concerning decision-making processes. Again, after persistently asking senior staff for contact details they made it quite clear they did not want me to talk to board members. This could have been because managerial staff did not think board members would contribute beneficial information as questions were too technical. Alternatively, they may have been concerned about the information that would be disclosed about the organisation. With the problems I had encountered getting suitable housing associations to participate in my research I did not want to risk my case studies withdrawing from the project because of my insistence of talking to board members.

#### *In-depth semi-structured interviews*

The main method used within the case study fieldwork was in-depth semi-structured interviews. Twenty interviews were conducted with senior and middle management staff in the three case studies, two interviews took place with local authority stakeholders, and a further three follow up interviews were carried out with key members of each association. These took place over a period of one year, spanning the second and third years of the research project. The interviews on average lasted for one hour, with the longest lasting

around two and half hours. The duration of each interview was dependent upon the seniority of the interviewee. The majority of directors and senior managers were most limited in terms of the length of time allocated to speak to me. All interviews were then tape recorded and transcribed verbatim.

In-depth semi-structured interviews produce knowledge which reflects the participants' own words and experiences. They also allow a flexible and open research process, in which the researcher can change the course of the conversation to suit how the interviewer and interviewee engage with the research topics (Sarantankos, 2005). Other research which has examined asset management in the social rented sector has approached their research design from a positivist perspective. This has explored stock investment strategies using quantitative techniques underpinned by financial and strategic indicators. In contrast, I was interested in finding out how each organisational actor played a part in the decision-making process relating to asset management, and their views and reflections upon the behaviour and culture of the associations they worked for. Therefore, in-depth semi-structured interviews provided a suitable research method which could discuss these issues and allow for flexibility concerning each participant's background, role and viewpoint.

Walford (1994), Ostrander (1995), and Hirsch (1995) draw attention to the way that semi-structured interviews are commonly used to study elites. This allows power to be 'tipped' in the direction of the researcher, gaining more control over how the interview is conducted. The use of a topic guide or interview schedule helps to prevent an elite participant straying from the subject, especially when time is scarce. It also enables the researcher to state explicitly what they would like to discuss within the interview and helps them retain some level of power when interviewing someone with a degree of authority.

In my own research the majority of senior managers and directors talked extensively around the subject areas. The topic guide (see Appendix 6) helped to begin a new discussion if I felt that enough had been expressed concerning one area. It was also used as a prompt to remind myself of the key subjects that were important to talk about in what was usually only a one hour interview. I also used the topic guide to modify the interview to suit

the role the participant played within their organisation. For example, when I was interviewing the Financial Directors in each case study, questions and prompts were centred on budgeting, economic indicators and risk analysis rather than more socially orientated questions.

The type of knowledge gained from elites through interviews also needs to be considered. Duke (2001) talks about the 'official line', whereby elites will only discuss the perspective of the organisation they work for rather than their own views and experiences. Ostrander (1995) draws attention to researchers over-estimating the importance of what elites have to say, assuming that elites know more about what is going on in the organisation, than staff lower down. In this way the researcher can be influenced in recording data in a certain way and analysing results which reflect an elite perspective. I needed to be cautious about keeping a balanced view of the stories that were discussed in interviews, trying not to over-represent one person's account within the write up.

Researchers may also find it problematic to ask difficult questions or challenging opinions expressed by respondents in interviews in case of jeopardising their own relationship with the organisation. There are ways of preventing this whilst still gaining more sensitive information. In my own interviews I asked respondents about their role within the organisations and day to day tasks. This often provided insights into the organisational culture of the association and personal views regarding other staff, departments and practices without explicitly asking them.

Although the constraints of being female and relatively young have already been discussed earlier in the chapter, Walford (1994: 224) also suggests that "*female researchers may be at an advantage in being perceived as "harmless", especially if they are relatively young and not in senior positions within their own organisations*". Therefore, respondents can be less wary about disclosing sensitive information. In this way I may have accessed confidential information about decision-making which was not readily available in the public sphere and may not have been disclosed to a male researcher. Additionally, my relative lack of experience of working in the social rented sector meant that participants often felt they

should explain things in more detail concerning processes and practices that they did not think I would understand.

### *Focus groups*

Although the subject of asset management is one which is predominantly considered at a management level in housing associations, there are more operational aspects which include junior staff. In addition, the project was interested in how relationships at different levels worked within the organisation concerning decision-making processes; looking at the dynamics between the decision makers and those members who were carrying out the decisions made. As Hirsch (1995) notes there are often differences between the views and perspectives of elites and junior staff:

*"Reminders of disparities in information and perceptions between upper and lower levels of organisational hierarchies...Reports from different levels of organisation and society regularly find corresponding differences in attitudes, understandings, and experiences of respondents occupying positions at each on of these (respective) levels"*

(Hirsch, 1995: 75)

Therefore the study wished to speak to front line staff concerning the day to day issues of asset management, and their role (if any) in the decision-making process.

The chapter has already drawn attention to the difficulties in accessing front line staff. The lack of understanding by senior management about the relevant knowledge of junior staff, or the fear that they may say something 'unofficial' meant that it was only junior staff in one case study who were included in the research. It must be acknowledged that there are limitations with this, but front line staff in the other two case studies were not pursued further to maintain a good relationship with both organisations.

One focus group was set up through the assistance of the initial contact within one case study. Eight participants were recruited who represented the four departments within the

organisation; these included housing, regeneration, and development officers, research assistants, and surveyors. It lasted for two hours, was recorded and similar to the elite interviews a topic guide was composed to guide the discussion.

A focus group was used rather than individual interviews because talking to staff in a larger group would hopefully generate a livelier and more extensive discussion. There were also more practical reasons for conducting the focus group as it allowed me to talk to larger numbers of front line staff within a limited time capacity. In addition managerial staff felt that front line staff would feel intimidated or unsure about their level of relevant knowledge concerning the research area. As Morgan and Kreuger (1993) argue:

*“Focus groups are particularly useful when there are power differences between the participants and decision-makers or professionals, when the everyday use of language and culture of particular groups is of interest, and when one wants to explore the degree of consensus on a given topic”*  
(Morgan & Kreuger, 1993).

There are different issues relating to power within focus groups, in comparison to the elite interviews. In using a focus group the researcher exercises less power concerning the topics which are discussed because they play a facilitative role which is less active than in interviews: *“the individual interview is easier for the researcher to control than a focus group in which participants may take the initiative”* (Gibbs, 1997: 2). But focus groups are not empowering for all participants (Gibbs, 1997). They tend to benefit stronger members of the group who are not intimidated by the presence of other colleagues and a facilitator. In the focus group there were four more vocal participants who contributed to the discussion and in some parts dominated the conversation.

Unlike the elite interviews I was researching ‘across’ by conducting the focus group with front line staff. In the elite interviews participants were aware that I was reliant upon their knowledge to gain an understanding of asset management, and this could be used to the advantage of the interviewee. Although the same could be said for the knowledge held by

the focus group, there was a different perception of me by participants. As a researcher I was viewed as the same 'level' as the front line staff taking part. This was reflected in the nature of the discussion. I found that respondents directed very few questions towards the reasons behind why I was conducting the research. The conversation was more informal and was focused around practical examples of housing schemes and operational decision-making rather than strategic and policy issues to suit the knowledge base of the participants (see Appendix 7 for topic guide). In addition, more sensitive topics such as the role of tenants and organisational culture were more openly discussed. In contrast, some interviewees at more senior levels were more wary of my research, questioning its purpose and my credibility in carrying it out.

### *Observation*

There are difficulties in researching power through secondary accounts told through in-depth semi-structured interviews and focus groups. Although they are able to ascertain large amounts of data within limited time resources and draw on the views and experiences of individuals, they are reliant upon the interviewee's account and must therefore allow for exaggeration or discrepancies in retelling decision-making practices. Observation relies upon the researcher's account of what they see and experience<sup>17</sup>. Using observation "*allows a fieldworker to use the culture of the setting to account for the observed patterns of human activity*" (Van Maanen, 2002). In using observation within each of three case studies it was hoped that decision-making processes could be analysed in their real life settings and in the broader culture of the organisation.

However, there were problems in accessing meetings where decision-making took place. I had originally intended to conduct participant observation within my research design; but all three case studies were guarded about allowing access to these events. This was probably due to the sensitive and confidential information that was discussed. This included information concerning decisions around demolitions and housing market renewal strategies, but also bad financial and strategic judgements. On a one-to-one basis I had built

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<sup>17</sup> The researcher's observations also have limitations which part of the reflexive process outlined at the beginning of the chapter.

a good rapport with staff in each association, but, details in the interviews were disclosed confidentially. I think that the case studies did not want me to observe their meetings because they were worried about the way I would report and interpret the information I observed. Similar to the issues I had with accessing front line staff and board members, I could not jeopardise my established relationship with the organisations in pursuing this further. Future research might have benefit from a greater involvement of observational techniques to pick up nuances and relationships between actors.

I was able to attend one external meeting through contacts at one of the regional associations. It was a working group examining asset management and the Decent Homes Standard. Representatives from the ten largest housing associations in the city and local authority staff were involved and it provided a good insight into the practices and negotiations of external decision-making. In addition, by conducting fieldwork within the natural settings of all three case studies, observations were made whilst waiting for interviewees and spending time in their offices looking at documents and data bases.

#### *Documentary sources*

Yin (2003) discusses how documents within case study research are an important source of information. They are able to provide specific details and can help corroborate evidence sourced through other methods. Using documentary sources within the three case studies provided information on the organisational structure of each association, which was referred back to when analysing the decision-making networks. Specific data which looked at stock investment classifications and housing stock information supported the narratives that were told within the interviews. They helped to build a profile with regards to how, when and why stock investment decisions were made within each association.

Documents can also support validation techniques used within the fieldwork process. The method of triangulation uses multiple methods to provide a more accurate representation of the research subject (Silverman, 2006). The problems associated with using interviews to interpret how organisational decisions are made were alleviated through combining interviews with documentary analysis. I asked participants how stock was classified and

then compared their answers to each other and to the official strategy written by the organisation. The triangulation method helped to look for contradictions or similarities in retelling organisational practices.

#### **5.4 Ethical considerations**

There are ethical standards to consider in undertaking any piece of research. These will differ depending upon the methods used, the research subject and the participants involved. The subject of asset management and the decision-making behaviour was not one that raised potential harm (either physical or mental) to the researched community. However the information that was discussed by participants did draw on policy and practice that was not freely available in the public domain, particularly to tenants. It also examined interpersonal relationships between individuals and departments in the three organisations. Therefore there needed to be procedures that took place during the course of the research to ensure ethical conduct was prescribed to.

Firstly, the three housing associations had to give informed consent to the research taking place. A research proposal was emailed to the 'gatekeepers' in each organisation which outlined the research objectives and what the study would be used for. Part of the proposal also stated the involvement from the Housing Corporation; as their regulator it was important that participants were aware of their connection to the research.

After written consent was given further guidelines were agreed before the fieldwork commenced. Full anonymity of the association, their staff and the neighbourhoods they operated in was granted. At the beginning of each interview participants could request that the interview was not tape recorded. All agreed to be recorded but there was some information they asked not to be directly quoted. Kogan (1994) points out that when interviewees request this their wishes should be respected but argues that the researcher should make every effort to create a clear usable version as it is often valuable information. During the fieldwork process I gained knowledge concerning past mistakes and bad

practice around asset management but also information concerning demolition plans and projected neighbourhood renewal strategies. It was important that all acquired knowledge remained unidentifiable to specific individuals, locations or organisations.

There were times when the confidentiality agreement tried to be breached by other participants. The senior managers within one of the case studies were interested in looking at the results from the focus group I facilitated with front line staff, which I refused. Even though identities of individual answers were anonymous the managers were aware of the individuals that took part in the discussion and could have tried to speculate participant's responses. In an interview conducted with a manager in the national association he inquired about the other organisations taking part in the research, requesting information about their asset management practices. Again, the request for this information was declined due to breach of confidentiality.

## **5.5 Data Analysis**

All interviews and the focus group were tape recorded and transcribed verbatim by myself. Transcription can be viewed as an interpretive act (Lapadat and Lindsay, 1999), as the transcriber becomes the channel of the oral voice in written form (Bird, 2006). So, transcription then becomes part of the reflexive process as the transcriber makes decisions about punctuation, what to include or exclude from the final text or can mishear words which can alter its interpretation (Poland, 2003). The researcher (if they are transcribing) is now able to exercise more power than perhaps in the fieldwork environment. There becomes a power reversal, whereby in the field researchers are reliant upon interviewees to provide information. When it comes to transcribing, researchers begin to decide whether this information is useful to them. Although I transcribed everything that was discussed within the interviews I knew that there were parts of the conversation which were of no relevance to the research questions and would eventually be disregarded from the analysis process.

Transcription methods vary dependent upon the use of interview content. Silverman (2006) looks at the importance of including every detail including length of pauses, stress of sentences and repeated words. In contrast Plummer (2001) looks at those who use an edited transcription to remove repetitions and colloquial language. The method described by Silverman is more appropriate for researchers carrying out detailed discourse analysis or research addressing personal issues, whereby narrative accounts and speech patterns provide an important insight into the 'life world' of participants. My own research was using the interview transcripts as evidence to build a picture of organisational decision-making and therefore my own transcription methods have used an approach closer to the one described by Plummer.

Each transcript was assigned a number for identification purposes during the analysis process<sup>18</sup> and then in turn each text was coded manually. Computer packages such as NVivo and NUD\*IST now widely exist which assist in analysing qualitative data but I decided not to adopt these electronic methods. Instead preference was given to analysing data by hand, as repeatedly examining transcripts myself helped to build a strong picture of the evidence base before writing the analytical chapters. Additionally it was difficult to predict the level of internal variability there would be within the three case studies. Analysing the transcripts by hand helped to identify and underline the similarities, contrasts and patterns concerning their decision-making behaviour. As Coffey, Holbrook and Atkinson (1996) assert, using computers to organise and code data can often lead to the misapprehension that the programme has also analysed the data. Further, use of computer software represents a mechanistic approach given to standardised surveys rather than more flexible qualitative methods (ibid).

Thematic coding was used to analyse the interview transcripts, which helped to identify patterns and provided a methodical process to interpret the data. As Charmaz (2003: 319) argues "*coding is the pivotal first analytical step that moves the researcher from*

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<sup>18</sup> Therefore, quotations and other data could be referenced back to their original source at any point in the analysis process.

*description toward conceptualization of that description.*” The coding framework used was devised from my analytical framework, which looked at decision-making models and identified power and knowledge as key concepts in examining decision-making behaviour. From these two key theoretical themes a series of eleven sub-themes<sup>19</sup> were identified which were used to further explore and analyse the text. As the interview transcripts were dissected using the eleven sub-themes a document was produced for each case study comprising direct quotes, passages and notes relating to the coding framework. This produced a large document of around 150 pages (approximately 50 pages per case study). The next stage of the analysis process required me to edit the information abstracted from each case study to around 15 pages each.

Attride-Stirling (2001) discusses a qualitative analysis technique called thematic networks, in which data are ordered in a series of three hierarchical levels referred to as global, organising and basic themes. As text is analysed, codes and themes are grouped together and eventually produce a few core principles (global themes) which encapsulate the main focus of the research. By combining my identified sub-themes from the analytical framework I was able to order the data into manageable sections which were transferred to the analysis chapters in the thesis. The global themes of power and knowledge were broken down to explore five organising themes: a) internal information networks, b) external information networks c) organisational learning, d) power flows in internal decisions making processes and e) power flows in external decision-making processes. Using the edited text for each case study I began to analyse my findings corresponding to these sub-headings and insert evidence which compared the three organisations.

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<sup>19</sup> Sub-themes used were: a) defining asset management; b) approaches to asset management; c) decision-making criteria; d) organisational culture; e) internal relations; f) external relations; g) competition; h) partnerships and networks; i) responses to housing market change; j) information and data and; k) wider policy.

## 5.6 Validity

*“All fieldwork done by a single field-worker invites the questions, Why should we believe it?”*  
(Bosk, 1979: 193)

The concern with the validity of data is commonly associated with positivism (Guba and Lincoln, 1989). However, there needs to be awareness concerning the validity and representativeness of data produced using qualitative methods. In using a qualitative methodology the research questions, fieldwork and analysis are all influenced by the researcher. This chapter has looked at the power relations that exist between the observer and the observed and how these have influenced the type of knowledge gained, the methods used and the interpretation of both methods and results.

Maxwell (2002) looks further at validating qualitative research, and identifies two types of validity; descriptive and interpretive. Descriptive validity refers to researchers ensuring they have heard respondents correctly and not mis-transcribed their conversation. Interpretive validity questions the extent to which we interpret what respondents have to say in the way it was meant; are the beliefs and meanings attached to accounts by participants the same as how we interpret them?

The subjective nature of qualitative research makes it difficult to claim certainty concerning the information that is collected. Returning to the reflexive process outlined at the beginning of the chapter helps researchers to identify their position and role within the research encounter. This project has identified that power struggles, authority and access issues have both assisted and hindered research into decision-making behaviour and asset management practices. Validating qualitative research, as a minimum, involves the researcher ensuring they have conducted the fieldwork using ethical practices and an awareness of the way they have affected data collection and interpretation.

## 5.7 Case study background

The final section of this chapter outlines a contextual background of the three case studies examined within the project. It looks at their size, location, stock and tenant profile, and the wider organisational structure to provide information to support their decision-making processes discussed in the preceding two chapters. The data discussed (unless otherwise specified) is taken from each housing associations annual report (2005/2006) but has not been fully referenced due to compliance with full anonymity of each case study<sup>20</sup>. For all three case studies the names used are all fictitious.

### Case study 1: Magenta Housing Trust

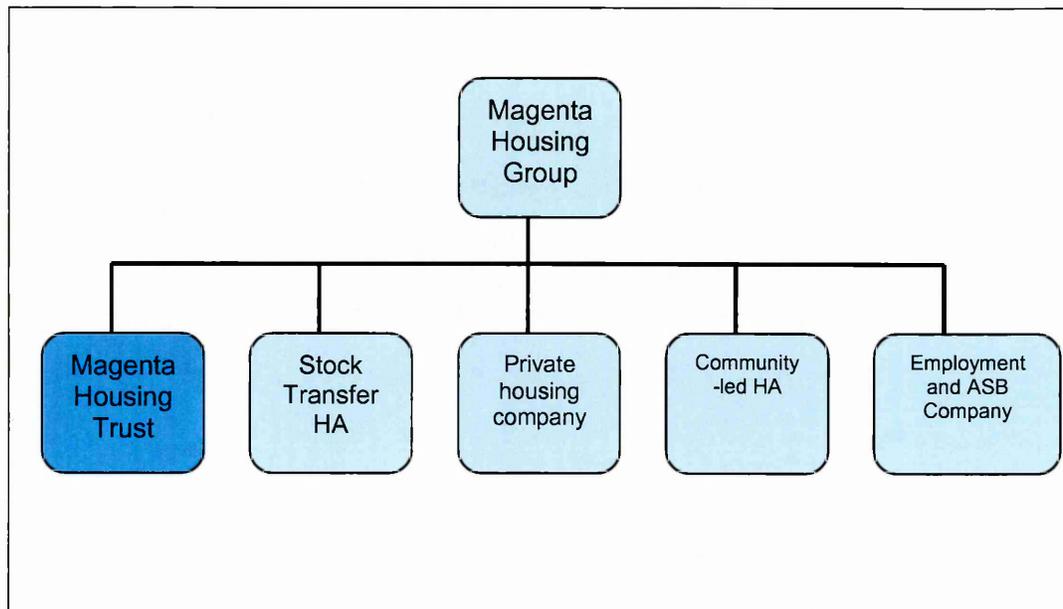
Magenta is a large regional housing association located in a Metropolitan area in the North of England. The association manages approximately 9,000 units and is part of a group structure which manages around 16,000 homes. The majority of Magenta's stock is located within one local authority area (73 per cent). A further 15 per cent has been acquired through stock transfer and is situated in a neighbouring local authority, with the remaining 12 per cent spread across four local authorities positioned close by.

The majority of dwellings managed by Magenta are classified as general needs stock (82 per cent), 11 percent is supported housing, and they manage around 550 units of non social housing stock (this is mainly student lets with around 50 market rent properties). Examining the age and condition of stock, the stock profile in the main local authority area they operate in is largely made up of pre 1900 terraced properties. Therefore the reasons behind high rates of difficult-to-let and low demand housing (between 40 and 60 per cent of total stock in 2005) has been significantly attributed to obsolescent stock which has been classified as 'non decent', as well as wider neighbourhood and 'social' problems. In March 2006 1,915 units (21 per cent) of total stock managed did not meet the Decent

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<sup>20</sup> All information, unless further specified, discussed and analysed within this chapter is from the end of the financial year 2005/2006 and is taken from each association's annual report. The fieldwork conducted in each of the three case studies spanned from April 2005 until January 2006 and so the documentary evidence disclosed corresponds with this timescale.

**Figure 5** Magenta group structure



Homes Standard (RSR 2006). Within the inner city core of the main local authority area between 95 and 99 per cent of all dwellings were classified as either council tax band A or B in 2004.

Looking more closely at the associations wider group structure (see Figure 5), Magenta operates alongside four other subsidiary organisations. These include two other housing associations; a stock transfer association of around 6,000 homes acquired in 2003, and a small community-led association with approximately 750 units which became part of the group in 2004. The group also manages a commercial segment of the organisation which develops properties for market sale and rent. Additionally, a company was set up in 2006 which works with tenants and other residents to tackle employment and anti-social behaviour issues.

Magenta's asset management strategy (see Appendix 8) had been developed eighteen months prior to the fieldwork being carried out. Previous to this a strategy had been in place which had been predominantly concerned with the physical maintenance and repairs

of stock rather than wider social and strategic concerns. The old document was not referred to as an asset management strategy by name but had taken this role. The organisation was waiting upon board approval and an updated stock condition information before a final copy was drafted. Consequently, when the interviews were conducted only an interim version of the strategy had been published, and therefore the research has based all analysis on the interim document.

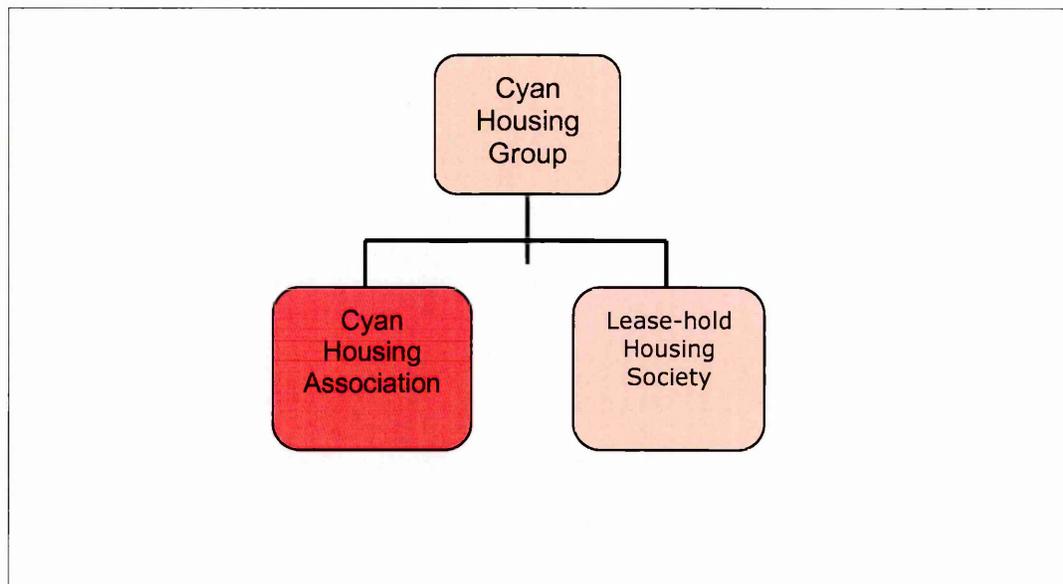
The strategy refers mainly to the organisation's general needs stock for the period 2005-2010, addressing stock investments, disposals and growth. Changes in their asset management strategy had been triggered by wider changes in the organisational structure and culture. The overall business and social objectives of the organisation had been redeveloped, and a new Director of Housing Services had been appointed. Both had prompted significant changes in the structure of the asset management strategy.

### **Case study 2: Cyan Housing Association**

Cyan is a small regional housing association, managing around 6,000 units (RSR 2006), and part of a group that manages 7,600 properties in total. Its housing is located within twenty local authority areas spread across the North and North Midlands. Stock is much less clustered than Magenta's; with the largest concentration of dwellings in one local authority area accounting for only 20 per cent of total units managed. The organisations history can provide some explanation for the wider distribution of stock.

Originally managing around 200 properties in the 1970s, the association merged with two others to increase its stock profile to 2,700. Two further housing associations have since been taken over by Cyan in 2003 and 2004. The group now consists of Cyan housing association, which the research was concerned with, and a non-charitable housing society which manages the group's lease-hold properties (see Figure 6). In addition, Cyan Housing Group is the lead partner within a regional housing partnership, including five other housing associations.

**Figure 6** Cyan group structure



Similarly to Magenta, most of Cyan's stock is general needs housing (85 per cent), 14 per cent is supported housing, and less than 1 per cent is classified as non-social housing stock. However, the geographical spread of stock means that Cyan's stock profile is more varied than Magenta's. Housing ranges from terraced properties, similar to Magenta's, to include new build housing, and ex-local authority stock. For this reason there is proportionally less 'non decent' stock (15 per cent in March 2006; RSR data) and low demand or difficult-to-let stock are underpinned by different problems. There are lower levels of low demand stock (between 20 and 40 per cent) due to operating in more diverse housing markets. Where low demand is a problem most of these properties are located on ex-British coalfield estates or bed-sits where unemployment and anti-social behaviour have led to high vacancy and turnover rates.

Cyan's asset management strategy (see Appendix 9) has been in place the longest of the three case studies. It was written in 1995 and the structure of the document had remained in a similar format within this period. However, some alterations have been made, which can be explained by two main reasons. Firstly, the series of mergers which has taken place

within Cyan has altered the organisation's stock profile and the strategy needed to reflect this. Secondly, as concentrated areas of low demand started to become an issue for Cyan in the late 1990s the stock investment programme and asset management strategy needed to take this into account. In response they evaluated their stock categorisation system to include disposal and regeneration options.

### **Case study 3: Ochre Housing Group**

Ochre is a large national housing association, which as a group manages around 55,000 properties. The research was concerned with one branch of their organisational structure; Ochre Homes who manage approximately 40,000 units. Due to the large scale of the organisation their operations are divided into seven regional segments in England. For the research it was decided that staff in only one of the northern regions would be interviewed in addition to the staff in their central asset management team. Focusing on one region in the association provided a manageable case study for the time and resources available.

Among the 40,000 units managed by Ochre Homes, similar to both Magenta and Cyan, the majority (79 per cent) are general needs housing, 10 per cent are supported housing and 9 per cent is non-social housing (RSR 2006). The selected region manages around 11,000 of these homes, and was chosen to represent an area which dealt with higher than average levels of low demand housing. Similar to Cyan's stock profile, properties managed by the group are widely dispersed. Ochre operate within four large metropolitan areas within the chosen northern region and therefore the stock profile is varied. Concentrations of low demand stock in two areas are dominated by obsolescent terraced housing. There are also problems with newer properties classified as 'difficult-to-let' due to wider socio-economic indicators.

The wider group structure is quite complex and Ochre Homes is one of eight subsidiary organisations (see Figure 7). There are a further two housing associations which specialise in BME housing, and Scottish general needs and supported housing. One organisation deals with affordable housing, and three further subsidiaries in England and Scotland manage stock for market rent and sale. Finally the group also includes an organisation which

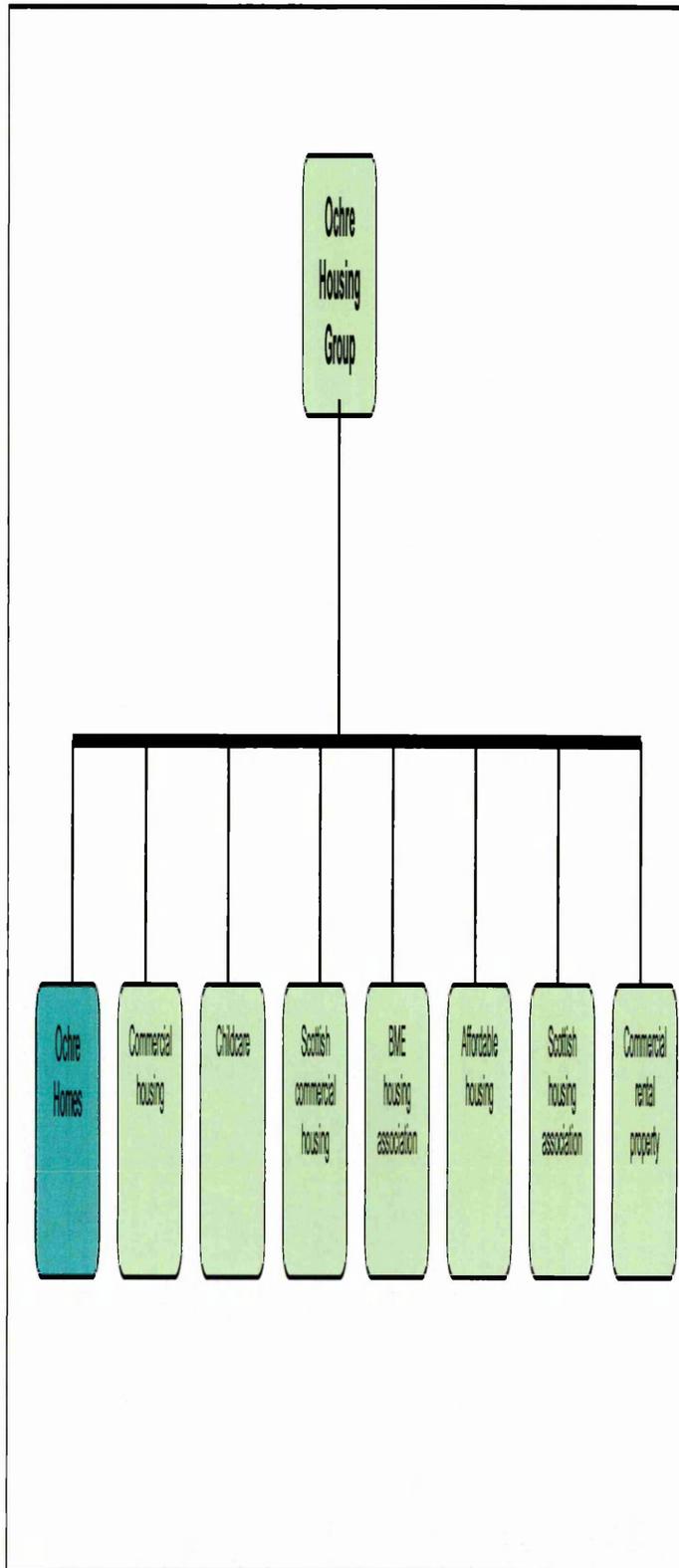
manages childcare. The broad scope of the organisation means that there are specific groups at a central level that deal with asset management, financial services, regeneration, landscaping, development which are fed into the sub-regions.

When the fieldwork was carried out within Ochre, the group was undergoing significant restructuring which has subsequently altered their management arrangements and governance structures. Part of this re-organisation was to include a new asset management strategy. When interviews were conducted with asset management staff, at both the regional and central level, the strategy was still in its development stages and could not be accessed, and has since been unavailable. Therefore, the research could only rely upon accounts from staff within the association to explain how the strategy was being redeveloped and the outcome for their stock investment processes.

## **Conclusion**

This research has adopted a case study approach using qualitative methods. The use of predominantly in-depth semi-structured interviews has enabled the researcher to access detailed information around how and why stock investment decisions are made. However, the methods are not without their limitations. The role of the researcher in conducting research with both 'elites' and operational staff has raised issues around power relations between the observer and the observed, as well as problems concerning access to participants, meetings and documentation. The discussion around the methodological framework has introduced the three case studies participating in the research and the next two chapters will go on to present the research findings. This begins with chapter six which explores the knowledge and information flows found that help to inform stock investment decision-making. Chapter seven then examines how power underpins the decision-making process, analysing the different types of decisions that are made by housing associations both internal and external to the organisation.

**Figure 7** Ochre group structure



## CHAPTER 6

### Knowledge, Information Flows and Decision-making

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#### Introduction

As noted earlier, organisational decision-making processes, to some degree, rely upon knowledge and information to help to reach a final outcome, whether this is on the basis of instinct or statistical data sets. However, the status of this knowledge and information alters depending on variables such as where it has come from, who collects it, and how it is controlled and disseminated within the organisation. This chapter will examine the knowledge processes involved in asset management decision-making within the three case studies involved in the research.

This chapter is divided into four sections. Firstly, it will address the decision-making criteria used by the housing associations in order to classify their housing schemes and make stock investment decisions, and will examine the information used to formulate these classifications. It will then go on to assess how this information is circulated within the organisation, examining the organisational members who evaluate, interpret and disseminate it and what impact this has within each housing association. The chapter will also address the sharing of information (both formulating and accessing it) and explore other external groups and individuals which play a part in the knowledge flows of the decision-making process. Section three will examine the extent to which each housing association adapts to their external environment and learns as an organisation, analysing how (if at all) they have enhanced their approach to asset management decision-making over time. Finally, the perceptions of their own asset management behaviour are explored, considering the type of language used by each case study to explain their decision-making processes.

## 6.1 Organisation of internal knowledge flows

The chapter is concerned with knowledge and information flows within each of the three case studies that help to inform stock investment decision-making. This involved the discussion of the data sets used, research accessed externally or conducted internally, and the organisational members involved and responsible for processing and communicating the information. This section sets out to explain and describe these processes and is not attempting to analyse knowledge and information flows, which will be done in more detail in section 6.2 and 6.3.

### 6.1.1 Decision-making criteria

The frameworks which are used by all three housing associations, concerning their stock investment classifications, are similar in approach. By this it is understood that the three case studies use comparable techniques which operate as a ‘traffic light’ system to alert the asset management team when stock, for example, is in need of major work, demolition, some minor development or no work at all.

*“most RSLs have traffic lighted their asset management strategies, it’s the thing these days, everything is traffic lighted.”*

(Head of Operations, The Housing Corporation,  
Interview 25<sup>th</sup> October 2004)

There are of course variations on this pattern which the three case studies will illustrate. For Magenta, the criteria used were labelled according to the following description:

- 1) Long term sustainable,
- 2) Transitional,
- 3) Not sustainable and going to be cleared and;
- 4) Priority neighbourhoods.

For stock to be classified within the first category the organisation would have to be confident about the area, and the stock being of sound physical condition with plans to include some new build stock. In the second category there was more of a question mark about the long term sustainability of the area which was dependent upon the housing market renewal strategy for the city as a whole. Stock investment in these areas was approached more cautiously because of possible 'strategic' changes in ten years time. The third classification describes residual areas where there have either been plans for clearance, or there is no long term sustainability for Magenta's stock. Finally, the fourth grouping is an additional criterion which has been introduced since the new Director of Housing and Neighbourhood Services was appointed. He felt that this extra category was needed to deal with properties where there was a question mark over their future:

*"We can't be absolutely sure about how things are going to pan out over the next ten years, but for business and strategic reasons we've got to invest in them because otherwise it would cause us major problems. So it's not just about protecting the business, it's about supporting the wider neighbourhood and regeneration, and recognising what impact our investment can have in protecting those neighbourhoods and keeping them sustainable in the longer term."*

(Director of Housing and Neighbourhood Services, Magenta)

In terms of the data used to generate these four criteria, Magenta had developed what they referred to as neighbourhood tracking data, which comprised of indicators relating to all housing schemes they managed in city's inner core area. This looked at a range of socio-economic and housing management indicators, such as the value of the properties, percentage of housing benefit claimants, and number of reported ASBO incidents which are grouped under the traffic light system as green, amber or red dependent upon their performance (see Appendix 10). The classification of each neighbourhood indicator is only assessed internally in comparison to all the areas that Magenta operate in within the city. For example, one of the socio-economic indicators is school attainment, specifically GCSE pass rates, in which the lower the rate the more 'at risk' an area is perceived to be. In the

area of 'neighbourhood  $\alpha$ ' the percentage of GCSE grades A\* to C averaged across all the schools in the area is 33 per cent, whereas 'neighbourhood  $\beta$ ' has a rate of 61 per cent. Neighbourhood  $\alpha$ 's GCSE pass rate is classified as red in the traffic light system and therefore of high risk for Magenta, but neighbourhood  $\beta$ 's is allocated green and thus present a less serious threat for the organisation. However, if we were to look at the national figures in terms of GCSE attainment, it is unlikely that a rate of 61 per cent would be located in the upper third of all school exam results, due to other schools at a national level achieving a higher pass rate. Therefore, although some of Magenta's stock is given 'green status' this is in comparison to their own stock as opposed to housing stock at a broader scale, such as in the North West or England as a whole.

From these indicators each area is given a formal 'risk' classification, ranging from 'at risk', 'potentially at risk', 'stable but needs monitoring' and 'stable' which are taken from a city wide asset management database, 'CAMD'. The indicators were based predominantly on quantitative data from internal sources such as stock condition surveys and housing management data, but also included external sources such as the latest census and neighbourhood statistics. A large amount of data was also obtained from the city wide database CAMD which was an organisation who had been established by the City Council and the Strategic Housing Partnership. CAMD provides a data collection service for all housing associations operating in the city area which looks at socio-economic indicators and provides market analysis at differing spatial scales ranging from street level to sub-regions. In addition, they offer a mapping tool for housing associations and a service which helps associations to set up their own information systems to monitor housing investment and wider market variables.

In Magenta the large majority of decisions are made by senior management. When decisions are made about stock, the neighbourhood tracking data forms the basis of that decision, which senior management then address in collaboration with the wider organisational objectives and financial criteria to help to reach a final outcome:

*“So as well as looking at every neighbourhood in terms of categorisation, we then looked at the strategic context of that particular neighbourhood and looked at the tracking information of that neighbourhood. So we could pick up and develop a fairly good picture of the future of that neighbourhood and make sure our categorisation of the areas we knew and we could remain confident that we were making the right decisions.”*

(Director of Housing and Neighbourhood Services, Magenta)

*“So that was a decision about properties, and that was fed by property information. It was fed by housing management who were saying they had started to see real decline and were looking at demand, and they had to look at strategic decisions in the business. And obviously fed by finance in terms of what resources were made available.”*

(Assistant Director of Regeneration, Magenta)

Cyan, similar to Magenta, uses an investment matrix in which information concerning every scheme they manage is fed into a central database, allocated a score which then ranks each housing scheme according to its performance (see Appendix 11). Compared to Magenta, Cyan’s system is a more complex tool in the way it manipulates the data, but uses a less varied set of indicators. Each scheme is allocated a score which is calculated by multiplying together the number of arrears, void levels, the cost and number of evictions, and finally a traffic light management indicator. This is like the one described above for Magenta, but in Cyan 1 replaces red, 2 replaces amber and 3 replaces green, which are based upon data concerning the utilisation of staff resources, and ASB levels. This figure is then divided by the number of properties on the scheme to give a figure which then ranks the scheme in order of performance.

Other information is included in the matrix but does not contribute to the final score. Among ‘softer’ qualitative measures is what Cyan term an ‘investment code’ which is decided within investment team meetings and are grouped into the following five broad categories:

- A) Stock which has an economic life of at least thirty years and will not require substantial investment within ten years,
- B) Stock which has an economic life of at least twenty years but which will require limited component renewal within the first ten years,
- C) Stock with a long economic life, with a sound structure but will require management initiatives and revenue support, rather than capital expenditure,
- D) Stock which requires significant capital expenditure, but post improvement, will continue to have a sound economic life in excess of twenty years and;
- E) Stock where we recommend no major capital investment because of doubts regarding the economic future of the dwellings. These dwellings will be considered for disposal, demolition, or for works to maintain minimum legal obligations.

The purpose of the investment code is for the investment team to be able to broadly pick out each housing schemes current performance without consulting the matrix on a daily basis.

*“Part of our strategy is not to try and come new to every single scheme and chew over the details otherwise you’d never get anything done. So we’ve an active process running. So at any one time this matrix is up to date. Therefore we know where things are good and bad, where things are getting better and where things are getting worse. So where we have this team of people that sit down and meet they haven’t got to suddenly decide everything and find out everything about the scheme. What they do is dip into where this is coming from.”*

(Director of Housing, Cyan)

Again, the classification of stock both in the traffic light system and investment code is only compared internally. Therefore, stock within Cyan which is coded ‘1’ or ‘A’, if

compared to housing association stock at a national level, may actually be considered as a '2' or '3', or between B and E.

In Ochre the stock investment decision-making criteria was based purely upon financial indicators, in the form of a programme called the Boston Spa Matrix. This uses a method called Variable Cost Cover Ratio (VCCR) which measures the extent to which the income on a scheme (such as rent, service charges and property revenue receipts) covers its variable operating costs, scores greater than 100 per cent indicate a positive contributor and those less than 100 percent indicate a negative contributor. In using this classification schemes were grouped under the following:

**Stars)** Schemes with VCCRs in excess of the Corporate VCCR and which have exhibited rising VCCRs throughout the review period,

**Cashcows)** Schemes with VCCRs in excess of the Corporate VCCR which have exhibited stable VCCRs,

**Warhorses)** Schemes with VCCRs in excess of the Corporate VCCR but which have fallen during the review period,

**Question Marks)** Schemes whose VCCRs have risen during the review period but which none-the-less remains below the corporate VCCR,

**Dogs)** Schemes with stable VCCRs but which are below the Corporate VCCR and;

**Dodos)** Schemes whose VCCR is both below the corporate VCCR and has fallen throughout the review period.

Although schemes which generate a score of less than 100 per cent are most likely to be at risk, it is also dependent upon the VCCR score of the organisation. In the case of Ochre their VCCR score for the financial year 2004/2005 was 287 per cent and, as a consequence, some of the schemes that scored greater than 100 percent were still perceived to be poor performers and therefore at risk if they were below the 287 per cent level . The score of 287 per cent related to all stock managed by Ochre across the seven sub regions they operate in. This meant that more popular schemes which generated greater rental income in high

demand areas, or modernised properties would increase the VCCR score. Ochre therefore would have a wider range of scores at a national level in comparison to Magenta and Cyan, whose performance indicators focused upon localised regional housing demand. A ‘high’ performer within one of Magenta’s or Cyan’s neighbourhoods may actually generate less rental income than a ‘low’ performer in Ochre. The internal benchmarking in all three case studies therefore draws attention to issues concerning the scale and type of association. It is not only a question of difference between large versus small housing associations, but also the scales of the housing markets they operate in.

More recently, Ochre have introduced five year plans concerning budgeting for stock investment. In the past, decisions had been made on a yearly forecast which had restricted the level of investment that could be carried out. For instance, if a large scheme required all its windows replacing this could have used a large proportion of the budget up for one financial year. In the new system longer term planning and more in depth development could be implemented around asset management. However, they only carried out the Boston Spa Matrix analysis once a year and there was recognition that this did not provide the sufficient level of information needed to evaluate their asset management strategy.

*“We only do this [Boston Spa Matrix] once a year, it’s a really good tool but we only do it once a year and I think maybe we should do it more often. We can plot when a scheme is beginning to go down...once a year isn’t really enough.”*

(Regional Head of Housing Services, Ochre)

There were further issues with the depth and variety of knowledge and information used to make decisions concerning stock investment in Ochre. In comparison to Magenta and Cyan, the purely financial indicators used in the Boston Spa Matrix could be seen as an insufficient way of assessing housing schemes with little concern for social indicators such as demand factors, level of ASBOs or school attainments. However, Ochre were in the process of assessing the information used to inform stock investment decision-making, and they had recognised the constraints of only using ‘harder’ financial indicators.

*“We essentially talk about asset management because we don’t think we have, at the moment, a really good asset management database. With a property’s previous history, a lot of what we do is very much gut feeling about housing services but we are taking steps to address that.”*

(Regional Head of Housing Services, Ochre)

*“We are developing a series of qualitative measures with a template to try and help us with the non physical issues. I mean Codeman only tells us about what it’s going to cost at the moment with repairs, and what it’s probably going to cost in the future to repair something and also whether it’s a decent home or a non-decent home etc...But we are internally developing a template to judge those other non-physical issues. And it’s not easy because it becomes very judgemental, and it’s what level of judgment you put into that process and what level of actual statistical analysis you put into the thought process as well.”*

(Central Asset Management Manager, Ochre)

Although Cyan and Magenta included a wider range of socio-economic indicators in their classification of housing stock, these are mainly in the format of quantitative data sources. When discussing the range of information used within the criteria, the lack of less tangible and qualitative knowledge sources was perceived to be a constraint within both Cyan and Ochre, but to a lesser degree in Magenta. They all talked about the need to include this type of information within the decision-making process but the extent to which something was actually being done to include qualitative indicators was unclear. This was particularly the case within Cyan housing association, in which the Research and Initiatives Manager was concerned with the lack of ‘softer’ decision-making criteria within the organisation and the limitations of this.

*“But I’m very interested in the qualitative side of all this work because I don’t think you can capture the whole picture through quantitative data. It’s about how people bond to the properties and you know the genius of place and the kind of memory dimension of that interrelation with property, also you know the sense of ownership is something that we’re exploring.”*

(Research and Initiatives Manager, Cyan)

*“My opinion is that the matrix is supposed to be one of the main driving things with our investment decisions, I feel it is too heavily weighted towards repairs and costings and I think it should include more community sustainability issues... now [the Housing Director] agreed we can include those things which are sustainability issues. I think it will get developed more and more as the years go by.”*

(Voids and Marketing Manager, Cyan)

All three organisations did not collect and include tenant feedback concerning housing stock. Some reference was made towards the utilisation of tenant satisfaction surveys by staff in Cyan but they considered their present methods to be unsatisfactory. Tenant satisfaction surveys often asked the wrong questions and were carried out as tick box exercises as opposed to providing valuable data which could be fed into the stock investment process.

*“We do have tenant satisfaction surveys and post occupancy surveys as far as the demand information goes...but there’s not even an advance notice given out, let alone any input into the design and integrating it so it can reach across the organisational boundaries. So this has been identified as a problem, and apart from anything else we must look foolish when, you know after months the same set of tenants are being approached with a different set of questions, many of which are duplicated...there was always a sense from me that we were barking up the wrong tree.”*

(Research and Initiatives Manager, Cyan)

Although all three organisations recognised the need to include qualitative measures there needs to be a proactive move towards developing this type of information to strengthen their decision-making criteria. For example, both Cyan and Magenta use stock turnover figures to measure stock performance but there could be a number of reasons why there is a high stock turnover rate other than demand issues, which is not accounted for within the present data system.

One common factor for all three associations was the issue of low demand stock, and the effect this had on the indicators included in measuring each schemes performance. As one manager pointed out, they had developed sustainability indicators for stock, such as the A to E classification used in Cyan, because as the issue of low demand became identified in certain areas they operated in tenants, to a certain extent, could pick and choose where they rented. It was therefore necessary to rank stock in a traffic light system because housing associations dealing with low demand stock were aware that some units had come to the end of their shelf life. This was either due to the poor condition of stock, or that units were located in areas where the housing association were questioning their future, or a mixture of both. If the same stock was located in high demand areas, the rental of that property would not be such an issue and would probably not be classified as red in the traffic light system.

*“There could be loads and loads of other worthy causes, but from our perspective as a housing association we’ve got a limited scope to invest in communities and I think we need to do it in a very focused way which feeds into our asset management strategy. I think if all our stock was moved down south I don’t think you would need my team at all because the property would be ok and the neighbourhood would probably be ok, if you see what I mean?”*

(Assistant Director of Regeneration, Magenta)

However, the information used by Cyan and Magenta to determine decisions in the form of tracking indicators and matrix variables was sometimes only used as a guide. If the housing

association had a vested interest in an area they would still plan for future stock investment regardless of where in the performance classification the schemes were ranked. In Cyan, two particular schemes ranked bottom and third from bottom in the matrix. Yet these were part of a wider regeneration strategy in the area which included converting flats back into family homes. This approach links to discussions around the social responsibilities that housing associations have, and in this way if the sustainability indicators were pointing towards the organisation removing themselves from the area, this would not necessarily be the decision made.

*“But the other thing is that you can’t be too prescriptive because you’re a business. You can’t just walk away from neighbourhoods for this month or last month or whatever, the classification is a guide. It’s to help you direct investment and other activity and it’s also to give you confidence that you are taking the right decision.”*

(Director of Housing and Neighbourhood Services, Magenta)

This was a slightly different situation for Ochre. Firstly, their decision-making criteria were based upon purely financial concerns, and so other ‘softer’ indicators were not part of the decision-making process when categorising stock. Secondly, their national scope meant that they felt less of a social responsibility towards areas which were not generating sufficient income or where they were not playing a lead role, and had disinvested in areas because of this. Their growth plan reflected this behaviour echoed in the quote below; for example, they were only interested in areas of the north which reflected the group’s organisational objectives.

*“Our group, our overall ambition is to expand in London and the South. But having said that, we’ve got very major growth targets so we’re expanding a lot in the North as well.”*

(Regional Regeneration Manager, Ochre)

However, it may have been anticipated that Ochre would be able to adopt a social approach more easily than both Cyan and Magenta because their national scale would permit them to employ rent pooling, thus investing money in low demand areas from funds obtained from more popular stock.

### **6.1.2 The control and dissemination of information**

The previous section has illustrated how the nature of data and information used by each housing association plays an important role in the way they make decisions about stock investment. However, this is not the only contributory factor when analysing the way housing associations organise the knowledge that helps to inform their asset management decisions. The way that information is gathered, evaluated and communicated within the organisation plays an important role in who has access to information, the way they use it and ultimately how decisions are reached. In other words, it is the actors in housing associations who affect the dissemination of information and how it is controlled.

In Cyan, the information used in the investment matrix was the responsibility of two people; the Research and Initiatives Manager and the Voids and Marketing Manager. The former collects and analyses all the statistical information that is required to update the investment matrix. The latter is concerned with extracting some of this data, mainly that concerning housing management indicators and organising the data in a way which is accessible to housing officers and area housing managers.

*“With the housing strategy matrix you can see for yourself how much information there is on there and it’s a bit mind boggling. At the investment team meeting you wouldn’t be looking at it in a lot of detail you would just be looking at maybe the top three, four schemes. So what I did is set up these scheme appraisals so I could look in detail with the people that are actually managing these schemes at how that scheme is performing so that hopefully you’ll pick up in the early stages if there are problems starting.”*

(Voids and Marketing Manager, Cyan)

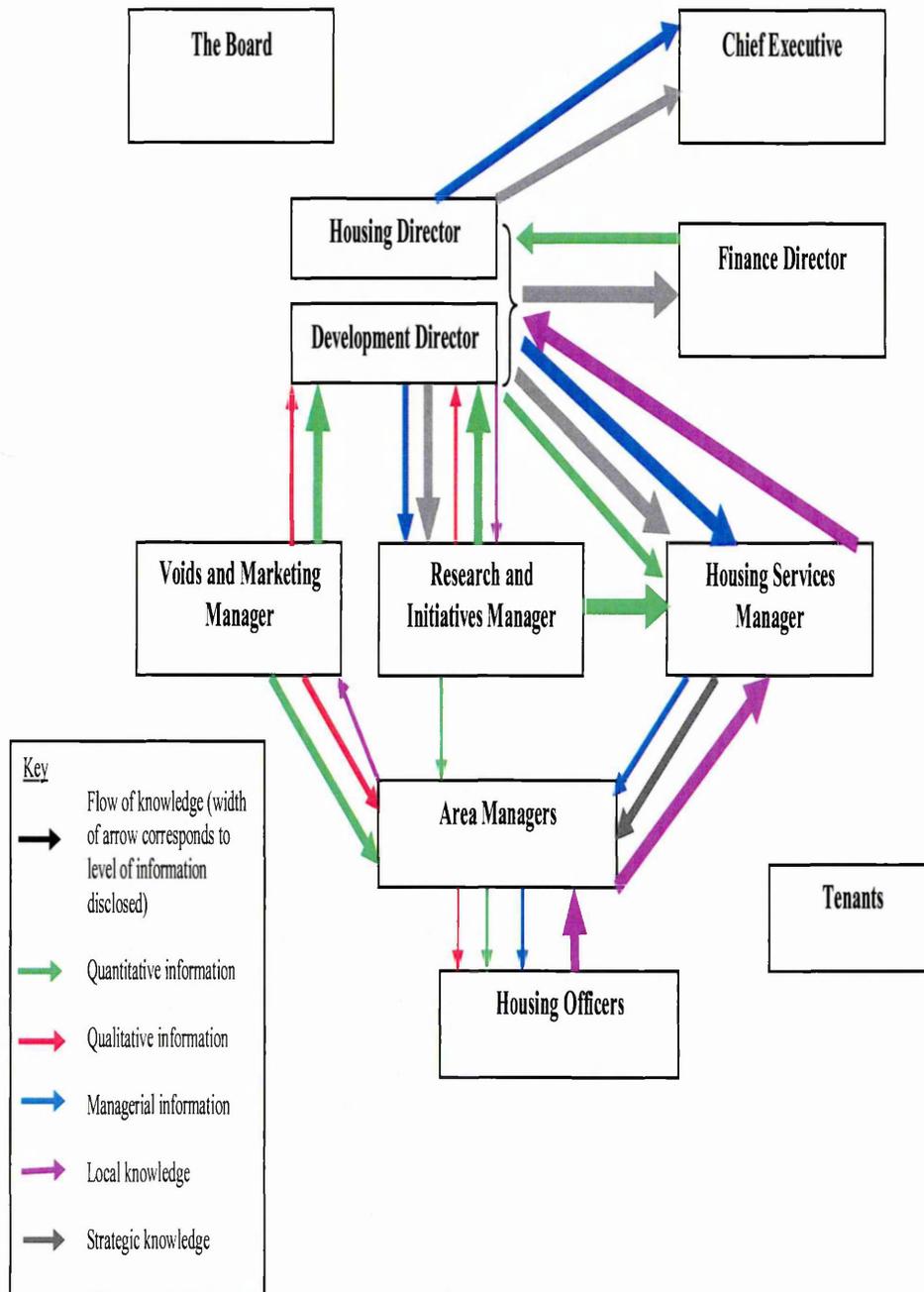
The complexity of the investment matrix means that there are very few people in Cyan who are able to understand it and therefore utilise the information on a day-to day basis. Figure 8 illustrates how a large flow of quantitative information passes from the Research and Initiatives Manager, and Voids and Marketing Manager to the Directors of Housing and Development. All four actors have the knowledge to use and interpret the matrix. However, this alters throughout the organisation. Although a large flow of quantitative information feeds into the Area Managers from director and middle management level, they were unsure about the matrix and relied on other colleagues to interpret it for them. Not only that, but they lacked knowledge about the function of the matrix within the organisation and its future role.

*“The reports that we get, he [Research and Initiatives Manager] has fed into the matrix, but in reality the matrix does not provide us anything ...because sometimes you can get some abnormalities which stick out and you can see them and you think ‘hang on that scheme should not be up there because of this, this and this’. We’ll look across and [the Research and Initiatives Manager] will say ‘well we haven’t got this [indicator] in it [the matrix]’. I think as time goes on we will probably be using it more and more as a place where everything goes, but it doesn’t actually feed us anything. [The Housing Director] is the main one that uses it if you like... I don’t really want to see the matrix.”*

(Area Housing Manager, Cyan)

There seemed to be a mis-match in the role the matrix played within Cyan. On the one hand, the research staff were enthusiastic about the detailed information that was held about the 288 schemes Cyan managed and the potential it had to help to inform stock investment decisions. But, on the other hand, its complexities meant that few people in the organisation were allowed access to the matrix or were even aware it existed and the type of information it stored.

**Figure 8** Internal knowledge flows in operational and strategic decision-making – Cyan



*“You’ve really got me thinking about the networking in the organisation because I don’t think there’s a lot of interest in what I’m doing really. There is interest in the resource but I need other contributions to this process.”*

(Research and Initiatives Manager, Cyan)

This could be a deliberate tactic used by the directors and the two research staff to control how information flows within Cyan. If they are the only actors who have knowledge of, and access to, the matrix, then they are able to retain some power in the decision-making process. Yet, there are other types of information which are passed more extensively throughout the organisation other than the quantitative information held in the matrix. Figure 8 demonstrates how strategic information is passed from director level to middle management and then through to front line staff. Strategic information refers to data that deals with regulatory and government policy, such as the Decent Homes Standard and housing market renewal programmes, and how that feeds into day-to-day housing management. The Housing Services Manager demonstrated knowledge concerning strategic issues, in which they were able to use information passed from director level and apply it to managing housing schemes and front line staff. Strategic knowledge seemed to be lacking between the Housing Services Manager and research staff, as there was little interaction concerning the practical use of this strategic knowledge with the role of the matrix.

Emphasis had been placed upon the role of the matrix within stock investment decision-making by directors within Cyan. However, further probing with Area Managers drew attention to the role of local knowledge in the process. Looking at the knowledge flow diagram for Cyan (Figure 8), there is a large flow of local knowledge passed between Housing Officers and the Housing Services Manager which is then fed to director level. When decisions are made about housing stock in investment team meetings, both felt that they contributed information which could not be captured using the quantitative format of the matrix.

*“obviously the higher up you go the greater the part of decision-making you get involved in...but I’ve always been like if I’ve used common sense, experience and knowledge, I’m going to go for it...there’s a lot of consultation that goes on, I have area manager meetings, in which the managers, area managers, if the housing officers come to them with various things, they can bring that to the meeting and talk about it so that everybody has an input.”*

(Housing Services Manager, Cyan)

The lack of communication concerning the data sets held by Cyan was not only confined between research staff and the rest of the organisation but also between the Research and Initiatives Manager and the Voids and Marketing Manager themselves. No knowledge flows occurred between these two positions, but this could be explained by the early stages of Cyan’s research team. There was awareness of this limitation and that members within Cyan needed to start to work together at implementing the data and information into the more practical aspects of the organisation, feeding knowledge across a wider catchment area.

*“Like I said, in months to come I think myself and [the Research and Initiatives Manager] and various other people will come together and start talking about this in a lot of detail and will probably become a lot more sophisticated. But at the moment I’m doing my thing, [the Research and Initiatives Manager] is doing his and various other people are doing theirs. A lot of it’s interlinked and we’ll see how it goes. I’ve heard on the grapevine they’re thinking of having some research summit ... but having some sort of massive data base he will use to improve things for the organisation but we’re not quite there yet.”*

(Voids and Marketing Manager, Cyan)

Knowledge and information within Magenta was organised in a slightly different manner and can be sub-divided between departments each with their own responsibilities. In

contrast to Cyan, a broader section of the organisation was involved in collecting data and more members were able to gain access to the information. For example, the neighbourhood tracking data used to help inform the stock investment categories was collected and analysed by the regeneration department which then passed the information on to the property services staff to directly feed into the asset management process. Within the regeneration department there was a Research Officer, at an equivalent level to front line staff, who collected data specifically for the neighbourhood tracking tool. This is exemplified in Figure 9 where quantitative information passes up from the Research Officer to the Assistant Director of Regeneration and the Software Project Manager, to eventually feed into director level and the Assistant Director of Asset Management.

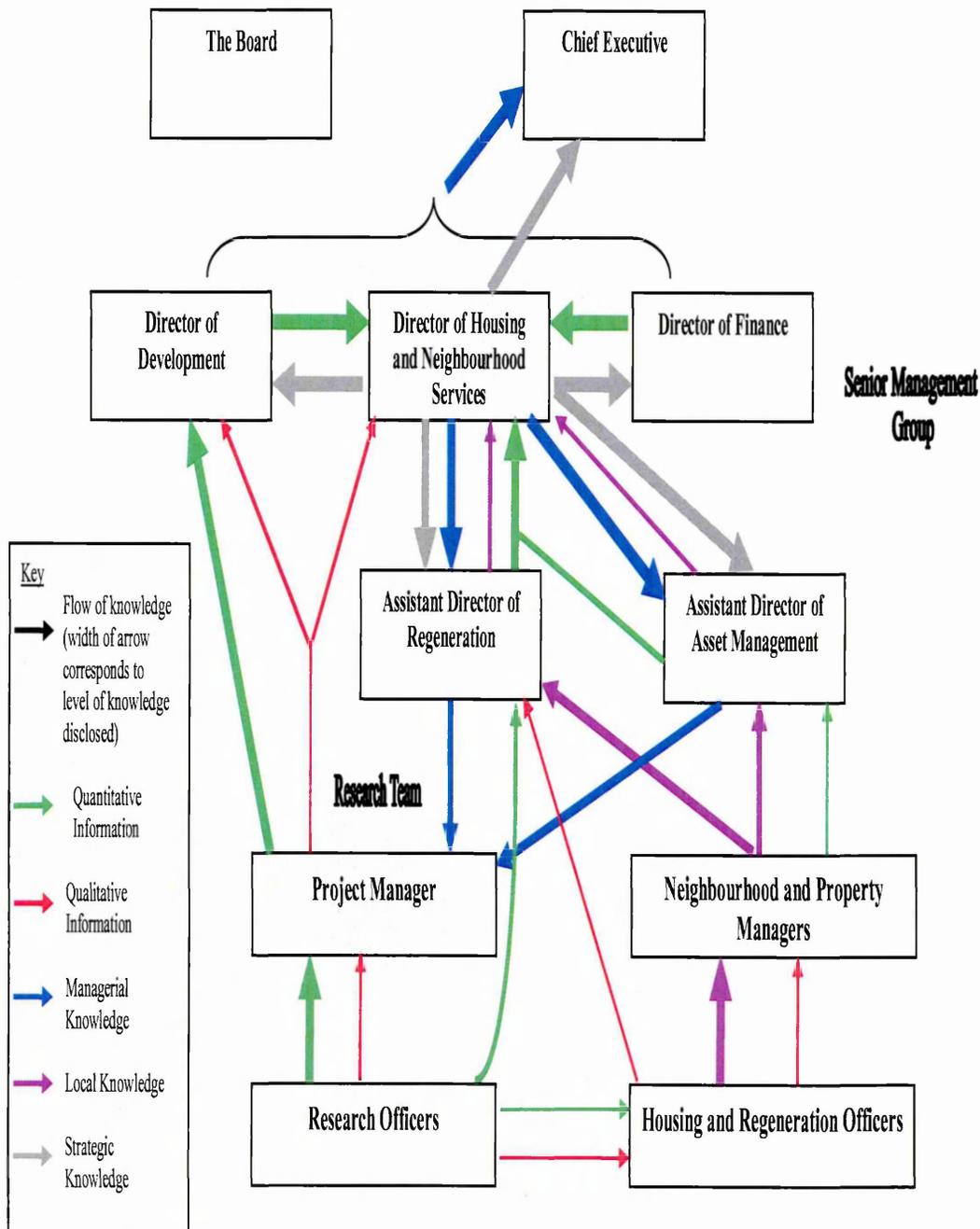
The Director of Development is responsible for Magenta's stock condition survey and tasks relating to this are accountable to the development department. Her knowledge concerning the stock condition survey is passed on to the Director of Housing and Neighbourhood Services, who feeds strategic knowledge back to the Director of Development, which forms a reciprocal relationship concerning the survey information and strategies and the asset management programme (see Figure 9). Knowledge sharing has occurred more frequently since the new Director has been in post.

*“So then there was a change in housing services staff, the head of housing services left and a new director came in and we discussed the opportunities with him and he could see the logic of it. So once we'd actually got somebody at the top who was prepared to drive it then we started to see some movement... And so that strategy still has yet to be approved by board but it is one of process of priority.”*

(Director of Development, Magenta)

The role the stock condition survey played in the asset management process was still in a transitional period. In the past the stock condition survey had been based on a sample of stock that Magenta managed, and it had been several years since a detailed survey had been

**Figure 9** Internal knowledge flows in operational and strategic decision-making –  
Magenta



carried out. This had caused problems in providing comprehensible information about each housing scheme when it came to making stock investment decisions.

*“Part of the problem that we had when we first started [revising the asset management strategy] is the data that we had on stock condition was less robust that it could be. I think our last stock condition survey had been done a number of years ago and it needed updating and information upgrading because of that there were issues around the specific level of a none decency and how we were programmed to deliver decency.”*

(Director of Housing and Neighbourhood Services, Magenta)

Magenta were in the process of preparing to update their stock condition information to feed into the Decent Homes Standard and to be able to track straight away if properties were decent or non-decent. The updated information was also hoping to increase day-to-day maintenance efficiency by improving errors made by carrying out unnecessary work. However, while the development department were setting objectives concerning these targets, the property services staff had already purchased IT software, called Arc Asset<sup>21</sup>, which would use the stock condition information and analyse it for asset management purposes. As a result the two did not match up well and the software does not provide them with a framework that meets their new stock condition survey objectives.

*“Meanwhile the property services team before we had set these objectives had rushed off looking for a software solution. So unfortunately we’ve ended up with a software solution that doesn’t necessarily match the objectives that we’ve got and inevitably only half developed.”*

(Director of Development, Magenta)

They have, however, employed a project manager to oversee the new approach to their stock condition survey and its integral role in asset management. Originally, property

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<sup>21</sup> Arc Asset is a computer software package designed to capture and manipulate data concerning asset management in the social housing sector.

services were going to add the responsibility to staff within their department but the Director of Development made the decision to employ someone specifically to concentrate on updating the database because of the importance she had attached to the process.

*“Because trying to bolt it onto other people’s jobs, which was how property services were planning to do it, I think just doesn’t work. It needs a dedicated person, so we brought in a graduate whose PhD was on databases so he’s been absolutely critical. He immediately grasped what was required and how databases worked, so those two people have been really critical, the difficulty now is sorting surveyors.”*

(Director of Development, Magenta)

Similar to the central role the matrix played in Cyan’s decision-making processes, statistical analysis and databases were beginning to take a key role in asset management decision-making processes in Magenta. The main drivers of this seemed to be key members of senior management who had prioritised information and databases as a significant part of the decision-making process. This was further supported by plans to develop a research department within the housing association to try to centralise the role that information played in the organisation.

However, this was not the case throughout all levels of the organisations. The focus group, which was conducted with front line staff from all departments, drew attention to some disparities in using and accessing information and knowledge from the databases stored in Magenta. Although information is accessible to front line staff, they were reluctant to use the information on a day-to-day basis as it was a low priority in comparison to other duties in their roles. Many felt they did not have the time to read secondary sources or utilise the data sets and their time was much better spent on more practical issues.

*“At a Housing Officer level we get instant track reports and they get reduced down to give re-let times and things on the area. But to be honest with you that is the about only data I would get, because in my role I don’t*

*have the time to start looking at other data. I mean the day to day running of my patch takes up the majority of time. I'm actually doing a degree at the moment so I do see more stuff but other than that I don't see a lot of data."*

(Housing Officer, Magenta)

The use of local knowledge and qualitative information is indicated in Figure 9. There is a large flow of information passed from front line staff to neighbourhood and property managers, and then to a lesser degree on to the assistant directors. Knowledge in both quantitative and qualitative form is passed from Research Officers to Housing Officers but as the quote has illustrated there is limited use of this information on a day-to-day basis. The exception to this was the flow of information and understanding of knowledge between Research Officers and Regeneration Officers due to a Research Officer sharing an office with the regeneration team.

*"But I mean priorities, and establishing which neighbourhoods to prioritise has come from things like tracking data, and we can identify that there's this problem here of getting a really high turnover and the reasons for that, and then we'll start delving into that more...The regeneration and the research and policy team are all in the same office, so one of the people that works on the research is half regeneration and half policy, so they are trying to have that influence."*

(Regeneration Officer, Magenta)

The national structure of Ochre had implications for the way that knowledge and information was organised and distributed. The central office within the organisation, where the asset management team was located, had a research department which serviced all the regions the organisation operated in. They produced data sets needed for each region which in theory would link information across these areas. However, within the northern region that the research was focusing upon, there was some pessimism as to the practicalities of this operation at the ground level.

*“So I mean there’s all sorts of spreadsheets and charts and they all link together in a huge systems, but it’s obviously not as integrated as it should be. From an executive point of view it all looks smooth and systematic and integrated. However those of us that do the work know that, for example, all the stock condition surveys are based on a 10 percent sample which clearly can go wrong.”*

(Regional Regeneration Manager, Ochre)

Within each region there was a large flow of local knowledge fed from ground level staff to neighbourhood managers and up to senior management (see Figure 10). The central team then relied upon senior management in each region to collect this information and feed their knowledge from the regions to the central office. The local knowledge and qualitative information was passed on to the central team to a lesser degree than quantitative information collected by technical officers as Figure 10 illustrates. The national scale that Ochre operated at meant that executive and central staff were separated from the housing schemes they made decisions about, and relied upon quantitative knowledge from technical officers and qualitative and local knowledge from regional managerial staff to help to inform the final outcome. In contrast to Cyan and Magenta, where senior management did have some contact with the ground level, Ochre relied more so upon data and information to inform them about the stock they managed.

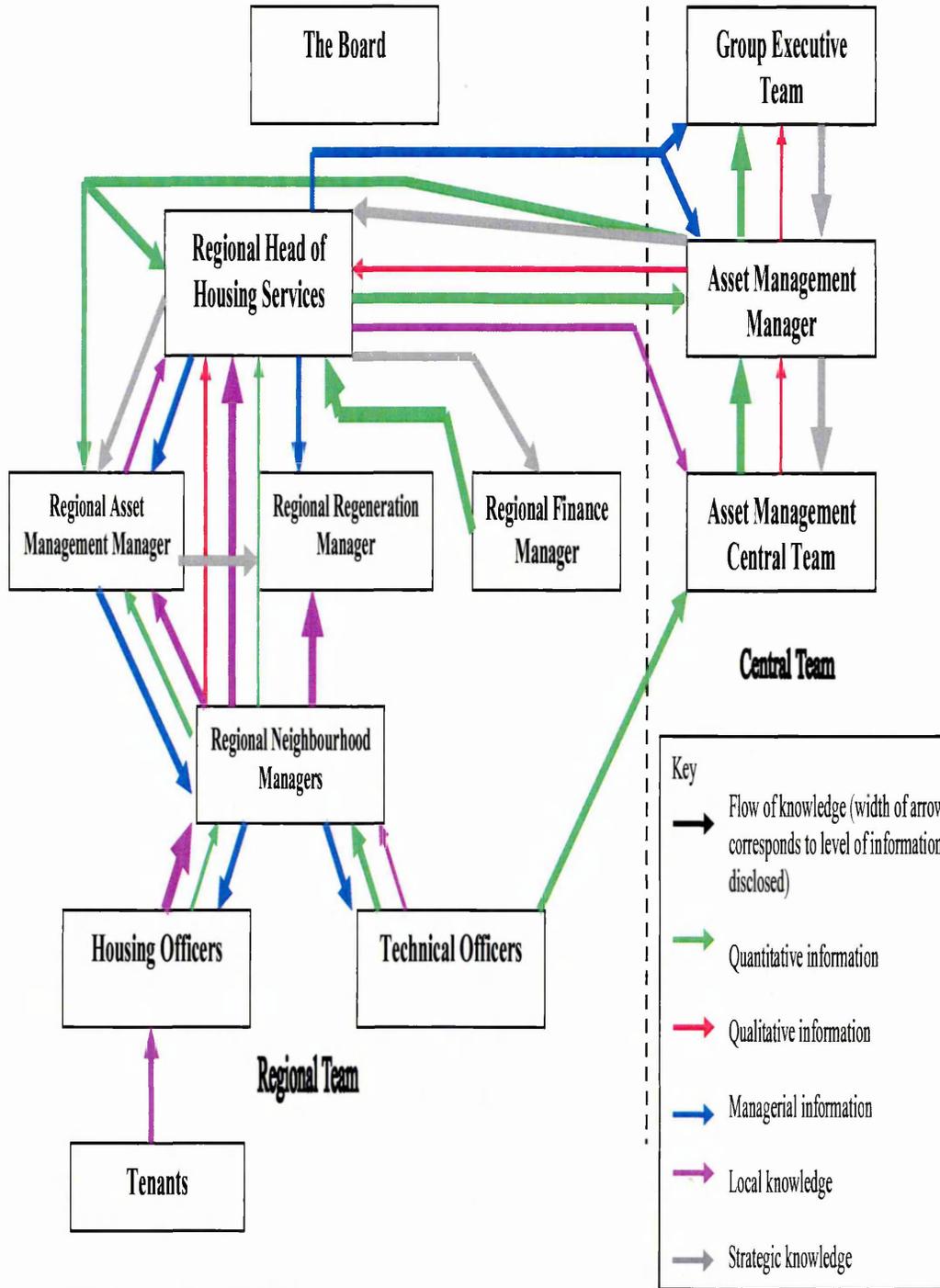
*“Don’t forget if you’re a regionally based housing association you know your territory inside out. If you’re widely based then you perhaps need more data sources, or perhaps you can abide more by superficial or gut feelings.”*

(Regional Regeneration Manager, Ochre)

*“Yeah that is something that management and myself might not necessarily do [talk to local staff]. But it is something that would be done at a regional level, as opposed to ourselves, and somebody gathering that information at a regional level will feed that information in to the central debate as it were.”*

(Central Asset Management Manager, Ochre)

**Figure 10** Internal knowledge flows in operational and strategic decision-making – Ochre



The system used by Ochre, in which there is a reliance upon regional knowledge to inform funding allocations for housing schemes and other stock investment decisions, raises questions about the retention of power at a central level. It may be of greater benefit for Ochre to devolve more power to the regions because of the very detached relationship that central and executive staff currently maintains with the ground level. However, it could be that the central team do not want to transfer responsibility to the regions and thus maintain their decision-making powers.

Additionally, the reliance placed upon information used to inform senior management and central staff could be a driver in the plans the organisation has to commission a full stock condition survey to replace the ten per cent sample used when the research was carried out. Past behaviour had relied upon less than adequate information in order to reach decisions. In trying to improve the process, managerial staff were talking to technical staff to establish what information was needed to update each scheme. It was envisaged that this would be up to date in two years time and feed directly in their five year stock investment programmes.

*“You know, there’s seven regions in total and they will then be feeding that information in, so that in another couple of years we should have some reliable, really reliable information. What is on that stock condition survey is feeding into what our existing five year plan is now. So taking on board local knowledge, because the data isn’t definitive yet, we are actually sitting down with local knowledge, technical officers to deliver that.”*

(Regional Finance and Asset Management Manager, Ochre)

Internally, information flows have formed an important part of the decision-making process. For Cyan and Magenta, this has used a variety of quantifiable socio-economic indicators, but Ochre have relied more heavily upon financial variables. Within all three organisations, gaps have been identified concerning who uses, has knowledge of and accesses this information, which has been summarised in Table 1. Those members who

control and disseminate the information which passes through each organisation are not just confined to the internal networks of each housing association but are part of wider information flows with other organisations and institutional actors. This research has also looked at external knowledge flows, and how these affect and interact with asset management decision-making processes within each case study.

## **6.2 Shared knowledge and external information flows**

All three housing associations taking part in the research were part of wider information networks concerning stock investment decisions, which were active in the sub-regions or city areas in which they operated. These included other housing associations with housing stock in the area, local authorities, organisations who dealt specifically with information databases, other government organisations, and to some extent private developers. As the chapter has so far established, quantitative data and information has begun to play a large role in the internal asset management decision-making process. The study has also looked at the external knowledge flows and how this is shared and accessed between the organisations involved. Each housing association displayed different behaviours concerning their relationships with external organisations and the chapter will now go in to look at issues of competition, partnership working and networks in relation to asset management.

### **6.2.1 Networks and partnerships**

The size of each housing association and their geographical location, that is whether they operated at a regional or national level, had a direct relationship with the level and type of partnership and networking that took place. This was based upon the 'need' that the housing association had to share knowledge and good practice around asset management, but also the environment that they worked in depending upon factors such as market demand.

**Table 1**

Nature and Flow of Information

	<u>Magenta</u>	<u>Cyan</u>	<u>Ochre</u>
<b>Nature of Information used in Asset Management Decision-making</b>			
1. Quantitative Data:			
a. Financial /Economic	✓	✓	✓
b. Housing Management	✓	✓	x
c. Social	✓	x	x
d. Census/National statistics	✓	✓	x
2. Qualitative Data:			
a. Local knowledge	✓	✓	✓
b. Questionnaires	x	✓	x
c. Interviews/Focus Groups	x	x	x
3. Housing Corporation Data:			
a. RSR	To a degree	To a degree	x
b. CORE	✓	To a degree	x
<b>Flow of Internal Information</b>			
4. The organisation has a research team	✓	✓	✓
5. All members of the organisation have access to the information used to classify housing schemes	✓	x	x
6. Front line staff have knowledge of and understand the data and information collected within the organisation concerning stock investment	x	x	x
7. Middle management disseminate information to front line staff	✓	To a degree	✓
8. Senior management have contact with ground level processes	✓	✓	x
9. Knowledge and information flows in both directions between senior management and middle management	✓	✓	✓

Examining firstly Magenta, they had a strong role within the inner city area and particularly in City Centre South. The activity of housing associations within the central core area had to some degree been engineered by the LIFE model employed by the local authority. All housing associations working within this central area were allocated roles in the four 'Zones of Opportunity' (ZOOs) drawn up by the city council in which housing associations were either 'leaders' (L), 'influencers' (I), 'followers' (F), or 'exiters' (E) dependent upon their existing stock management and projected growth strategies. As a result, there appeared to be encouragement towards partnership working between the housing associations located in the area.

*"And I don't think there's many cities where housing associations work so closely together because they are so competitive."*

(Assistant Director of Regeneration, Magenta)

It was very apparent, where Magenta operated that there seemed to be a positive working relationship between the large and medium sized housing associations in tackling issues concerning stock investment. This was demonstrated in the Strategic Housing Partnership Decent Homes and Asset Management Working Group, which met every three months and consisted of eight of the large and medium housing association operating in the city's inner core area. When attending the meeting there appeared to be an open exchange of information concerning asset management, which at the time was focused upon the Decent Homes target, but also the forthcoming stock transfer. This was further supported by the questionnaire that had been designed by the City Council for each housing association to fill out (see appendix 12). The questionnaire was aimed at examining the asset management software used by each housing association, and also how they currently collected data. In addition the survey was interested in energy efficiency measures which were required to meet the Decent Homes Standard.

Although greater competition may be anticipated in the city where Magenta operated, because housing associations within the inner core were 'competing' for tenants due to the

low demand levels, this did not seem to be the case. One contributory factor could be the role that CAMD played in enabling housing associations to obtain data about the neighbourhoods and stock that they managed.

*“[City A]’s got an asset management project which has been going for three years. ‘CAMD’ is all the social landlords working together and collecting data, it’s meant to be a planning tool but at the moment it’s not, it’s a position tool really, helping the RSLs to work together.”*

(Assistant Director of Regeneration, Magenta)

By providing a tool in which housing associations were able to track stock investment, it encouraged housing associations in the area to share data. CAMD was in the process of building on this to try and improve relationship between social housing organisations. Magenta commented on how the establishment of CAMD within the city had helped to improve Magenta’s data tracking methods. They also managed stock outside of the inner city area and found that compiling data for asset management purposes in these areas was proving more difficult.

*“Were lucky we’ve got the CAMD data because we’ve started to do it [neighbourhood tracking] in [City B], but in [City B] they don’t do this [CAMD analysis] so we can’t have the census stuff on top of it.”*

(Assistant Director of Regeneration, Magenta)

However, there were certain problems identified with both CAMD, but also the knowledge network that had formed concerned with sharing asset management information. Firstly, it was only the larger players in the city’s social rental market who appeared to be taking part in the Strategic Housing Partnership. Of the eight housing associations who attended the meeting the smallest organisation managed approximately 6,000 units, which left many smaller landlords excluded from the process. This could be because they were less willing to share information as they had to be more competitive concerning the smaller stock holdings they managed. CAMD staff often found this to be the case:

*“The biggest and the middle ones are quite free to share their data and they come to meetings and their quite strategically aware of what’s going on and their happy to swap data. But the very small ones, the subsidiaries, I would say are quite closed to us, to CAMD.”*

(Principal Data Analyst, CAMD)

Smaller housing associations may also be less willing to share information due to the lack of resources which are needed to effectively use the information provided by CAMD. If an association managed a few hundred units it would be less likely to have staff specifically allocated for asset management or a research capacity alone. Equally, smaller associations may not be aware of the SHP meetings, especially if they do not fall under the ‘leaders’ or ‘followers’ role within the city’s LIFE model.

There were also limitations to the work carried out by CAMD. Although it was an effective information sharing tool and provided a valuable service for housing associations in the area, there was no feedback concerning the effectiveness of the data provided.

*“As far as asset management is concerned overall because CAMD is the middle man we don’t end up knowing the end results of things. We might see it on a really big scope and housing associations will come to me and say ‘I need to know what this is because I need to make decisions on these things’ and they will go away quite happy with what we’ve given them. But we don’t really always know the outcomes of that or know the decisions on things. CAMD doesn’t actually give you an answer, it might give you a series of options depending on what’s come out of the analysis and then the housing association will have to make a decision on that.”*

(Principal Data Analyst, CAMD)

When the fieldwork was carried out there were plans to resolve these issues within the SHP working group. CAMD was aware that there needed to be a two way relationship between

themselves and the housing associations involved to provide sufficient feedback and therefore improve the service.

Cyan, for very different reasons to Magenta, was in partnership with key stakeholders in the area to assist with stock investment issues. Cyan's stock was quite widely dispersed across the sub-regions in which they were active. Therefore, on a lot of schemes they were considered to be minor players and relied more heavily upon partnership working to make an impact within these neighbourhoods. These included some knowledge sharing through working groups at a strategic level with other housing associations and local authorities.

*“But at a strategic level in peer groups and in other places we will share knowledge about how we handle asset management and how we deal with it. So I'll get informed about what somebody like housing association X or housing association Y do in terms of their policies. In a peer group with them we will talk about it.”*

(Director of Housing, Cyan)

They had also carried out joint work with a stock transfer organisation within their research department. This process had proved useful in terms of sharing ideas about how they tracked stock investments, but it had also drawn attention to obstacles in terms of the uniformity of the information each organisation held.

*“For instance [City C District Housing] has access to a GIS system which is something I have been looking at for ages as part of this databasing. The problem is It's just for [City C], they only bought the maps for [City C District] ...[ City D] have quite a developed system, but it's a completely different way to how [City C] address it and how [City E] might be doing it, and I'm sure some of the smaller local authorities haven't even got there yet.”*

(Research and Initiatives Manager, Cyan)

In comparison, where Magenta are located their approach to sharing information was controlled centrally by the local authority which allowed housing associations to exchange information more easily.

In order to try and increase their strength within the areas they operated in, Cyan had formed part of the 'Alliance' group which consisted of six small and medium size housing associations in the region. Cyan was the lead organisation of this group, and the main purpose of its formation was an investment partnership to improve their chances for housing bids. However, a further outcome of Alliance was the sharing of information.

*"The 'Alliance' development partnership, it's now the staff that we visited downstairs [in Cyan] that develop, deliver the programme for all the partners. So they have certain clients at these other housing associations, what I'm interested in is the research resource which might exist in the other associations."*

(Research and Initiatives Manager, Cyan)

Cyan had also worked closely with private landlords, particularly those with housing on multi-tenure estates and these had produced mixed results. Often private landlords were unwilling to invest a lot of capital into the wider community and therefore there were few examples to demonstrate good practice concerning shared information on asset management issues. One example of a positive relationship was discussed by the area housing manager; in previous employment he had had dealings with private landlords and as a result they had been able to successfully achieve some degree of partnership working.

*"Some of the other local landlords as well, there was a slightly different relationship with them because I used to work for the fair rent office service before I came into housing. So I actually came across most of these private landlords and I knew them, and again there was some trust there."*

(Area Housing Manager, Cyan)

Both Cyan and Magenta have shown evidence of partnership working and through this the exchange of information for asset management purposes. Although Magenta held a stronger position in the neighbourhoods where they managed stock, strategically within the city's housing market they needed to maintain a good relationship with other lead players to maintain the level of knowledge they had around stock investment. The fragile housing market, in which a lot of social housing in the city was located, did not appear to fuel fierce competition between social landlords, but further promote the idea of sharing information between the larger and medium sized associations. This could be accounted for by the LIFE model, which to some extent has engineered non-competitive behaviour adopted by the medium and large housing associations in the city. By allocating growth and exit areas for housing associations in specific zones of the city, the city council has tried to prevent competitive behaviour.

On the other hand, Cyan due to its size and spread of stock, has adopted knowledge networks in order to survive in its environment. By managing around 6,000 units, Cyan is classed within the largest two hundred housing associations in the country. However, the distribution of stock does not place them as a major player in most areas of operation, and leaves them exposed and reliant upon other institutional actors within housing strategy networks.

*“Sometimes we’ve got the luxury of having an estate that’s all ours and we can deal with that ourselves but often that’s not the case. You might make a decision to invest but it will be entirely dependent on the council and others doing something strategically. So our investment decisions at the end of the story have got to go into a wider remit, and resolved in that.”*

(Director of Housing, Cyan)

In some ways it could be argued that Cyan loose out on both accounts, they do not have the strong regional position maintained by the Magenta in the city's inner core, nor do they have the financial security Ochre retain in operating in diverse housing markets at a

national scale. For Ochre, there were few examples of working with other organisations in sharing stock investment knowledge and information.

*“So in that way we can share data but it’s not really nitty gritty data. I doubt, well I’ve never come across a genuine case where sensitive data is shared freely, and if it’s not at that level than its hardly worth it...because people are precious about their data and quite rightly so as it’s so commercially sensitive.”*

(Stock Investment Manager, Ochre)

Ochre’s lack of shared knowledge could be attributed to their lack of need to work with other stakeholders. Because they operate nationally, they were able to spread their risk over a larger area, and unlike Magenta whose organisation depended strongly upon the city’s inner core, Ochre were not concentrated within one sub-regional housing market.

*“And you mentioned yourself the stock swap with housing association J and there are a number of other evidences for liaising other RSLs, from our perspective that liaison isn’t great at the moment. I mean if other people have got good ideas I do try to access new ideas, particularly to help ourselves. But we haven’t got the time or the resource to be supporting those networks very successfully I don’t think.”*

(Asset Management Manager, Ochre)

*“They [stock swaps] do happen but on a very, very limited scale because the way housing associations are at the moment. I think Ochre are unique because we are so large, to loose a few hundred units isn’t a big deal to us really. For a small housing association like housing association K, they only have three and half thousand units, so if I said to them how about swapping they are going to have a very different view about it.”*

(Head of Regional Housing Services, Ochre)

### 6.2.2 The role of regulation and government databases

The three case studies have developed their own databases and systems to classify stock and help to reach asset management decisions. These have also included, to varying degrees, the involvement of other organisations, namely other housing associations and local authorities but with some involvement from private landlords and external research organisations such as CAMD. To satisfy the regulatory requirements set out by the Housing Corporation all housing associations have to fill out RSR (Regulatory Statistical Return) forms each year which provides a snapshot of the housing associations sector on the 31<sup>st</sup> March annually. Information on the form looks at variables such as numbers of stock owned and managed, rents and service charges, levels of sales and demolitions and non-housing activities including community and regeneration schemes (Housing Corporation 2006).

Further information collected by the Housing Corporation is CORE (COntinuous REcording of letting and sales) data. CORE is a joint system between the Housing Corporation, the National Housing Federation and the CLG which is used to record lettings and sales information of social housing in England (Housing Corporation, 2006). Data is recorded every time stock is newly let, re-let or sold and includes information concerning ethnicity, household income characteristics, and economic status. Both sets of data sources store large amounts of information which could provide housing management indicators but also socio-economic variables for housing associations. For this reason the Housing Corporation were interested in tracking to what extent (if at all) housing associations used the large volume of data held in RSR and CORE records.

In Cyan and Ochre both RSR and CORE data played a residual part in contributing towards each organisation's stock investment databases. Although both housing associations were aware of the Housing Corporation data they did not perceive it to be useful for asset management purposes and preferred to use their own internal information systems.

*"We don't exploit it [CORE] very well. We carefully gather it, every time a tenancy changes we record the facts and the incoming tenants and the*

*attributes about family size...we have a good set of data established there in terms of income levels, but perhaps, aspirations is something we could enrich the data with. At the moment it's very basic and I'm not even sure whether we indicate the Continuous Recording."*

(Research and Initiatives Manager, Cyan)

*"No I don't think so, I'm not aware of it [using CORE]. You mean to look at the demand? I've not done that personally I would use much more direct methods than that...We have our own internal information."*

(Regional Regeneration Manager, Ochre)

CORE and RSR are seen as an exercise that has to be completed. For Cyan the data used in both was information which they extracted from their own system in order to fill out the forms. It was information they already held so there was no need to obtain it via the Housing Corporation's database. When discussing further the role of Housing Corporation data with staff at Ochre, they voiced the opinion that they would like to see more support from the Housing Corporation concerning partnership working and information sharing with other associations. They felt that the Housing Corporation did not know enough about how individual housing associations organised and collected data for this to be possible at present.

*"it would be nice if the Housing Corporation could provide some support in that direction, because the one thing that I find is that each RSL is sitting around doing its own thing and I'm sure there needs to be some economies struck if we were all pointed in the same direction when it comes to data management and data processing. So I think there's a real role for the Housing Corporation to perform but they probably don't know enough about what we're doing with what data we're gathering and are providing."*

(Asset Management Manager, Ochre)

For Magenta, CORE data played a more integral part in their asset management data system and used CORE for benchmarking purposes. Although when classifying the housing stock that they managed in the traffic light system, each scheme was only compared internally against each other. However, the organisation used CORE data to measure their performance against other housing associations in the city.

*“And we can measure our performance data against CORE data...So it’s whatever we can get at and use that will help us create an accurate and clearer picture as possible of the things that will influence the lettability and the sustainability of our stock, and the age and the location. But also in terms of our performance as well, our repairs performance for instance we monitor that against others using Housing Corporation data.”*

(Director of Housing and Neighbourhood Services, Magenta)

Although there was not strong competition between social landlords within Magenta’s city area, Magenta were still using Housing Corporation data to measure their performance within the city. Quite interestingly CAMD preferred to use internal data collected by the housing associations themselves rather than CORE. This was explained firstly because of the cost of obtaining CORE data, but secondly there was formatting problems with the CAMD system. Considering CAMD was a project part funded by the Housing Corporations this seemed to bring up an issue with the accessibility of Housing Corporation data.

*“We go direct to the RSLs to get information rather than using any CORE data that is supplied to the Housing Corporation. One because there are sensitivities around data protection, two because they want money for anything that we ask them for... The other thing about CORE data that I can recall is that they weren’t able to break it down into local authorities ...so there’s a whole host of things with the CORE data that made it difficult for us to use it.”*

(Housing Investment Manager, City Council)

The organisation of the Housing Corporations data is currently undergoing significant changes with plans to replace RSR with nrosh (National Register of Social Housing). Nrosh is proposing to take data straight off housing association's housing management systems to be placed in a tool kit in which individuals would be able to access data about any social housing organisation in England. The database would provide information that adhered to uniform definitions concerning terms such as household, and accommodation type and thus be more accurate compared to data which currently exists.

Nrosh is in its pilot phase and is being tested on a voluntary basis by about forty housing associations and thirty local authorities. So far the complexities of its development have raised problems with those organisations testing nrosh. Only very keen housing associations have agreed to take part in the pilot phase, which tend to have advanced IT systems and sophisticated information databases previously in operation. One of these includes a large housing association in the city in which Magenta operates, and as the research has previously shown, there are strong shared information networks already in place. It is a scheme which was originally developed by the ODPM, now the CLG, who advertised nrosh as an easy programme to implement, but the pilot stages have so far discredited this.

There has not been an official date set by the Housing Corporation yet to ensure nrosh is a regulatory requirement, but they are hoping it will occur between 2009 and 2010. If the system is successful it will clearly have some positive impacts on the way information is shared amongst housing associations. For those who have the tools to do so, it will link Housing Corporation data more closely with their own internal sources and allow practices, such as the benchmarking carried out by Magenta to be more accessible. However, nrosh depends both upon social housing organisations having enough resources and capacity to install it, and also to be able to manipulate it for its own stock investment purposes. The three case studies used in the research were all placed within the largest 200 housing associations in England, and all have shown some gaps in their own information systems. It

may be the case that nrosh would only present benefits to large and medium size housing associations similar to the role CAMD has played with Magenta's area.

*"At the moment the pilots are voluntary and it is only the enthusiasts that are taking part, and they are saying it's difficult. One of the reasons is that the whole organisation needs to take part, you need the IT people, housing management, and RSR people...There is a business case for nrosh, it is an investment which will be worth it in the long run but those with 1,000-2,000 units may or may not have an IT department and it is just luck as to what resources they have."*

(Head of Research, The Housing Corporation,  
Interview 10th October 2006)

The asset management strategies of each case study were influenced by government policies as well as the regulatory role of the Housing Corporation. The chapter has already examined the influence that the housing market renewal initiative has had upon sustainability and demand indicators used by Cyan and Magenta in classifying housing stock. Another large influence within the asset management of stock from a central government level is the Decent Homes Standard.

*"I think I would be telling a lie if I said it wasn't decent homes, Decent Homes Standards are going to be a major driver for us no questions about that. But another strong driver is demand issues, are particular areas and estates sustainable, if not sustainable now can we make them sustainable. Trying to find a measure of how we deal with those and that decision-making connected with that, effectively and objectively is our biggest challenge at the moment."*

(Asset Management Manager, Ochre)

The organisation of information in all three case studies reflected this policy drive, which influenced work at both strategy level and the day-to-day practices of front line staff. Since

the fieldwork has been carried out there have been changes to legislation which has lengthened the time given to some housing associations to ensure all their stock to meet the Decent Homes Standard. But, at the time the interviews were conducted the deadline of 2010 was still in place and had a significant impact on the issues that were raised by staff concerning asset management.

Both Magenta and Cyan included decent homes measures within their stock classification systems to help reach decisions. On both databases housing was categorised on whether it was decent or non-decent, and if the latter, the level of work needed to be carried out before it was up to decency levels. At Magenta this left them with a 'core decent homes' programme which included stock being disposed of within a five year period. The type of stock managed by each housing association determined the levels of work needed to reach projected targets. For Magenta, a large proportion of their stock was over one hundred years old and would therefore require more investment to meet decent homes levels.

*“One has been the requirement of the Decent Homes, that’s been a big focus. Particularly for an RSL such as Magenta, with the type of stock it’s got and its location it’s always going to be a massive challenge for us.”*

(Director of Housing and Neighbourhood Services, Magenta)

The challenge Cyan faced was the maintenance of stock which already reached the Decent Homes Standard and maintaining that level until 2010.

For a national housing association like Ochre the age and condition of stock varied so much that they were struggling to identify the individual needs of each locality. There had not been uniformity across the separate sub-regions in the way housing strategies were tackled such as decent homes legislation, which had left some discontinuity within the organisation. By the introduction of in-house services, such as surveying, they tried to accelerate the rate at which stock condition issues were dealt with, but also to ensure more cohesion between each region.

*“because out of 52,000 properties there is a struggle to identify individual issues ...because the advantages of the area and regional structure is that you get some diversity and you get some reflection of the community within which people are operating in...but the disadvantage is that you get people doing things differently. So what I’m absolutely certain we will find is that there are areas where the stock is worse than others, there is also areas which will have more new build in terms of development and the areas which will have much more rehab.”*

(Regional Finance and Asset Management Manager, Ochre)

### **6.3 Organisational learning**

Formal asset management planning is a concept which has been developed quite recently within the social housing sector. For all three case studies their approach to asset management is one which has developed from past decision-making behaviour and new knowledge gathered through housing market intelligence or organisational actors. The chapter has so far addressed the measures used by all three housing associations to inform their current working asset management strategies and decision-making frameworks. However, the research was also interested in examining past organisational behaviour to ascertain how and when approaches in asset management had altered, but also when the term ‘asset management’ had come into use, and the causes which had triggered these changes in behaviour. This section will discuss these issues and then go on to look at the extent to which each housing association has learnt from past decision-making behaviour and how it perceives its own decision-making practices.

There was consensus in all three associations that past approaches to asset management had been inadequate and “un-strategic”. Part of this had stemmed from unsatisfactory knowledge of what asset management was. It was a term that had been introduced by Housing Corporation regulation but associations themselves were unaware of its meaning and the applications to their own housing activities.

*“As far as I can discover there doesn’t seem to be examples of good practice in the area. Work has been undertaken but how you would actually draw that down in a useful way to inform asset management of housing associations is not obvious.”*

(Research and Initiatives Manager, Cyan)

*“We were in those silo thinking years where we were just replacing boilers, changing the structure of them so they were back into family homes. Some of those we changed into flats, and we were just draining money out of the organisation and we were not getting anything back, people were no more satisfied and the area doesn’t look any better...so we’ve actually stepped back from that now thank goodness.”*

(Director of Finance, Magenta)

For Magenta, improvement in their asset management practices has involved rationalisation of stock and a more focused approach geographically in the areas of future involvement. To some extent this has been prompted and assisted by the LIFE model. But the LIFE model was driven by the Housing Corporation and the city council realising that they needed to resolve the ad-hoc investment programmes carried out by housing associations operating in the city area.

*“We have sixty seven housing associations nominally operating in the city. We as the investor and regulator don’t have a position which says there are 450,000 people in the city and therefore there should be x number of housing associations. But we are increasingly coming to a position where there needs to be careful consideration about how many housing associations there needs to be operating in particular housing markets.”*

(Head of Operations, The Housing Corporation,  
Interview 25<sup>th</sup> October 2004)

One example is the disinvestment by Magenta from 'neighbourhood  $\delta$ ' in which another housing association has now acquired a strong hold in the neighbourhood. But for many years Magenta had continued to invest millions of pounds in the area which had huge problems concerning the condition of properties but also their popularity. The Director of Finance received repeated requests from the property services department for the physical regeneration of stock, but despite failed attempts in letting properties they had continued to 'throw' money at the area. This was a narrative repeated by all three associations who all spoke about the lack of strategic investment in the past, and the 'blinkered' perspectives the organisations had adopted. As speculated earlier in the thesis the problem of low demand housing, which has been evidenced as early as 1990, has seen a late response by the housing association sector. For the three associations examined, low demand had not been included in their stock investment strategies until around 2000 for Cyan and Magenta, and more recently for Ochre.

*"I think the RSLs that I have been working with in the past four or five years, where low demand has become an issue, strategically it just carried on for them. Whereas now, and that's probably with the City Council lead on the strategic picture, they are withdrawing in areas that are no longer viable and making decisions about them, whereas before they were just carrying on."*

(Principal Analyst, CAMD)

For economic reasons housing associations have had to think more strategically about their stock investment planning. The 1988 Housing Act introduced a private financial framework, but the three associations taking part in the study appeared to not respond to the pressure of financial objectives until they become more aware of the problem of low demand housing. Ochre discussed how they had been pressurised by local authorities during the 1990s to build housing which in hindsight was unsuitable for the markets they were operating in.

*“In the past we would make investment decisions on a very narrow basis of reason and we’ve made mistakes as a result...We’ve done things in the past that haven’t made good business sense, like spending fifty grand on a property that’s worth forty to redevelop it, rather than saying what should we be doing with it, we should be getting rid of it rather than spending money on it.”*

(Regional Finance and Asset Management Manager, Ochre)

Further, there was not the human “capacity” to successfully integrate past asset management approaches within the three case studies. Magenta have in the past year created a role which specifically focuses upon the organisations asset management strategy. Alternatively for Ochre, they have had posts which targeted asset management, at a central and regional level, but in the past they had not necessarily fully understood the tasks involved.

*“We’re really struggling in housing associations to get that [asset management] ... Because we didn’t talk asset management until about three years ago, and that tended to be people that had worked their way up as maintenance managers.”*

(Assistant Director of Asset Management, Magenta)

Ochre had undergone wider organisational changes after a new Chief Executive was appointed in 1997. From an asset management point of view this had included plans to bring all maintenance services in-house but also changes in their spending plans. Stock investment planning is now forecast five years ahead, as opposed to the yearly reviews that were in place before.

*“I thought that was triggered when [Chief Executive] came and became the chief exec, he started a week after I did in 1997. He’s set a huge agenda for change, partly sparked by obviously government strategy and all the changes that have happened as a result of that. At a local level it’s been*

*about culture change as well in the organisation and that has been a huge influencing factor from moving from this very touchy feely social housing through to this commercial organisation.”*

(Regional Finance and Asset Management Manager, Ochre)

The past behaviour relating to each association's asset management practices corresponds with Argyris and Schon's (1978) single loop learning system. By 'blindly' complying with orders and rules from local authorities, internal departments and the Housing Corporation each case study adopted a managerial style defined as 'compliance fashion' (Vince and Broussine, 2000; Reid and Hickman, 2002).

Assessing the learning capacities each housing association possesses, there was clear acknowledgement of the constraints and problems of past stock investment decisions and approaches to asset management in all three case studies. They were now beginning to use more informed perspectives on asset management. For Magenta, this was based on employing a policy which considered the wider strategic implications of asset management, including a neighbourhood based approach and shared decision-making with other associations in the area. The move towards partnership working could reflect the strong information networks that were found in Magenta's city area.

In contrast, Ochre's approach to asset management had been more focused upon maximising the financial benefits of stock investment, through targets to develop in the south of England and rationalising their position in some parts of the north. For Cyan, the transformation of asset management behaviour had not been triggered by the same level of cultural changes as Magenta and Ochre. Their changes in asset management approach have been focused upon the integration of an informed set of data, and the development of the investment matrix to form the basis for decision-making.

Recent changes in the approach to asset management correspond with Argyris and Schon's double loop learning. Reid and Hickman (2002) understand this to be concerned with organisations changing their behaviour in response to events, and challenging their existing

norms and practices as a direct reaction to this. The problem of low demand stock, and the greater pressure upon them to operate more commercially had acted like a catalyst for the three associations to reassess their asset management processes. These findings are consistent with Gruis and Nieboer work, who conclude that English housing associations are moving towards a more strategic and proactive approach to asset management.

The chapter has addressed the information and databases used by housing associations in informing stock investment decisions, and the knowledge passed between or restricted from organisational actors both internally and externally. But in what ways do the case studies use this knowledge and information to make decisions? The study does not wish to typologise decision-making behaviour in terms of how 'rational' or 'informed' each housing association's outcomes are. It is difficult to classify decision-making behaviour in these terms because it would require a judgement to be made based upon the qualitative data that has been collected, and the justifications of this would be open for criticism. Instead the study is interested in looking at how actors within each organisation try to clarify their own individual and group decision-making techniques and how this affects the final outcomes reached.

#### **6.4 Perceptions of decision-making behaviour**

There was a strong discourse in both Cyan and Magenta referring to 'scientific' based decisions. In this way decisions were classified as being dependent upon formal datasets, such as Cyan's investment matrix and Magenta's neighbourhood tracking data. By making decisions backed by quantifiable evidence, senior and middle management could reassure other organisational members and external bodies, like board members and the Housing Corporation, that they were making an informed choice. Words like 'right', 'rational' and 'scientific' were associated with making logical and objective based decisions. By using this type of language, it follows that if a decision-making outcome were to fail the housing associations could reassure themselves and other actors they had made an informed decision. In some ways this could be seen as a response to past mistakes concerning

investment decisions, and now housing associations need to be confident that they are not making ad-hoc un-systematic choices which will exacerbate low demand stock or lead to poorer financial security.

*“We then looked at the strategic context of that particular neighbourhood, and looked at the tracking information of that neighbourhood so we could pick up and develop a fairly good picture of the future of that neighbourhood ... we could remain confident that we were making the right decisions.”*

(Director of Housing and Neighbourhood Services, Magenta)

Further probing around the categorisation of decision-making behaviour found that the objective and rational perceptions of decision-making were underpinned by other less tangible factors. In Cyan and Magenta, both housing directors talked about the need on some occasions to follow gut instincts. For example, abnormalities in information datasets due to clerical errors show that quantitative indicators do not always provide a fully objective basis by which to make an investment decision.

*“I try to put a more honest line through it and say there are factors in here that are scientific and objective but the decision is based on more than that. It is based on our knowledge, history, experience and intuition, and I can’t often defend some of the intuition because you can’t defend your intuitive thoughts.”*

(Director of Housing, Cyan)

The social and financial dichotomy faced by the housing associations further supports the more subjective and less scientific approach to decision-making, of which all three case studies discussed using in particular circumstances. For areas of severe low demand all three associations described instances where they had a long standing responsibility to a particular locality. In these cases even if data was pointing to disinvestment as the optimal outcome this would not necessarily be the final outcome.

*“So there are range things we get involved in our big major areas and we have a strong commitment to them. So certainly in low demand areas...we’ve got quite a few big initiatives going on there and it’s quite close our hearts if you like, so it wouldn’t be a case of saying we don’t think its got a long term future so we’ll just transfer it.”*

(Regional Regeneration Manager, Ochre)

Although Ochre have taken a purely financial framework in their decision-making criteria they were more sympathetic towards a ‘gut instinct’ approach. This could be explained by their extensive use of local knowledge at a regional level because of the difficulties in feeding information back up to the central office. But it was interesting to see the way they justified making decisions in this way by differentiating between gut instinct and gut decisions, a gut instinct was acceptable conduct:

*“I wouldn’t say gut decisions; I would say gut instincts... I wouldn’t say gut decisions are made per se because they have to be quite transparent really because of public money and the accountants wouldn’t let us do that anyway. So don’t get me wrong a gut decision is very different from gut instinct.”*

(Stock Investment Manager, Ochre)

The three case studies have all adopted a traffic light style approach to categorise their stock investment decisions. These have been underpinned by a wide-range of socio-economic indicators as in Magenta, detailed quantitative data in Cyan, and financial focus in Ochre. The ‘need’ to share data has been evidenced in Magenta and Cyan to continue to operate in their sub regional housing markets. In contrast Ochre does not ‘need’ to share information to the same extent, and are quite insular in terms of data disclosure. At present, the information used in all three housing associations is lacking formal qualitative research. They all identify the need for this to supplement and improve their quantitative data, but this type of information is still in the development stages. However, more informally the

knowledge and information flows within each housing association do take into account local knowledge and anecdotal evidence from front line staff. This was acknowledged in the fieldwork but the changing asset management behaviour of the three associations means that they are trying to move away from what they see as past un-strategic approaches in light of new 'rational' and 'informed' decisions.

## **Conclusion**

Magenta, Cyan and Ochre have followed similar patterns in the preference to use a 'version' of the traffic light system which is commonly applied by the housing association sector. However, there are substantial differences in the extent to which social and economic performers inform decision making in each organisation. Both Magenta and Cyan use a mixture of socio-economic indicators in their approach to asset management decision-making, whereas Ochre have a purely financially informed database. There are further disparities when examining how this information is shared with other organisations. Both Magenta and Cyan have an incessant need to work closely with other housing associations and local authorities in order to survive in the housing markets they operate in; even though one might expect that this would fuel fiercer competition. Conversely it is Ochre, the national housing association, who appears more guarded about information, yet they are able to disinvest in areas more easily because of the level and spread of stock. In terms of how each association learns as an organisation there has been an apparent shift towards more 'informed' behaviour concerning stock investment decisions. This is also mirrored in the language used by both Magenta and Cyan who discussed how there was a preference to make decisions are based upon 'rational' and 'scientific' indicators.

The chapter has also documented that the knowledge and information used by the housing associations to inform their asset management decisions is collected, disseminated and accessed by specific members of each organisation. This control of information forms an important dimension of power. The next chapter wishes to explore power in more depth and look at how power is exercised and circulates in the decision-making process. It will

look at internal power networks played out through strategic and operational asset management decisions, as well as examining external power circuits evident in partnerships with the local authority, other housing associations, The Housing Corporation, tenants, and private landlords.

## CHAPTER 7

### Circuits of Power

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#### Introduction

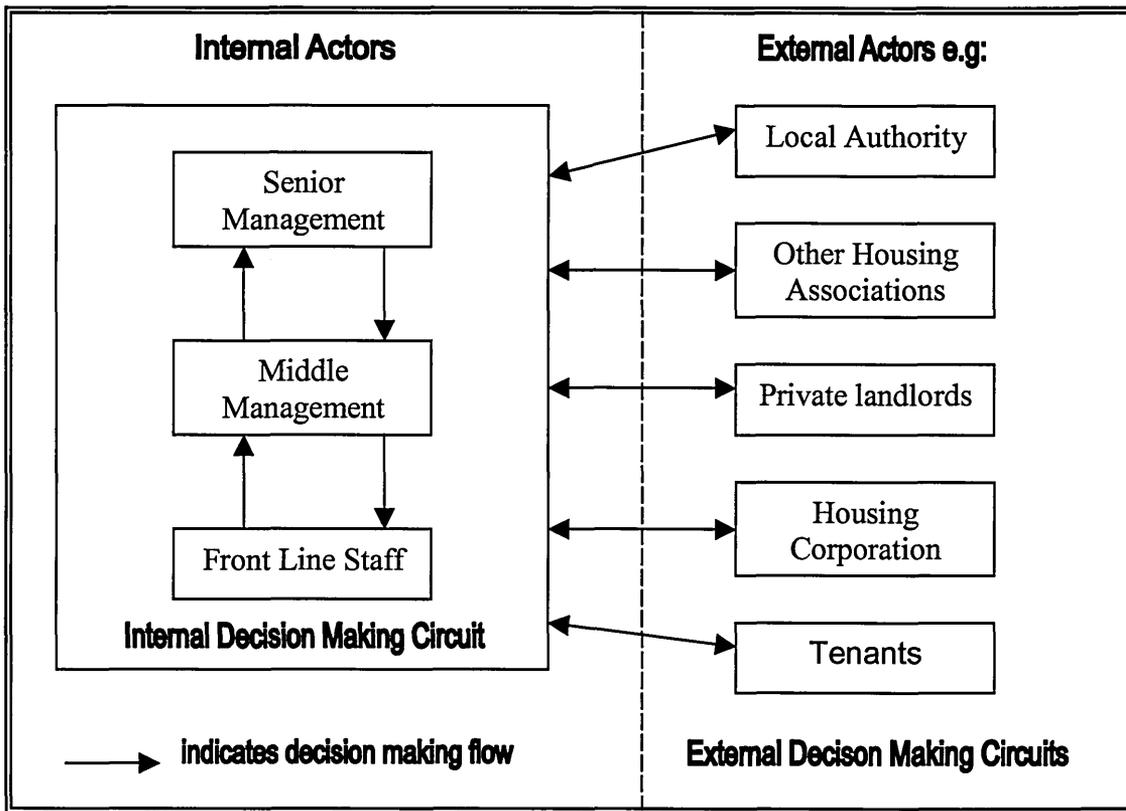
This chapter addresses the issue of power and its existence within the decision-making processes concerning stock investment strategies. As noted earlier, power is central to the decision-making process and the chapter will draw on evidence collected within the three case studies which looks at the way power is exercised by actors within each decision-making circuit. It is divided into two main sections; the first will address internal decision-making looking at ‘strategic’ and ‘operational’ decision-making processes and the way power is mobilised between organisational members and departments. Internal decision-making refers to the procedures that are in place within each of the housing associations that predominantly involve the members of that organisation<sup>22</sup> (see Figure 11).

The second section will go on to look at the wider circuits of power and the external actors/agencies involved in asset management decision-making. For the purpose of the study, external decision-making concerns any processes that require input or consultation outside of the organisations; this is predominantly the involvement of groups such as the local authority, private landlords, regulators or tenants (see Figure 11). By using Clegg’s framework of power the chapter will identify how (if at all) circuits of power shift dependent on the players involved, and the alliances that they form. Using Clegg’s analogy of the ‘rules of the game’, the three housing associations studied will be analysed by examining how the game is played, the obligatory passage points that exist and the outcomes concerning asset management.

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<sup>22</sup> When addressing both political and cross-cutting decision-making, although there are external actors involved, these types of decisions refer to processes that take place within the organisation.

**Figure 11** Internal and External Decision-making Networks



### 7.1 Power flows in internal decision-making processes

The interviews conducted with key actors from the housing associations participating in the research closely examined the decision-making processes relating to stock investment within each organisation. In order to identify and understand these processes the concept of power has been used as a tool to trace the relationships and actors involved, and the outcomes in the decision-making arena. These processes have then been classified into two types for analytical purposes: ‘strategic’ and ‘operational’ decisions (see Figure 12 for further explanation). By strategic decision-making, the research refers to decisions concerning the formulation and regulation of the organisation’s asset management strategy and processes which stem from this. In other words, strategic choices which affect the

**Figure 12** Operational and Strategic Processes

<p><b>Operational</b></p> <ul style="list-style-type: none"><li>• Concerned with the effectiveness of the day-to-day activities in pursuit of the strategic</li><li>• This would usually involve employees who perform work related to the production of products and services</li></ul> <p><b>Strategic</b></p> <ul style="list-style-type: none"><li>• Concerned with overall direction of the organisation and the focus for all other activities</li><li>• Typically strategic processes involve top-level managers accountable for the overall responsibility for the organisation</li></ul>
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*Source: adapted from Robbins (1993) and Pettinger (1996)*

organisation as a whole and feed into the central business plan, such as asset management policy and regulation, the data software used, and approval of the housing investment programme.

Distinguished from these processes is operational decision-making, which examines the day-to-day decisions relating to individual schemes and housing units, looking at issues such as repairs and maintenance, and tenants' welfare. Operational decision-making involves more actors and more complex processes, and the research has further classified this type of decision-making into four typologies: economic, social, political and cross-cutting. The strategic decision-making processes have not been grouped in this way. During discussions which focused upon strategic practices, the research found that decisions in this context were predominantly based upon economic and cross-cutting factors which were often interlinked, and has decided not to further separate the strategic processes.

### 7.1.1 'Strategic' decision-making

The research was interested in exploring how power flowed within both strategic and operational decision-making. Figures 13, 14 and 15, show the internal power flows in strategic decision-making in the three case studies. From the diagrams we can see that strategic decisions involve senior staff from directors, to the chief executive with some input from middle management. Power can be seen to flow down from senior level through the organisation to front line staff through decision-making actions. In this way, power circulates within a very small network of actors, a few number of key individuals are used as vehicles of power to carry out decisions about asset management strategy and related policy. However, the methods by which this top-down approach was administered internally varied across the three housing associations.

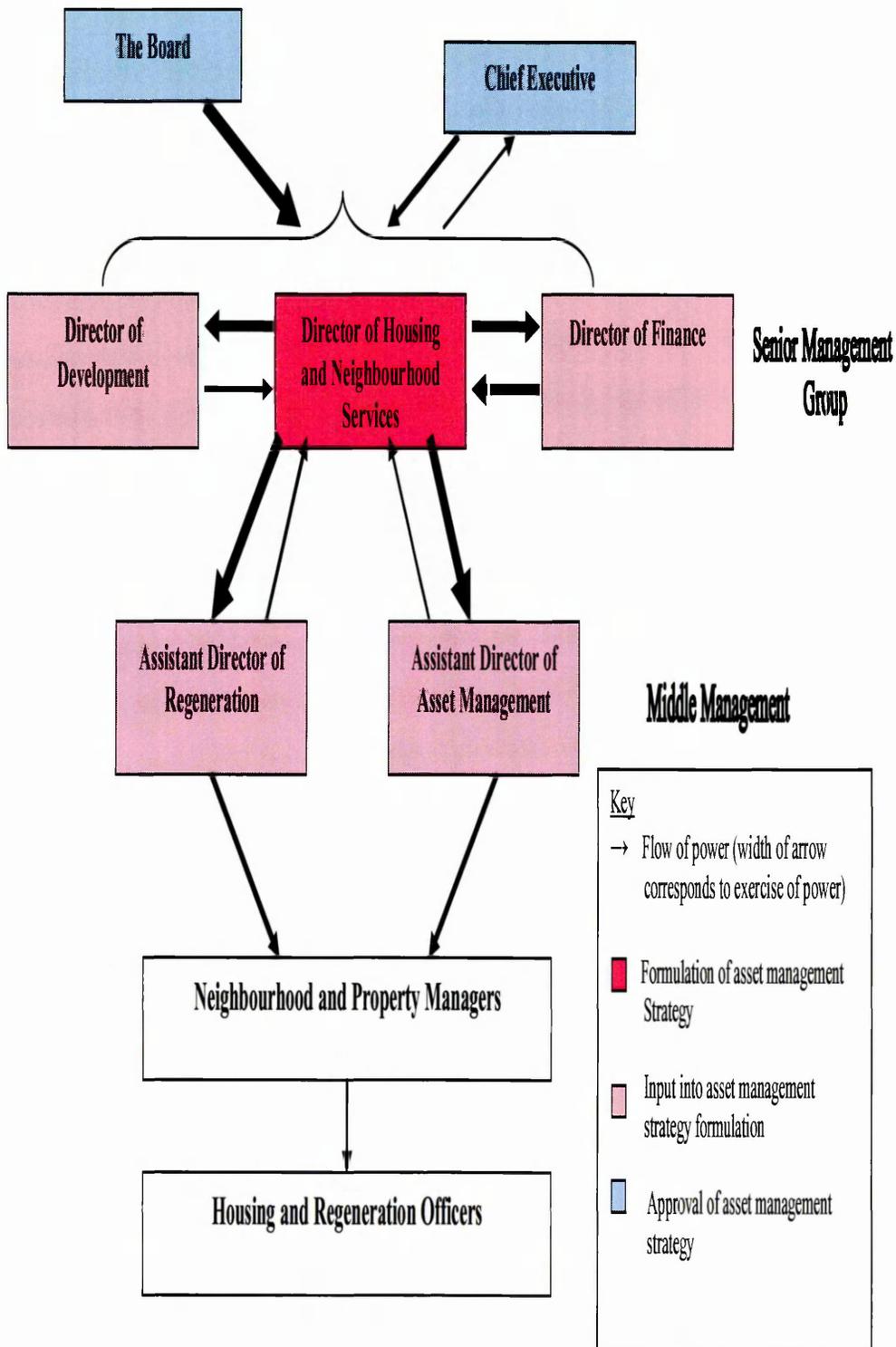
Magenta was very explicit that decisions concerning strategy and policy were only made by their Senior Management Group (SMG):

*“But decisions, big decisions, in terms of approval of the investment programme and approval of the asset management strategy they are approved by what we call the Senior Management Group. Senior Management Group is made up of the Chief Executive, Group Director of Finance, Group Director of Housing, and Director of Development.”*

(Director of Housing and Neighbourhood Services, Magenta)

Formulation of the asset management strategy itself was the direct responsibility of the Director of Housing and Neighbourhood Services. He required approval from other members of SMG and the board concerning asset management strategy, but he had exercised power since moving to Magenta by completely reorganising his department and its approach to asset management. One example of this was the creation of a new position in the organisation entitled 'Assistant Director of Asset Management', which replaced 'Head of Property Services' to exclusively address asset management. The central role and the exercise of power the Housing Director played concerning decisions on the

**Figure 13** Internal power flows in strategy and policy decision-making Magenta



asset management document was recognised by other staff within the organisation. The Assistant Director of Regeneration spoke about how the Director of Housing and Neighbourhood Services had:

*“really grasped our asset management strategy, it’s really his baby in terms of the way of thinking. And the Director of Development and he are working very closely to deliver the four stages of that really.”*

The SMG and the Assistant Director of Regeneration at Magenta were very clear that strategic decisions should only be made by SMG because staff lower down the organisation did not have the knowledge or expertise to ‘cope’ with these types of decision, reinforcing this top-down approach. However the new Assistant Director of Asset Management recognised that one person needed to take control of the strategy but believed that more input should filter back up the organisation:

*“And I think there’s a learning process, somebody has to be accountable for the asset management plan. It has to be somebody in a key strategic position, and it has to be someone who can influence the different departments within the organisation, and someone should be tasked with pulling that together. But we ALL need to be aware of it.”*

In contrast, senior management in Cyan did not view the strategic decision-making as a purely managerial responsibility, but spoke about how a cross section of the organisation was involved in the process. Decisions concerning all issues about stock investment took place within an ‘investment team’, consisting of the Housing, Finance and Development Directors, Housing Managers, the Research and Policy manager, and Housing Officers. Further discussions concerning the dynamics of the investment team disclosed that this open forum style of decision-making still resulted in a hierarchal system:

*“And everybody has a say in that as an equal peer and then we take a decision based on that. I mean as with all these things the dynamics of*

*having a director of the company, those people do tend to have a bit of weight, and if there is isn't agreement about things ones got to take leadership and make some decisions. So the directors might naturally, because of who they are in terms of personality or power base, assume some off that role."*

(Director of Housing, Cyan)

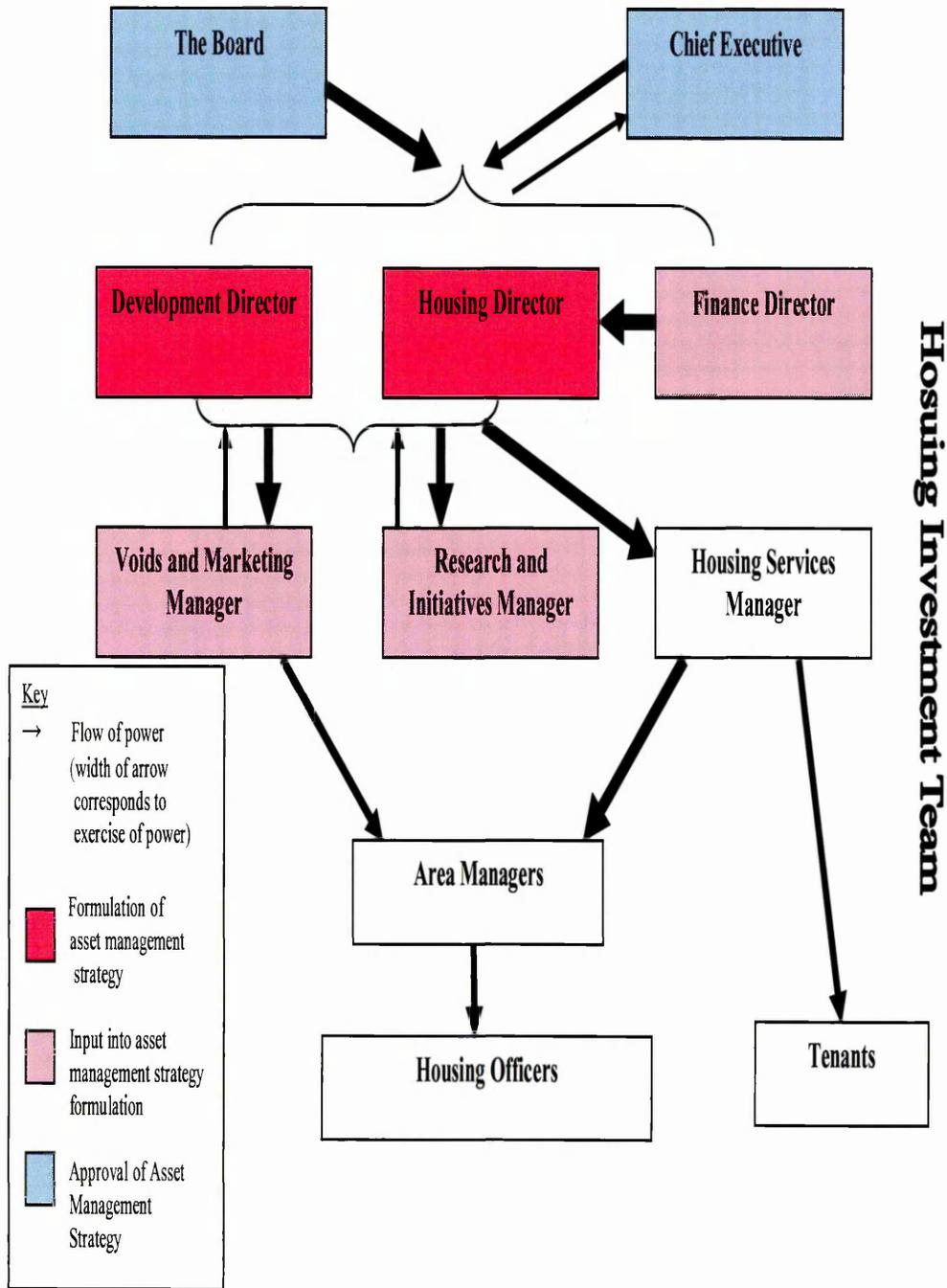
It was further identified when talking to staff at middle management level that they viewed the execution of the asset management strategy as the responsibility of the Development and Housing Directors, which is illustrated in Figure 14.

*"So the asset management strategy I think is owned by the development and the housing director. They're jointly involved in that and the work I do sort ties in quite closely with that."*

(Voids and Marketing Manager, Cyan)

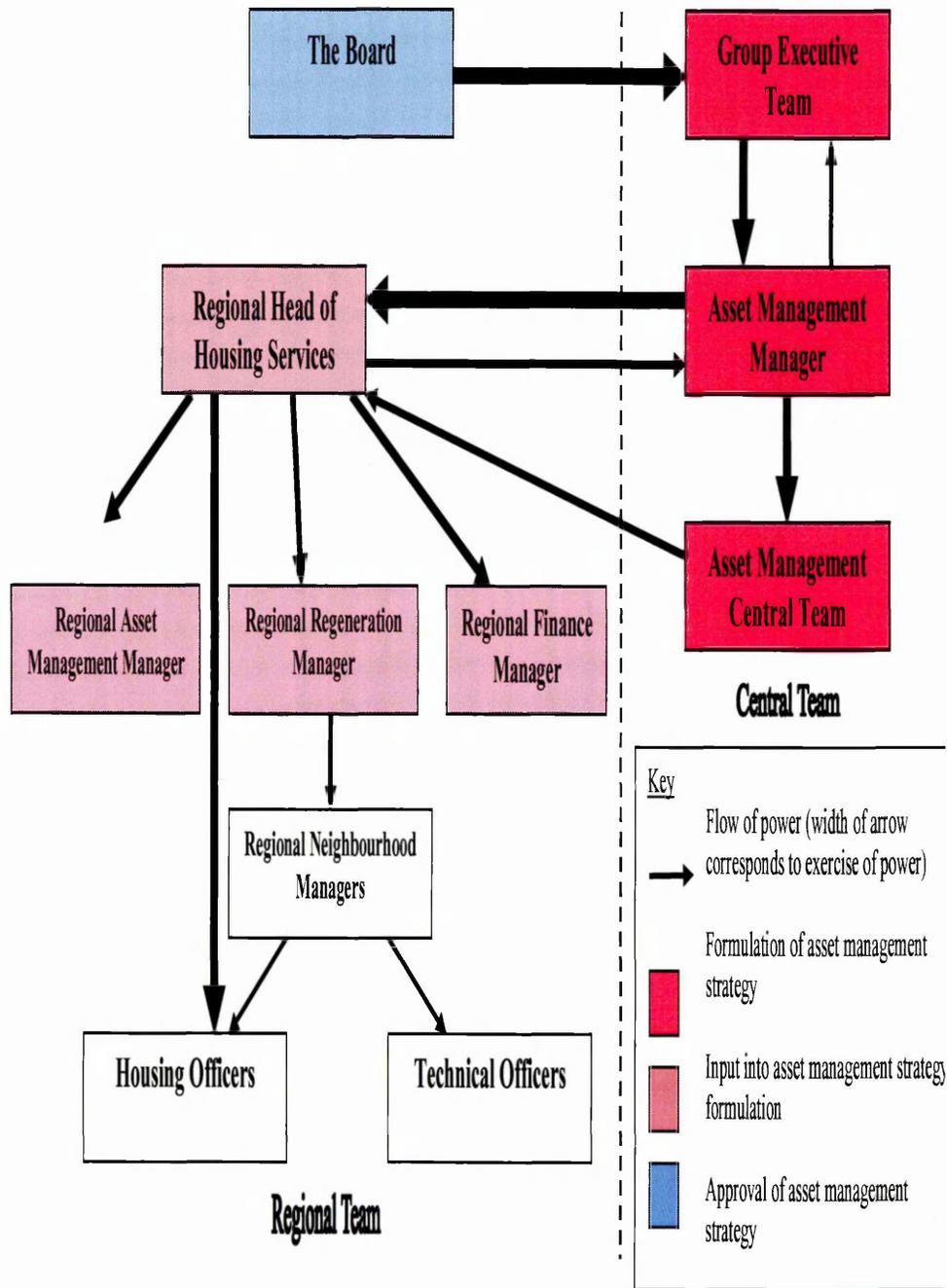
The national structure, within which the Ochre Group operates in, means that strategic decisions are dealt with by an asset management team which has a central role to play in the whole organisation. As Figure 15 illustrates, power is exercised by the group executive consisting of the most senior members of Ochre. They approve the asset management strategy which has been formulated by the Asset Management Manager and assisted by other team members below them. The Asset Management Manager then discloses this information to the seven regional managers across the country that filter the strategy to middle management below them, which eventually works its way down to the housing officer level. Unlike the approach taken by Magenta and Cyan, in which the Housing and Development directors are responsible for strategic decisions and power flows from their actions to those below them, Ochre operates a more focused circuit of decision-making which specifically examines the asset management strategy. The strategic based decisions are made by a small team of four people who operate centrally and are removed from decision-making at the operational level:

**Figure 14** Internal power flows in strategy and policy decision-making - Cyan



**Figure 15**

Internal power flows in strategy and policy decision-making - Ochre



*“It’s about making sure that we get all of their [regional housing staff] information and feed that up into that grand national plan. And that the approach by our asset management team, which is a central team, they have to take that on board. There is a discussion and they will look at it from their point of view which is good because it is a slightly detached view... it’s a control to say are you doing this for the right reasons?”*

(Regional Head of Housing Services Manager, Ochre)

In all three organisations power was exercised by one key actor at a senior level in terms of the formulation of the asset management strategy. Approval was required externally by the Board, above from the Chief Executive or Executive Group, and by peers within other departments. The interviews conducted were able to ascertain how these processes operated at a senior level within the case studies, and established other strategic decision-making actions.

However, the concept of non-decision-making must also be considered here. If there were potential issues concerning strategy decisions that could be contested by organisational members, for example the criteria used to set the stock investment framework, the top-down approach adopted in all three housing associations limits who can contest the strategic decisions. Exclusion of lower level staff, and to some extent those at middle management level, means that power conflicts may only arise within the small network of actors involved in strategic decision-making. The control of information concerning the asset management strategy and associated processes from lower level staff means that some strategy decisions could be classified as non-decisions. In other words, by not openly discussing the formulation of the asset management strategy procedure or receiving input or approval from the bottom up, some staff execute non-decision-making behaviour. The quote below exemplifies this idea of non-decision-making concerning strategy:

*“I’d say senior management make decisions and we’re just given a brief to put an appraisal together, and all we do is put it in a pot and it is just given to them to decide. But they can change things senior management, if you*

*look at a scheme which you know isn't going to work but if it's something that might be the trend at the moment then they will do it anyway at Magenta."*

(Development Officer, Magenta)

The processes involved in strategic decision-making have drawn attention to the restricted circuits of power that exist within the three housing associations. From the interviews conducted at varying levels throughout the three organisations, decisions concerning strategic choices appear to take a top-down approach. Strategic decisions exclude front line staff but it also important to address the role of tenants. At the strategic level none of the case studies talked about the inclusion of tenants in decision-making. This will be picked up on more regarding operational decision-making, as these processes included a broader cross section of each organisation; the next sub-section will draw on this in more detail looking at power flows between the actors involved.

### **7.1.2 'Operational' decision-making**

In strategic decision-making senior employees in all three case studies exercised power, producing a top-down approach. In contrast, within the dynamics of operational decision-making, power in some conditions is expressed as multi-directional, and includes a wider network of actors in the circuit. Employees from all levels of the organisation take part in the decision-making process, with power being exercised not only top-down but bottom-up through each housing association.

*"If staff have good ideas, one thing I will say about this organisation it goes top down and down back up, so both ways and it is good feedback."*

(Area Manager, Cyan)

Moreover, the research identified that operational decision-making consisted of a series of complex processes, and has further typologised decision-making mechanisms under the headings of economic, social, political and cross-cutting drivers. These are illustrated in

Figures 16, 17 and 18. The way that power is exercised within these four subsections differs dependent upon the internal actors involved, but also to some extent the role of external regulation and policy factors. Each type of operational decision-making will be taken in turn and analysed to establish the flow of power between the agencies involved.

### *Economic decisions*

The financial aspect of decision-making is an underlying factor of all decisions within the three case studies. The extent to which financial criteria carried weight in decision-making depended upon individual circumstances. As the diagrams illustrate (Figures 16 and 17), within Cyan and Magenta power flowed horizontally from the Financial Director to the Housing and Development Directors concerning economic driven decisions. This was exercised by the Financial Director in terms of the funding allocated to the stock investment programme each year. In both organisations the Finance Director played an influential role in asset management and subsequent stock investment decisions:

*“Primarily at the end of the day what I see is it’s up to the Finance Director, if he says yes fine, if he says no forget it.”*

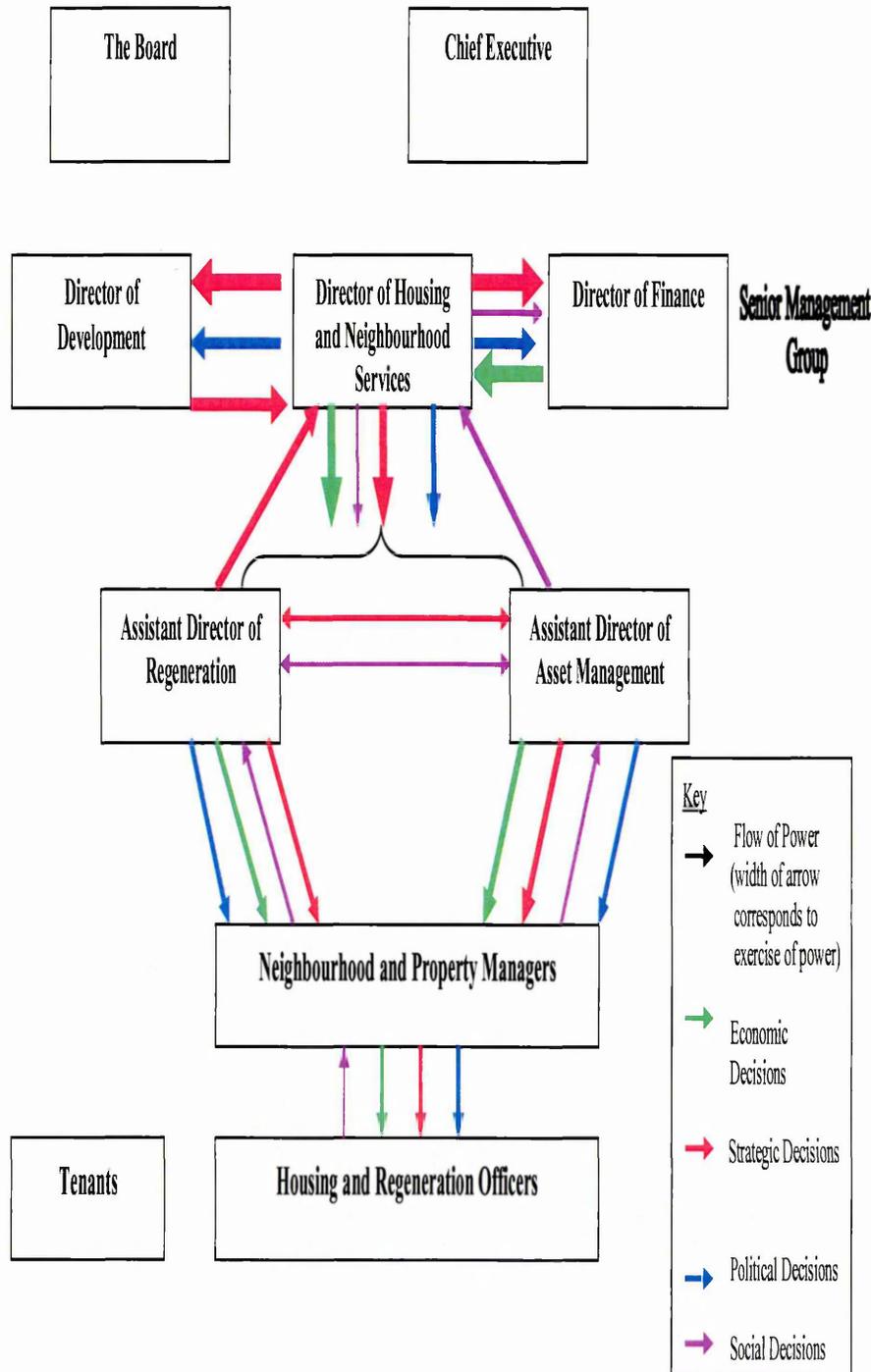
(Housing Services Manager, Cyan)

*“So I feel now from a purely financial point of view, because I didn’t feel this before. I don’t mind making money available if it’s going to be put to good use... we need to spend money, we need to do this because I’m quite happy to do that now because before I was hanging on to the purse strings.”*

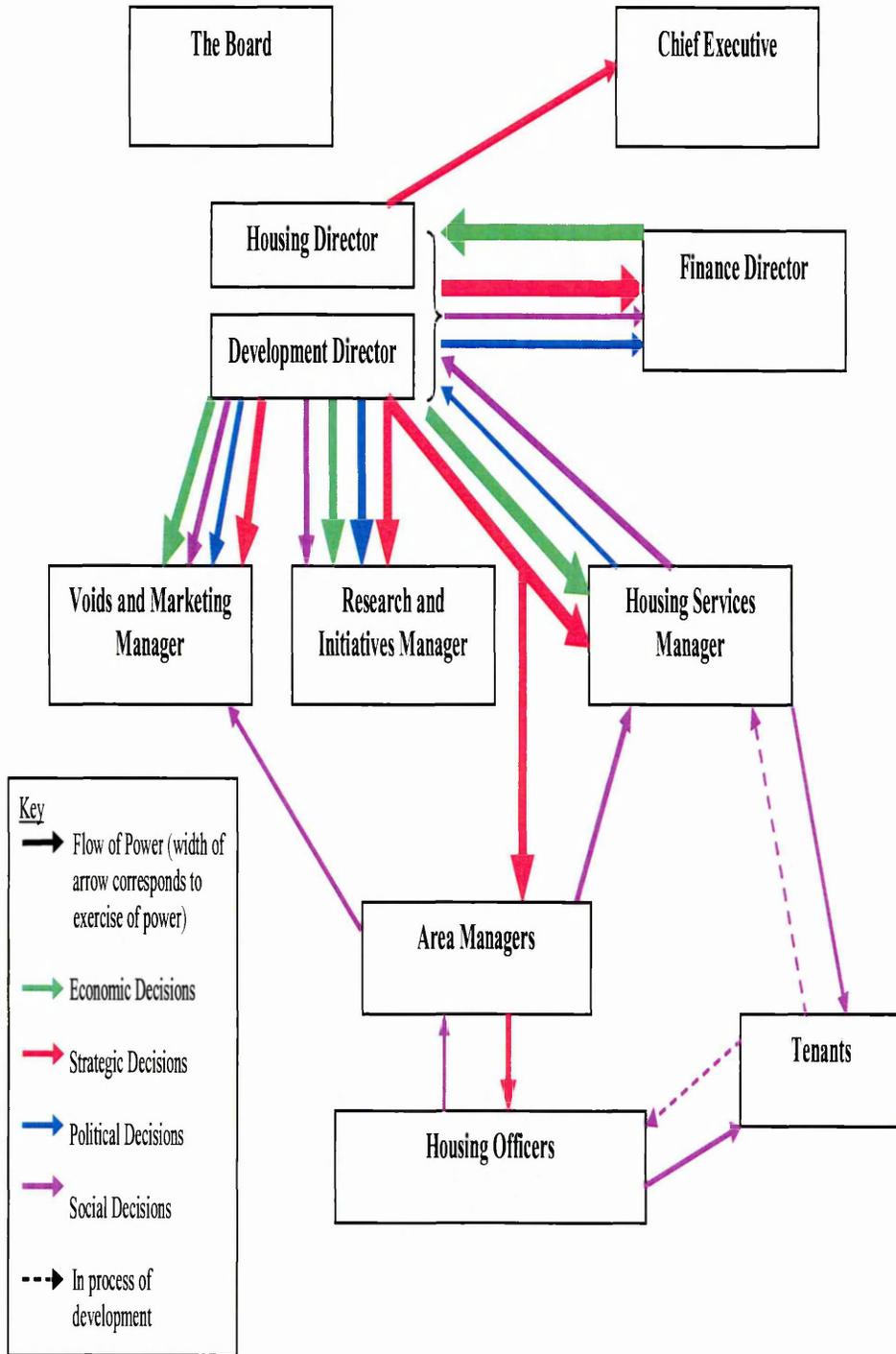
(Director of Finance, Magenta)

Economic drivers still played a big part within Ochre decision-making criteria, but the dynamics of this were slightly different to Magenta and Cyan because of their national structure (see Figure 18). Power was exercised by the central executive and asset management teams to each of the regional teams through the funding allocations for each region and the approval of their five year investment plans.

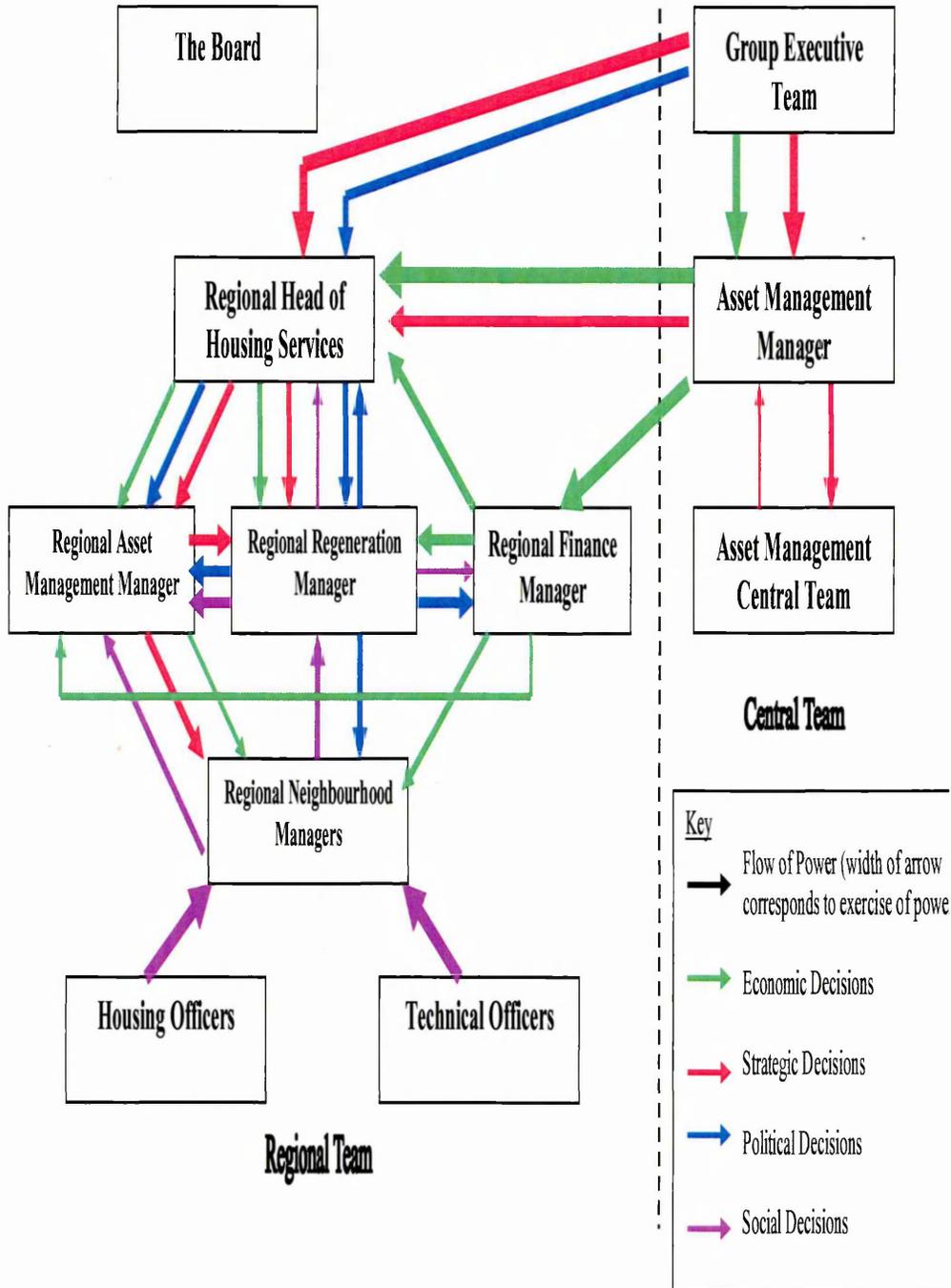
**Figure 16** Internal power flows in operational decision-making - Magenta



**Figure 17** Internal power flows in operational decision-making - Cyan



**Figure 18** Internal power flows in operational decision-making - Ochre



Once finances were located within each region, looking specifically at the region being studied within this thesis, power flows from the regional Finance Director to the regional Head of Housing Services. One of the processes in which this occurs is the use of financial information teamed with other indicators such as waiting lists and average house prices in the area to present a summary of each scheme in terms of past spending. The Regional Head of Housing Services then uses this information, teamed up with their decision-making tool, the Boston Spa Matrix, to assess schemes on a purely financial basis. For Ochre decision-making, at present, places an emphasis upon economic factors rather than social indicators:

*“But what we’re doing is for each scheme we measure it’s financial performance, this is only a financial indicator... I mean this is a simple financial calculation: how much is the rent bringing in and how much are we spending on services and repairs and major repairs?”*

(Regional Head of Housing Services, Ochre)

The economic drivers within operational decision-making do appear on the whole to present a top-down approach, similar to the strategy decisions examined previously. In all three organisations senior management were specific about the role that financial indicators play in controlling what stock investment decisions can be made:

*“There’s certainly a tight commercial framework around everything these days...you know the finance section is very strong here and I’ve worked for other organisations where this has been the case. There’s a particular [finance] department which seems to make the running and dictate the pace.”*

(Research and Initiatives Manager, Cyan)

However, although economic decisions create a dominant exercise of power within the decision-making framework, this is not to say that other factors did not come into play when the dynamics of decision-making were further discussed in the interviews. In

particular, emphasis was also placed upon the social side of decision-making, looking specifically at the dichotomy faced by housing associations when making stock investment decisions between their social responsibilities and financial objectives.

All three housing associations were chosen because they operated in areas classified as low demand. By definition, low demand areas are distinguished accordingly because there is an oversupply of housing. For housing associations this can be calculated crudely through high void rates and non-existent waiting lists. Economically, it does not make good business sense to continue to operate in these areas but each housing association to varying levels have continued to do so. We have seen that economic driven decisions in the three case studies were given precedence, and power in this way operated a top down approach. But actors within the case studies all spoke about social concerns, and the way these types of decisions operated in the organisations, displaying characteristics of the multi-directional flow of power.

### *Social decisions*

At senior management level decisions based on social criteria were often in direct conflict with the economic decisions described above. This was centred on the debate concerning the social objectives that housing associations maintain by being providers of social housing, whilst at the same time needing to fulfil their financial obligations to external funders by operating in a 'business-like' manner. In both Cyan and Magenta the housing directors spoke about how their seniority placed pressure upon them to make 'rational' decisions based upon monetary factors. At this level power exercised with regard to social drivers is not as dominant as economic, strategic or political concerns. However, there were some cases when social factors were more imperative to the outcome.

In Cyan, a lot of their stock is located in ex-coal mining communities where there were large problems with high unemployment rates and anti-social behaviour, which had resulted in low demand for that type of stock. However, a series of initiatives had taken place in these areas to try to improve stock which has brought no economic short term gains to the organisation:

*“We are spending far more now in our regeneration and by that I don’t mean bricks and mortar I mean community support, than we’ve ever done. If you looked at it as a department than you would be loosing tens of thousands of pounds on that but look at it as a corporate whole than what your doing is supporting the assets, as part of the asset management that you’ve got in an area.”*

(Director of Housing, Cyan)

The further down the organisation, the more significant an issue social drivers became. This is supported by Figures 16, 17 and 18 which show that power exerted up through the organisation for social based decisions is more significant for front line staff. Although the extent to which operational staff from the three organisations exert power in the decision-making process varies, there is one mechanism which is uniform across all three case studies, and that is the disclosure or concealment of local knowledge. The level of sophistication of data held by all three case studies, at the time the fieldwork was carried out, was still limited to quantitative variables. Therefore, data of a more qualitative nature, such as tenants’ preferences or information concerning anti-social behaviour, was not accessible through a central database but relied upon anecdotal evidence from employees working first hand with tenants and housing schemes. All three organisations placed importance upon local knowledge as a vital element of the decision-making processes concerning operational decisions:

*“You can’t under estimate local knowledge, you can computerise until you’re blue in the face and that’s what I like because that’s my job. But I do understand that compared to local knowledge that’s leaps ahead when it’s capturing it and using it.”*

(Stock Investment Manager, Ochre)

*“But we wanted our housing officers to say intuitively as well, say ‘I believe this in my experiences an easy scheme to let or a difficult scheme to let’ so we put all those in.”*

(Voids and Marketing Manager, Cyan)

By using local knowledge senior management were involving housing and regeneration officers and community and support workers within the decision-making process. In doing so, this could be viewed as an exercise of power from the bottom up, because senior and middle management were reliant upon the anecdotal evidence to help inform stock investment decisions. An example of this exercise of power was stressed further with conversations in a focus group conducted with Magenta staff about the use of this type of information. One officer spoke about how a decision had been made to sell two properties. She had overheard a conversation finalising the details when she realised that there was a long standing tenant in one of the properties. As a result the decision was overturned and another option had to be found concerning which units would then be allocated for sale purposes.

Satisfaction levels concerning involvement with socially driven decisions differed at varying levels of the organisation. Director level, and to some extent middle management, were satisfied with the level of input from lower down the organisation. But when talking to housing and regeneration officers this involvement was almost seen as a tick box exercise in which senior management would ask for their opinions but would then carry out their original plans anyway.

*“But they can change things senior management...But things like all our tenants who we’ve got a relationship with that doesn’t matter. You know if it’s trendy like in Canning or something then they would find the money to do it.”*

(Housing Officer, Magenta)

This is a more complicated circuit of power, on the one hand senior managers are reliant upon knowledge from front line staff in order to inform social concerns in the decision-making process but then they exert power by deciding what they do with this information. It could be further argued that senior management were unaware that they are exercising power in this way. Senior management may believe that they are consulting all levels of the organisation even if front line staff do not consider this to be the case. Further, front line staff displayed resistive behaviour by divulging this information in the focus group and openly criticising the decision-making process used by Magenta.

The role middle managers play in the operation of social based decisions again adds further intricacies to the circuit. The research found that power exerted by staff in these roles was dependent upon factors such as their career history and their job description in the organisation. On the whole, staff which had worked their way up into managerial positions from housing officer level placed more significance upon social decisions than those who had come from other sectors or worked at this level for longer. This is exemplified in Magenta, where the new Assistant Director of Asset Management had very socially orientated ideas about how asset management decisions should be informed, along with the commercial awareness of the process:

*“I think a lot of associations certainly in the last ten fifteen years have concentrated on developing, building and expanding rather than actually effectively managing stock... We’ve got a social responsibility dimension, yes we want sustainable neighbourhoods so we can get some sort of social stability and we can provide a contribution to building sustainable communities.”*

By giving preference to social aspects of decision-making, power was filtered up to senior management level and then fed back down to lower level staff. In contrast, the Assistant Director of Regeneration who had joined the organisation from a non-housing background talked more about Magenta’s strategic decision-making role but identified that some managerial approaches in the organisation were more socially orientated than her own:

*“I think individuals within the business particularly now are very much committed and passionate about social housing, and I think I’ve only recently realised that to the extent that I hadn’t done before, like [the Assistant Director of Asset Management].”*

On the other hand, tenants’ preferences played peripheral roles in Magenta and Ochre. Front line staff talked about their positive relationships with tenants but this was not effectively included in the decision-making network.

*“It’s the tenants who make our business, they are our main customers, they’re not our only customers but you know they are our main business...I think that is forgotten. They’re [tenants] disregarded a lot of the time.”*

(Housing Officer, Magenta)

To some extent Cyan had adopted a more inclusive approach with tenants concerning decision-making. A tenants’ approval group had been set up to give feedback on policies adopted within the organisation. But the logistics of this framework were difficult to manage and staff talked about how it was always the most vocal and influential tenants who had their say, as opposed to a representative cross section. There were also plans to include a tenant representative in the housing investment team but this was still in the early stages of development and again posed questions about how it could be operated:

*“There isn’t yet a tenant on the investment panel. I’m not sure whether there should be or not, we’re chewing that one over, it might be helpful, it might be good practice, but it would bring with it tremendous responsibility and conflict of interest which we have to chew over first.”*

(Director of Housing, Cyan)

### *Political decisions*

The social and economic conflicts which have arisen in all three case studies are further added to by what can be described as political drivers in the decision-making process. This

can be explained as an exertion of power underlined by government policy, local level bureaucracy, or regulation. In the three case studies these types of decisions were not as frequent as those driven by economic and social concerns. When they did occur power was often exercised externally, placing pressure within the organisation, usually upon senior management level to adhere to a prescribed outcome.

A significant factor for all three housing associations was the governments' housing market renewal programme, in which all three organisations had stock located in at least one of the pathfinder areas.

*“Obviously because we’ve got a lot of stock in the city area, it means that we’ve got a large proportion of our stock within the housing market renewal area and clearly that means there are strategic implications for our stock as well.”*

(Director of Housing and Neighbourhood Services, Magenta)

Magenta managed housing stock which had been earmarked for demolition as part of the pathfinder initiative. The stock had been classified as below the Decent Homes Standard, and it had been estimated that it would cost more to renovate than their market value. However, one street had attracted national media attention because of its historical background, and local authority intervention had stopped demolition taking place. The outcome of this decision, that is the power exercised by the local authority, meant that senior management at Magenta had to find an alternative strategy for the area. This reflects changes in national policy where the government have significantly reduced the level of demolitions taking place under the housing market renewal initiatives due to increasing public pressure.

In terms of regulation, asset management strategies are regulated by the Housing Corporation and subject to inspection from the Audit Commission. This has obvious impacts upon the role they play in the decision-making process. However there has been a shift in this role over time.

*“Ok, it [The Housing Corporation] used to have a much bigger influence because it used to give us money in terms of grant for stock, they don’t do that anymore. So in one respect that’s faded away but in another respect regulation is much, despite what people say, is higher and more detailed than everything else. So, the Housing Corporation come in and give us green lights for various things, management and development. Unless we have robust procedures in terms of policies, implementation, financial management, we wouldn’t get our green light.”*

(Director of Housing, Cyan)

So although in terms of economic issues, the Housing Corporation no longer impacts the decisions made by housing associations, housing associations are still very much dependent upon them to approve or reject their decisions. This has caused frustration at senior management level and goes back to the commercial versus social dichotomy discussed previously. All three case studies talked about how they were expected to operate in a tight commercial framework as ‘social businesses’, yet they were restricted by the regulations imposed on them by the Housing Corporation.

*“One day we’re social bodies when it feels convenient that we are politically, the next day we’re not when it’s politically not convenient and that is massively frustrating. We’re on our own very often when it comes to things like raising money and grants and other things, we’re subject to so much regulation you would not believe...So we have to be highly professional and in that sense very much business like.”*

(Director of Housing, Cyan)

For Ochre, it was the regulation input from the Housing Corporation in the decision-making process which they regarded as central to them still being classified as a not-for-profit institution. The organisation had other commercial activities such as nurseries, and

private housing, yet in asset management terms decisions were bound by the regulatory framework.

*“As a RSL we obviously have our regulators, particularly the Housing Corp, so there’s all sorts of regs about how commercially based we can actually be. [The Asset Management Manager] quite right that the commercial activities, the surplus is always ploughed back into that fundamental point of our existence which is to provide houses for people in need. If we wanted to be a commercial then we would go commercial so you’ve got to bear that in mind.”*

(Stock Investment Manager, Ochre)

As the diagrams show, power within political decision-making is exercised externally but filters through the organisation from the top down, as often processes are directed from local authority and regulation level concerning strategic issues. However, there are also other factors which influence internal decision-making processes of a non-political nature. These can be concerned with other organisations or wider neighbourhood issues, the last section concerning operational decision will go on to analyse these drivers in more detail.

### *Cross-cutting decisions*

Cross-cutting decisions are more concerned with the wider area that stock is located in. They are often not as clear cut as economic based decisions because they rely upon input from other organisations in the area, such as other housing associations, local authority and private developers. For example, in Cyan there is a block of bed-sits which suffer from high void rates and continue to be unpopular. They have remained in the same condition for six years because the best solution would be to convert them into flats; however the cost of this is too high for the housing association to undertake on their own. Strategically, they have made the decision to leave them in their current condition because they are trying to find another partner to financially support the scheme to either rent to students or use as supported housing. It is only now after six years they have finally made a decision to possibly sell for commercial use and transfer remaining tenants to other stock.

Cross-cutting decisions are usually directed from the top down, but also involve input from middle management and front line staff in terms of delivering more practical aspects of the decision-making process. Looking at the example above, the decision had been made by the Development and Housing Directors to not take action on the bed-sits. Meanwhile they had also employed a Project Manager to design four potential uses for the site if they were to secure funding. The Voids and Marketing Manager in Cyan had also played a key role in co-ordinating the outcome for the site.

Magenta were aware that some stock located in the housing market renewal areas was not affected by the initial approaches of HMRF, but was within the boundary area and may be affected in eight to ten years time. As a result they had had to be cautious about the investment decisions made about this stock:

*“Because we operate within a strategic context and what we call a shifting strategic landscape, because a lot depends on how the market renewal strategy is going to pan out in the city.”*

(Director of Housing and Neighbourhood Services, Magenta)

Cross-cutting driven operational decisions also refer to the process by which housing stock is ranked according to the classification system used by each housing association. As outlined before, Ochre have a distinct process for tackling the ‘strategic’ side of asset management. This approach is top-down and relies upon a detached method maintained by a central asset management team. However, other than the financial decisions concerning regional funding allocations, the other decisions concerning housing schemes became completely detached from the central team, and in many ways regional senior management. The Regional Housing Manager makes important decisions about housing schemes, usually ones which carry large financial risks, but there is a lot of input from technical staff and neighbourhood managers about specific housing stock.

*“It would be myself, we have a neighbourhood manager underneath me, and the neighbourhood manager then has the housing officers underneath them. They’re really the people that are right on the ground and would know the demand and what customers say when they go and look at the properties. They sort of feed in that aspect of it.”*

(Regional Head of Housing Services, Ochre)

If we turn again to the housing investment team within Cyan housing association, along with ‘strategic’ decision-making, one of the main aims of the group was to make choices about investment or disinvestment of individual schemes and housing units in addition to the information provided by the matrix classification. This was a more open system of decision-making, whereby decisions were dependent upon funding allocations and input was shared more on a level playing field.

*“I don’t actually go in with a housing directors hat on, although I occasionally do have to have a housing directors hat on because there will be a lively polarised discussion that wouldn’t conclude unless you did something about chairing the meeting. But apart from that my view is that the knowledge, a blend of knowledge is useful of how much we have got to spend. Like some people might come up with a scheme which might take years to resolve and someone might say we have to take a decision, we haven’t got years to talk about this.”*

(Director of Housing, Cyan)

The involvement of a wider group of employees, in comparison to ‘strategic’ decision-making, was also evident in Magenta. Senior management discussed that when they were deciding where each housing scheme fitted into the investment categories they involved a cross section of the organisation.

*“But the decision would be approved by obviously management but in terms of bringing it altogether a range of levels in the organisation would be involved.”*

(Director of Housing and neighbourhood Services, Magenta)

Power has been exercised at each level of the three case studies, but to varying degrees. The research has so far identified a strong top-down approach within both ‘strategic’ and some ‘operational’ decision-making processes but with evidence of multi-directional power within social and political driven decisions concerning asset management. The next section will go on to look at how power is exercised horizontally, looking at the relationships that exists within and between departments and their employees.

### **7.1.3 Intra-organisational games**

The exercise of power has so far been fixed within the vertical division of labour in each organisation, looking at how power circulates from senior management level through to housing officer level and back up again. However, the research has established that power also circulates horizontally concerning asset management decision-making. The responsibility and involvement in the asset management strategy and stock investment programme in all three case studies cuts across departments. In doing so, each of these departments develop interests and make demands for resources within the decision-making process according to their own needs and preferences.

In both Cyan and Magenta the majority of power struggles exist between the housing services staff and the development staff. For Cyan the asset management strategy was the responsibility of the Development Director but he had been on long term sick leave and therefore this role had been taken on by the Housing Director. At senior management level the joint responsibility appeared to work well, but it was the day-to-day activities that caused conflict between the departments. In particular they were working on a scheme which involved giving tenants the opportunity to choose their own kitchen and bathroom suites with the aim of attracting ‘good’ tenants who would stay and reduce turnover rates.

The development department were keen drive this forward, but maintenance staff were cautious about the high cost of repairs further down the line.

Magenta experienced similar tensions but this centred on conflict between social and private housing. A private arm of the organisation developed housing on a commercial basis but any profits made were then put back into social housing sector. Responsibility for this role was placed within the development department. Tensions had then arisen as to which housing would be channelled into the private section of the organisation, with housing services staff objecting to some of the social housing being lost for commercial means:

*“So there was a bit of a tussle then I suppose between the development staff and the housing services staff because the housing services staff saw the loss of stock as a threat.”*

(Director of Development, Magenta)

There was further conflict in the focus group discussions, where the general consensus was that the development department were not in touch with the rest of the organisation:

*“Sometimes development just isn’t in touch with what’s going on out in the areas. God, the amount of times they’ve decided to buy something and do it up without any thought about the area. They’ve done it with [name of housing block] Villas which is a really nice grade 2 building on [road name] by the football ground and I’ve think they’ve just come along and seen it backs onto the park and thought isn’t that lovely.”*

(Housing Officer, Magenta)

*“I moved two years ago from housing services so I’ve come with the knowledge of you know dealing with tenants and always trying to help*

*tenants as much as you can. But in development it was if you were working for a completely different organisation.”*

(Development Officer, Magenta)

This also has links to the social versus financial dichotomy discussed before. Some members of Magenta were opposed to the principles behind encouraging commercial development as they felt it went against the social ethos of the organisation. This had generated bad feeling towards decisions to free up social stock for these purposes.

The intra-organisational power dynamics were also dependent upon strong personalities within each department. Preference to allocate resources to different departments or teams was also dependent upon relationships that existed internally in the organisation. This was very much evident in Magenta, the new Director of Housing and Neighbourhood Services had pushed asset management as an important issue for the whole organisation. In a redevelopment of the organisational objectives, one of the new aims of the organisation was *“to secure a sustainable well balanced portfolio of stock that reflected the aspirations and needs of the tenants and the prospective tenants”*, the focus of which was the formulation of a new asset management strategy.

*“Last year we got a new Housing Services Director and he had a lot of experience because he worked for the City Council and he was a fresh pair of eyes. He actually worked in conjunction with development because to date, and this is another criticism of mine, we had a property services department with a set of blinkers on who would go off and do component renewal, boilers, kitchens, bathrooms and to their own what they decided would be the specification for the boilers, kitchens whatever and a development department who would chase rent.”*

(Director of Finance, Magenta)

The Assistant Director of Regeneration in Magenta has also been a key driver in raising the profile of the role that regeneration played in the asset management process:

*“[The Assistant Director of Regeneration], when she was here, was quite influential and would put her point across, she developed the whole regeneration thing and she probably made our team have a lot more of influence. We can say what we think and it’s because we’ve had to because we haven’t had anyone senior, we’ve had a six month gap almost.”*

(Regeneration Officer, Magenta)

#### **7.1.4 Playing the internal decision-making game**

The chapter has so far identified that the three case studies display certain behaviour patterns concerning the internal processes of asset management decision-making. These can be summarised as a set of rules for each housing association, outlined below, within which they play a power game:

##### Magenta

- Their asset management strategy takes a very top down approach
- In terms of their organisational culture, Magenta were established with a focus upon social ethos, but are moving rapidly towards a commercial approach
- Asset management has become a focal point for this commercial approach, with processes including a broader cross section of organisational members
- In the past three years there have been significant changes in the way they tackle asset management
- Local knowledge is still viewed as an important resource in the organisation

##### Cyan

- They have tried to include a broad section of the organisation in decision-making but in practice they still operate a top-down approach
- The strategy itself has not altered significantly in ten years, in this way they have a well established asset management process but it has been slow to wider market changes such as identifying low demand areas and investment ‘hotspots’

- More tenant focused concerning stock decisions
- Quantitative resources an important focus in the organisation with less emphasis upon softer qualitative indicators

### Ochre

- At a strategic level, asset management takes a top-down central approach with little contact at a ground level
- Operationally, decision-making is multidirectional with an emphasis upon local knowledge in each region
- Their large size means that they are able to exercise more choice within stock investment decisions
- Appropriate asset management policies have only been in place for the past three years with changes still being established in the organisation

So, the above rules provide a framework within which organisational tactics are displayed in order to play the asset management game. These are channelled through a set of obligatory passage points which players must adhere to in order to successfully take part. The first of these is information. Senior management in all three organisations restricted access to documents such as the asset management strategy itself, the organisation's business plan and data sets held on the internal system which held stock information and wider social and economic indicators. The reasoning for this was that only a limited number of organisational members would have any use for this information or be able to understand it.

*“I mean it [investment matrix] is a bit of a large and complicated technical document so we don't let everybody get an email copy of it. But the people that matter, you know the people on the investment team, they are on the circulation list for the email for the matrix to be regularly updated. Periodically the group management team will have a look at it.”*

(Director of Housing, Cyan)

In practice, this could be seen as one method of excluding some players by their lack of knowledge of the rules of the game, or unawareness of the game itself. In other words, some players are unable to become involved in asset management decision-making because they do not have access to the tools (information) to do so. The restriction of information reinforces the top-down approach at a strategic level in all three organisations.

Local knowledge is also an obligatory passage point within the asset management game. In contrast to the strategic information discussed above, local knowledge is acquired by front line staff on a day-to-day basis. The strength of this resource within the game differs in each organisation. In Cyan, although tenants are included in the stock investment process more than the other two case studies, local knowledge or informal information is dismissed in favour of the quantitative variables used in the matrix. Therefore tactically front line staff do not have the resources to compete with middle and senior management when it come to making decisions. In Magenta, informal information has more influence because it is used to track social indicators about tenants. At present this type of informal information is not held on record anywhere, but contributed to the decision-making process.

*“You’ve got the problem of people leaving with the information in their head and then you’re stuck then. It’s a very thing important that you get all that data into a central place, you know where people can access it.”*

(Housing Officer, Magenta)

However, there are plans to integrate this information into the central database. In doing so senior management will then have access to all information they require. Tactically, they will be able to exclude front line staff more easily from playing the game and re-fix the obligatory passage point to include fewer players.

Ochre presents a more complicated game. On the one hand strategic decisions are top-down and information is channelled through senior management within the regions, and the central asset management team. On the other hand, the size of the organisation means that operational decisions rely upon a lot of information from front line staff and therefore

within each region local knowledge provides an important obligatory passage point through which all levels of Ochre can play the game.

Linked to knowledge and information is the understanding of asset management within each organisation. In general, the three case studies have demonstrated that as a concept asset management is relatively new to their organisational practices. When this was further discussed within the three associations there was an admission that their knowledge and good practice of asset management was still in the early stages of development and, as shown in chapter six, was part of the organisational learning process. As a result, understanding was limited to a small group of individuals at senior and middle management level.

*“So a really mixed bag in terms of the asset management but it’s changing. It will be an overall central asset manager looking at the strategy, looking at the stock needs, analysing the data, getting together with the various regional contract and repairs managers, looking at an overall five year plan which we’ve got but refining it all the time.”*

(Regional Regeneration Manager, Ochre)

*“We need to focus on increasing awareness within the organisation about what our asset management plan is. I’m sure at the moment if you ask most people in Magenta they’ll probably say ‘oh I’ve heard a bit about that but I don’t really know what it is’.”*

(Assistant Director of Asset Management, Magenta)

So, the understanding of asset management is also an important obligatory passage point when it comes to playing the game of asset management decision-making. At present managers are using their awareness of asset management as a way of controlling how power is channelled in the circuit. Asset management tends to only be discussed in senior management meetings or with organisational members who play a strategic role. Consequently, it was only senior and middle management who could define the term and

express its application within the organisation. However, this may change depending upon the future approach taken by each organisation. For example, Magenta are discussing ways of making a wider section of the organisation involved in asset management and the new Assistant Director of Asset Management is keen to promote this. If greater understanding of asset management occurs than the organisational tactics may change and the power may also shift. This will alter the obligatory passage point to allow new players, that is new organisational members, to become involved.

Intra-organisational conflict has drawn attention to the competition for resources between departments and third obligatory passage point as part of the power circuit. The three case studies found tensions particularly between the housing services and development sections relating to asset management resources. These were in the form of financial income, but also in terms of ownership of the asset management strategy, and preference for stock investment planning. In Magenta the responsibility of the asset management strategy had been removed from the development department and placed within housing services. Yet, when stock investment plans were being discussed there was a continual reference to the ad hoc way in which the development department made decisions. Housing services staff were frustrated with the approach taken by development regarding the dismissal of tenants needs. They thought that housing officers' ground level knowledge was ignored in favour of new 'faddish' ideas introduced by the development department.

If the case of Magenta is further developed, the chapter has already made reference to the reorganisation of the way it deals with its asset management strategy. Using Clegg's framework the obligatory passage points analysed above provide channels through which power relationships are expressed, and where 'battles are fought' for decisions. The three obligatory passage points identified in the internal decision-making game: information, understanding asset management and resource allocations, provide nodal points by which the power circuits will continually change. Looking at Magenta the appointment of the new Director of Housing and Neighbourhood Services and then the later addition of the Assistant Director of Asset Management involved new players in the game. Therefore, the changes to the asset management approach formed a new resistance in the circuit and

demonstrates Mann's notion of 'organisational outflanking' used as part of Clegg's framework.

The chapter so far has identified that in both strategy and operational decision-making processes, the predominant exercise of power is one which has been described as top-down. However, in some strands of operational decision-making, largely those underpinned by social drivers, power has flowed in both directions. Internally, the research has looked at the way in which flows of power alter depending on the players involved and the resources available. This pattern is not just applicable to internal decision-making. Whilst undertaking fieldwork in each of the three housing associations it became evident that a number of external agencies were an important part of the decision-making process. The second part of this chapter will look at these more closely, again identifying the players involved, the rules of the game and how power shifts within these circuits.

## **7.2 Power flows in external decision-making processes**

Whilst to date the research has been concerned with the internal decision-making processes within the three case studies, each of the housing associations also work with other organisations in their approaches to asset management. This has been discussed to some extent in the political and cross-cutting driven decisions but will be addressed in more detail in this section. The main external organisations working with housing associations concerning stock investment strategies are local authorities, but other parties include private developers, other housing associations, private landlords, and those with a regulatory role; The Housing Corporation and the Audit Commission. The involvement of external networks creates new power relationships within the decision-making processes. Within these networks, there are some actors, referred to as 'players' (Clegg 1989a), who exercise power to a greater extent than others within the decision-making game. In addition, the way that this power is exerted may change depending upon the players who become involved, and the relationships that exist within the power networks. The following sections look at these relationships and the mechanisms that exist which enable

stakeholder groups to access or be excluded from the asset management decision-making process.

### **7.21 Rules of the external decision-making game**

Each organisation involved in asset management decision-making exercised power to varying degrees, depending upon their size, status, and the partnerships they had formed. The research found that as a general rule the most significant players in the decision-making circuit, were able to exercise power over less influential players. This game play shifted over time, but overall the less significant players were unable to sustain power exerted in the long term. This was exemplified in all three case studies by the role the local authority played in asset management process.

*“Most of what we do is directed in some respect by the city, so we support what the city do, whatever that might be.”*

(Regeneration Officer, Magenta)

Therefore, the first rule of the external decision-making game was to keep the local authority on side, and this occurred to varying degrees within the three case studies. However, the experience of local authorities cannot be discussed in a uniform way, and two out of the three housing associations worked within more than one local authority boundary. Some differences will be drawn upon, in terms of the individual strategies and measures used, but the exercise of power by local authorities in the areas studied consistently placed them as an important player within the decision-making process.

In Magenta, the city council had exerted power when it came to decisions concerning the clearance of stock, especially in areas included in the HMRF. Their own decision-making processes in several cases, had been delayed or altered because of their reliance upon the local authority to approve strategies. The issue of demolition in the city had provoked opposition by home owners and therefore a lot of stock decisions concerning these properties were still pending. Magenta were one of the five largest housing associations operating in the city area yet they still spoke about how their position was very much ‘at

the mercy' of the local authority. Tactically, to remain a lead player within the city's overall housing renewal strategy Magenta needed to ensure that their relationship with the local authority remained strong.

*"I was never really convinced. I mean we've had a few goes at it [asset management] by looking at areas and prioritising and trying to second guess what was going to happen in areas because we might not have control over demolition, regeneration areas. We're pretty much at the mercy of local authority and other housing associations it is not something we can make a decision about on our own."*

(Finance Director, Magenta)

*"My role is to ensure that the asset management strategy is fed by the wider strategic context including housing market restructuring ... which is very difficult to achieve because the council makes these changes, and you can only make your best guess. And you could get to a position of total inertia because they have absolutely changed their minds. We've just had an example this week where [street name] Street because of public opposition, which we have been waiting for four to five years to be cleared, is now staying."*

(Assistant Director of Regeneration, Magenta)

Although Magenta were dependent upon the council to make overall strategic decisions as part of the city's wider approach, their own financial position was strong. In this respect they were less reliant upon the local authority to secure funding for renewal of stock, new builds or wider regeneration initiatives. They did not have to 'play the game' to a large extent to compete for financial resources. On the other hand, Cyan were a less influential player in many of the local authorities they operated in, their stock was more widely spread across these areas. To remain active in the neighbourhoods they managed stock it was essential that they worked with the local authority to engage in strategic decision-making.

In addition, power was also exercised by the local authority concerning funding for large scale stock investment programmes. Because of the peripheral role Cyan played in most local authority areas, it was in their economic interests to maintain good partnerships with the local authorities and therefore secure funding for bigger and long term projects.

*“With both those estates we teamed up with the council. [City C Council] helped us a lot because a lot of our properties are not monolithic estates they’re scattered in owner occupiers and other areas. Now we can probably help deal with ours but we haven’t got the resources or the ability to deal with owner occupier or private landlords.”*

*“So bringing in that strategic partner is vital because in a lot of areas were just a small landlord. We haven’t got any clout but our properties have got problems and we don’t want to invest unless the problems are solved as a whole for an area.”*

(Director of Housing, Cyan)

Further tactics that both Magenta and Cyan employed to retain power in the decision-making process was to develop personal relationships with individual members in the local authority. These were often based on contacts made through previous employment. In Cyan, the Chief Executive had previously worked with his equivalent at the District Council, and other employees also knew staff at the council. Therefore, a decision to demolish properties on an ex-National Coal Board estate had been processed more quickly than usual.

*“I was also born and brought up in [City C district] and knew quite a lot of the people that worked for [City C Council]. So it was less bureaucracy and more of a personal level, so we could cut through some red tape and the trust was there. So we said ‘right we need to do this quickly, do you agree,*

*we'll get on with it, we'll sign the paper work when its sorted out, and there's' the trust there."*

(Head of Housing Services, Cyan)

Despite the power exercised by the council concerning their strategic role in the city, Magenta was still to some extent using personal relationships to maintain a good position in the external network of asset management decisions. In the same way that Cyan knew employees from the council, the new Housing Director at Magenta had used contacts he had built up from working in the local authority to maintain a good relationship. Other staff in Magenta that were interviewed felt that this relationship had secured a good partnership throughout the whole organisation and that this had also been extended to the pathfinder as well.

*"What we also have as an advantage, that [the Director of Housing] been consolidating, is that we have very good relationships with the city and a very good relationship with the pathfinder. I'd like to think that's not personality based but is organisationally based now, Magenta are people they can work with and we've got to do that."*

(Assistant Director of Regeneration, Magenta)

This was further confirmed with two interviews that were conducted with employees from the City Council who spoke about the positive relationship that they had maintained with Magenta. However, there were also questions at senior management level within Magenta regarding the competency of the City Council when it came to issues of asset management.

*"Working in regeneration in this city, and probably any city at the end of the day, you work with the local authority, and local authorities are not very empowered and not particularly effective. But in order to keep at it you need to be very committed and very patient and believe that baby steps will take you there."*

(Development Director, Magenta)

This quote is almost contradictory to the view expressed earlier; that the council exert power by maintaining the final say in decisions relating to the strategic position of housing stock in the city. However, juxtaposed to the idea that the council play a central role in leading the city's housing strategy, is one which accepts this but recognises that organisations have to use tools, such as personal relationships, to keep the local authority on side but try and influence approaches and methods used to place them as important players in the decision-making circuit. Cyan also found that good relationships were not always the case with all the local authorities they worked with; in particular they did not have a close relationship with another City Council and found that they could not play the game in the same way they had done in the previous example.

*“Certainly [City D] would be a completely different relationship, it would be ‘no not until you’ve signed on the dotted line and everything’s ok and we’ve checked with the solicitors’.”*

(Head of Housing Services, Cyan)

Despite this, Magenta and Cyan have both demonstrated that in order to tactically stay in the game, they have had to abide by the first rule of the external asset management game: to keep the local authority on side and this is strategically important to them in terms of their stock investment programmes. Ochre present an exception to this rule. Unlike Magenta and Cyan, Ochre's national scale gave them the option to pick and chose the areas they operated in, and subsequently the local authorities they worked in partnership with. The sub-regional scale that Cyan and Magenta work in required them to maintain good relationships with the local authorities.

In contrast, Ochre did not need to 'play the game' in the same way as they only worked in partnership with the local authorities that they wanted to, dependent upon the exercise of power that they exerted. In one metropolitan area the local authority was unwilling to work in partnership with Ochre. Therefore, they had not been chosen as the lead housing association in one area of the city where they had a large proportion of their properties.

Ochre had subsequently taken the decision to withdraw from this area and concentrate on other districts in the sub region where they were able to exercise more power and build a stronger partnership with the local authority.

*“Strategically [City E] don’t want to work with us for whatever reason. In a particular area where we’ve got 300 properties, we’re in the process of looking to transfer those particular properties to the association they do want to work with. And that’s to do with strategy and partnership because it’s an area where we either would want to be a big player and effect the neighbourhood or we would want to get out.”*

(Regional Regeneration Manager, Ochre)

*“But if [City F] says to us like [City E] did ‘we don’t want you anymore, don’t bother going in for any competition for growth because we’re not going to involve you’, then we might think twice about our commitment because there are a lot of places in the country where we can.”*

(Regional Regeneration Manager, Ochre)

The size of Ochre and their national status has enabled them to exercise more choice relating to stock investment programmes. Unlike Cyan and Magenta who operate at specific regional level, Ochre can withdraw from geographical locations if they are not able to fit with the rules of the game and apply tactics that give them their preferred outcome. Whereas with the other two case studies strong partnerships have been important in the asset management game, for Ochre this is not such an imperative outcome for them.

*“There are a number of other evidences for liaising with other RSLs, from our perspective that liaison isn’t great at the moment. I mean if other people have got good ideas I do try to, you know, access new ideas, particularly to help ourselves but we haven’t got the time or the resource to be supporting those networks very successfully I don’t think.”*

(Asset Management Manager, Ochre)

The research found that a second rule of the external decision-making game is that the size of the housing association is important in directing its strategic impact. For Cyan, their relatively small size over four sub-regions had meant that to be able to compete with other organisations in the asset management arena they had joined a consortium of housing associations, the 'Alliance' Group. By becoming a member of the consortium it enabled them to exercise more power concerning strategic measures, but also make a larger impact in bidding for funding from the Housing Corporation. On their own they did not comply with the second 'rule' but by forming a consortium this has increased the exercise of power.

*“As far as asset management goes, we’re really at the point in organisational development where we’re a lead partner in an investment partnership, the Alliance Group. This grew out of Reinventing Finance paper from the Housing Corporation looking for schemed bids that no single housing association in this region could package. I forget the figure, I think it’s 40 million over two years, a substantial swathe of development that no-one really in this region is geared up to package or deliver. So there was a very rapid aggregation of different housing associations regionally to do a bid to the Housing Corporation for a two year programme.”*

(Research and Initiatives Manager, Cyan)

Magenta have tactically needed to keep the local authority on side but they are also one of the largest housing associations active in the city’s inner core. In the LIFE model they are a leader in one of the four core areas and play and influencer role in one other, and therefore satisfy the conditions of the second rule. Some of the smaller housing associations have played a minor role in the overall strategic planning of asset management in the city. When discussing other smaller associations within the city, staff from Magenta and the local authority talked about how these types of organisations were often excluded from the decision-making process because they were neither large enough, nor possessed key players in these organisations to exercise power within the network.

*“I mean the co-ops haven’t been to a meeting yet and we’ll keep them at arms length and then we’ll manage them separately and I think. One of the main reasons for that is they’re going to be opposed to, they’re obviously opposed to clearance, for the co-ops 40 per cent of their stock is here, they don’t want to have demolition. And so from that perspective they’re keeping them at arms length.”*

(Regeneration Officer, Magenta)

The more influential players in the city’s circuit were able to exercise power by excluding smaller associations so that they could not exercise power on matters of demolition. Strategically they could not operate within the rules of the game because they did not have the tactics or resources to do so, or were unable to understand the game itself. The smaller associations were however more reluctant to share stock information with the larger housing associations and the city council. This could be seen as a reaction to their exclusion and a way of safe guarding the small numbers of stock they did manage which, in comparison to the bigger players, they could not afford to lose.

*“The biggest and the middle ones are quite free to share their data and they come to meetings and their quite strategically aware of what’s going on. They’re happy to swap data but the very small ones, the subsidiaries I would say are quite closed to us, to CAMD.”*

(Principle Data Analyst, CAMD)

In addition to the input of local authorities and other housing associations, the fieldwork found increased participation of private landlords in area based stock investment strategies. This reflects wider trends concerning the substantial growth of the buy-to-let market in the past five years and structural changes concerning the way the housing benefit system operates. But the approach taken by private landlords to asset management is significantly different from the social housing organisations participating in each circuit. The final rule in the external decision-making game is related to the level of social responsibility fulfilled

by players involved. Thus the third rule is that the level of involvement in wider asset management activities is directly related to the level of commitment to an area.

Cyan, still operate as a social business which has been exemplified through their traditional approach to asset management and the greater involvement of tenants in the decision-making process in comparison to Magenta and Ochre. A lot of their stock is located in mixed tenure estates and in addition to the local authority housing, Cyan work alongside private landlords. Private landlords are less influential players in these networks, and Cyan's experiences have been mixed in terms of the contribution given to stock investment programmes. This can be explained by the lack of social responsibility private landlords uphold. Also many of them do not have the resources or the strategic interests to become involved in wider community programmes as they often manage a relatively small number of units in any one area.

*"We actually managed eighteen properties for private landlord who was part of a consortium who all lived in the south, which was an absolute disaster, a complete disaster. He didn't trust us, we definitely didn't trust him, he accused us of fraudulently taking his money, and in the end we said enough's enough, draw a line under it and forget it. Some of the other local landlords though were a slightly different relationship because I used to work for the fair rent office service before I came into housing. So I actually come across most of these private landlords and I knew them and again there was some trust there."*

(Head of Housing Services, Cyan)

Both Cyan and Magenta, as indicated in the last chapter, perceive their own decision-making processes as 'rational' and 'scientific', yet in describing their organisational culture both associations roughly placed themselves half way between social and commercial. Although both organisations had started to use statistical data to help to inform decisions there were still some parts of the decision-making process which relied

upon less tangible criteria. One of these was the approach taken to wider regeneration and community schemes as part of stock investment strategies:

*“But the other thing is that you can’t be too prescriptive because you’re a business you can’t just walk away from neighbourhoods for this month or last month.”*

(Assistant Director of Regeneration, Magenta)

*“Just thinking about the regeneration framework in which so much of this sits and the asset management you know there is logic to say let’s flog everything in [City G] and invest in [Region H]. That’s safe stock, easily lettable, rising housing markets, what are you messing about in these deprived areas for... When it comes to developing property there are safe opportunities out there but we don’t take them and our business doesn’t focus on that, we want to be useful in places where there are difficulties.”*

(Research and Initiatives Manager, Cyan)

Ochre regarded themselves to have, and displayed characteristics of, a more commercial organisational culture than the other two case studies. In the areas which they saw themselves as influential players they were prepared to invest in the wider regeneration of the community. But in neighbourhoods such as the example referred to previously, their social responsibility was not as strong as they were quite prepared to withdraw from the area if it did not fit in with their future stock investment plans.

### **7.2.2 Shifting circuits of power**

The rules of the external decision-making game explored above, set out the power dynamics played out by the key stakeholder groups involved in asset management processes in the three case study areas. However, the exercise of power does not remain static. Although the rules have set out a series of conditions by which the research has been able to trace the exercise of power, the circuit of power shifted depending on who was involved, the resistance that occurred and the regulations enforced. This section will

look at shifts in the power circuits through two examples of decisions within Magenta and Cyan and a regulatory example looking at the Decent Homes Standard.

In Magenta, the LIFE model was an example of the way the local authority exercised significant flows of power over the housing associations operating in the inner area. The model provided a strategy which governed both stock growth and rationalisation for associations.

*“As I said we developed and applied the LIFE model in the housing market renewal areas and we are looking at issues of rationalisation, maybe in areas where there might be lots of different associations owning stock and trying to encourage associations that only make a limited impact to leave and coming to some kind of agreement with others who can make more of an impact in that particular neighbourhood.”*

(Director of Housing, Magenta)

Although the local authority had exercised power in the city’s housing investment strategy, resistance had occurred in some schemes from other actors. This can be further explained through the ‘Ridge Lane’ example using Clegg’s framework. The ‘game’, so to speak, concerns the decision not to demolish properties in a small neighbourhood area, Ridge Lane, where Magenta managed approximately 100 units. It had previously been declared ‘unsustainable’ and earmarked as a priority clearance area as part of the housing market renewal programme in the inner core area. This decision affected units owned by Magenta, Ridge Mount housing association (a small co-operative housing association in the area), social housing tenants, private landlords and owner-occupiers. The decision for clearance had been made by the city council and the Housing Market Renewal Initiative (HMRI) team. Using Clegg’s analogy, the ‘rules of the game’ had been developed by these two agencies in assessing which areas would be cleared as part of the HMR programme.

If the situation is reverted back to when the initial decision was made to earmark the area for clearance, the empirical power (the episodic circuit) was channelled between the

relationship that the city council and the HMRI team had with Magenta, the Ridge Mount housing association, private landlords and owner-occupiers. Magenta had accepted this decision, which could be attributed to their size ( $\approx 9,000$  units), and therefore the loss of 100 units was not a huge shortfall in their stock levels. In addition, the area had caused them problems in terms of high levels of voids, high turnover rate and rent arrears, as well as issues concerning anti-social behaviour and fly-tipping. Therefore, the area was deemed unsustainable, and in the long term it could be seen as a greater benefit to Magenta to demolish this stock. The 'obligatory passage point' for this decision was the local authority's neighbourhood renewal assessment (NRA) for the area to support the decision to demolish. However, power is multifarious and it flows through the dispositional and facilitative routes as well as the episodic. These other two circuits of power are made up of a 'field of force' in which the episodic agency conception of power is expressed.

It is at this point that the co-operative housing association, owner occupiers and private landlords should be considered in the circuit. Resistance was expressed against the exercise of power concerning the decision to clear, by private owners and landlords of the properties in Ridge Lane. This resistance was exercised by forming a residents group called the Ridge Lane Regeneration Group (RLRG). They were dissatisfied with the decision to demolish properties in the area and resisted the decision through vocal opposition to the local authority, and media publicity which reached a national level. This action has effectively disturbed the fields of force in the power circuit, and 're-fixed' the facilitative and dispositional routes of power altering the 'rules of the game'. Organisational outflanking then occurred in which there was conflict over whether the decision to demolish should go ahead. The opposition RLRG voiced caused the council to reconsider their decision and change the way in which that power is exercised. The new exercise of power was then the RLRG over the council and the new obligatory passage point is a second NRA and consequently a new strategy for Ridge Lane.

So far the circuit of power has addressed those agents/agencies that are considered to be part of the game but has not taken into account those agents/agencies that are excluded. The RLRG consists primarily of homeowners and professionals, such as solicitors and

private developers and thus represents a partial view of all residents in Ridge Lane. Within the circuit there is no agency which represents the view of social and private tenants. Although it could be argued that the housing associations involved are representing the social tenants, they have other interests such as their own organisational and business needs:

*“But either way we can’t leave our properties empty, it’s not viable, its damaging to other properties in the street, and also we already have a really negative reputation in the area because its assumed that we’re making the area the way it is and contributing to its downfall...as a business we couldn’t reinvest in properties that were coming down. But we want to try and change our reputation, and from a business point of view we don’t want empty properties, so [Magenta] have pretty much said we want to look at bringing our voids back into use or disposing of them to make sure we don’t have any void properties in the area.”*

(Regeneration Officer, Magenta)

The lack of representation from tenants may be interpreted as them being relatively powerless. Their exclusion from the game is because of their lack of knowledge of the rules of the game, or indeed they might not recognise the game at all. In this case it is the absence of a tenant’s alliance in order to resist or comply with the decision to demolish their homes.

If we return to the circuit of power, the game, as expressed in the beginning, is now centred upon the decision not to clear properties in Ridge Lane. The empirical power (episodic circuit) is still channelled between the relationship between the City Council and the HMRI team with Magenta, the Ridge Mount housing association, private landlords and owner-occupiers but there are now different ‘arenas of struggle’ in terms of control over resources and each agency’s strategic interests. The city council and HMRI team still maintain the goal of ensuring that Ridge Lane becomes a sustainable housing market but are now acting within a framework which has been re-fixed by the resistance of the RLRG.

Magenta now have to make internal decisions concerning their stock because they are left with high levels of void properties in the area which are not going to be cleared which has a direct effect upon their asset management strategy. The new decisions within Magenta are dependent upon the alliances that they form within the game. They have identified that they cannot operate without the help of the local authority, but also the lead housing association in the wider area Ridge Lane is located in. So, at present Magenta are working jointly with the local authority, the lead housing association and private developer for the area to develop a strategy which would involve bringing void stock back into use for social renting, but also for the private market to encourage tenure diversification in the area. There would also be very low levels of demolition.

This new plan has been developed pending on the results from the second NRA to approve the new strategy, in light of the resistance exercised by the RLRG. The outcome of the NRA approval is likely to name Ridge Lane a renewal area. The RLRG do not want this because it reflects badly upon the reputation of the area and effects factors such as house prices. However, this is the only way to secure funding for the strategy. The new strategy for Ridge Lane could alter the circuit of power again. If the new strategy for Ridge Lane is approved then it is likely that the plan developed by the council, Magenta, the lead RSL and private developer will go ahead, thus the council will exercise power over the other agencies in the circuit again. In this way, a new resistance by the local authority over the exercise of power by the RLRG will re-fix dispositional and facilitative routes within the existing rules of the game, that is the players and outcome of the decision have remained the same but the exercise of power has altered. So, although power did shift due to the resistance from the RLRG, eventually the local authority exercised power again concerning the final decision.

Political influence has also shifted power dynamics within a specific decision-making example in Cyan. An ex-National Coal Board estate, Park Brooke, had caused a series of problems for the association concerning low demand for stock, but also wider issues such as high instances of anti-social behaviour and high unemployment rates amongst residents.

The estate was causing Cyan serious problems but, as with a large majority of Cyan's stock, they were not the main stakeholder in the area. The estate was mixed tenure, with stock managed by the local authority, private landlords and some owner occupiers and so it was difficult for Cyan to resolve the issues which had been flagged up.

*"...and the problem with our estates is there very often mostly to do with private landlords and owner occupiers, we don't have monolithic estates like councils. So it's very difficult for us to go in and make a difference in the area unless the whole of the area is co-operately doing something about it. So in [Park Brooke] we went from us recognising the problem to working with the community to try and draw in the other agencies to co-operately deal with that."*

(Director of Housing, Cyan)

In the initial decision-making network, the episodic power was channelled between the relationship Cyan had with the local authority, private landlords, owner occupiers and social housing tenants. Measures which had solely been undertaken by Cyan were unsuccessful and they were aware that they needed to include other agencies within the programme to deliver an effective regeneration initiative. However, problems within Park Brooke had escalated to such a point that it had attracted the attention of a local MP. This intervention had disturbed the 'fields of force' and re-fixed facilitative and dispositional routes of power, changing the rules of the game. The political interest had caused government intervention in the form of extra funding allocated to the estate, altering the exercise of power and forming a new 'obligatory passage point'.

The new 'game' was now concerned with a partnership strategy for regeneration across all housing stock within the estate and included other initiatives such a driving school set up to help unemployed youth. In the new circuit episodic power was still channeled through the relationships between the local authority with Cyan, private landlords, owner occupiers and social housing tenants. But, there was now a new agency involved: central government. The new funding brought in new arenas of struggle in terms of resources and

strategic interests. Cyan still maintain the goal of the area's long term sustainability but they were now reliant upon the power exercised by the local authority and government funding in the area to deliver a housing investment strategy. To secure the funding Cyan had to work very closely with the local authority.

*“Once they [the local authority] were on board we couldn't have done it without them, they were more important than us in getting that result. But there are some other areas where they haven't got a strategic interest but we've got problems where will probably never get them on board but we don't know what to do.”*

(Director of Housing, Cyan)

Cyan and the local authority purchased the remaining stock from both owner occupiers and private landlords which therefore channelled the circuit of power between these two remaining players. The social housing tenants also formed part of this new circuit of power, in which Cyan worked very closely with them in delivering a suitable strategy for the area. However, contrary to the residents' wishes and unlike the decisions exercised in Ridge Lane, eventually a final decision was taken by both Cyan and the local authority to demolish the estate which, at the time the field work was conducted, was still taking place. By taking the decision to demolish stock both Cyan and the local authority changed the 'rules of the game' and the final outcome.

Looking from a regulatory perspective, in all three case studies the impact of the Decent Homes Standard was an issue repeatedly discussed by research participants. The Housing Corporations' regulator code required all housing associations to monitor the progress of all their stock meeting the Decent Homes Standard. This has obvious importance for asset management strategies and the subsequent stock investment programmes. Housing associations were required to indicate on their RSR returns the proportion of housing which met Decent Homes Standards and the level of improvement from the previous year.

*“Decent Homes is the biggest driver at the moment in terms of asset management.”*

(Regional Head of Housing Services, Ochre)

*“The other driver for all this is Decent Homes Standards we want to leave the stock decent by 2010... very little gets considered that isn’t working towards Decent Homes Standards.”*

(Research and Initiatives Manager, Cyan)

*“I think the most obvious one has been the requirement of the Decent Homes, that’s been a big focus.”*

(Director of Housing, Magenta)

Originally it was required that all housing stock should be decent by 2010, an exercise of power from the central government to each of the case studies to fulfill this regulatory obligation. However, a change in government policy has relaxed some timetables to extend meeting the Decent Homes Standard beyond 2010 to achieve wider objectives (CLG 2006). The revised date forms a new obligatory passage point in the power circuit, but power is still exercised by central government. The code of conduct for the Decent Homes Standard remains the same therefore ensuring that the rules of the game and the outcome remain the same.

### **7.2.3 Outcomes of the asset management game**

The chapter has addressed the processes involved in both internal and external decision-making concerning asset management in each of the three case studies. In doing so it establishes a set of internal rules each organisation adheres to and a collective framework by which external processes can be based upon. Using Clegg’s analogy, certain ‘obligatory passage points’ are present within the asset management game. Internally, these relate to the access and use of knowledge, the understanding of the concept of asset management and the resources unavailable to actors and agencies taking part. Externally, obligatory passage points correspond with government, regulatory and regional strategies which focus

upon the problem of low demand housing but also the condition of stock within the housing association sector.

The case studies have illustrated that there have been significant changes in the approaches taken to asset management in the past five years, and each association taking part in the research has represented a different perspective. Cyan portrays a traditional approach in the way its strategy has, on the whole, not changed since its formulation in 1995. Located among the largest 200 housing associations in England it is not a small housing associations but its regional spread means that in many areas their influence is insignificant in comparison to other agencies such as the local authority. Their significant tenant contact further reflects their traditional social approach.

Magenta is moving in a transitional phase in which key actors who have moved into the organisation have significantly modernised their asset management approach. There are still large tensions between the social ethos associated with traditional housing associations and the commercial approach taken on board through the private arm of the organisation. Ochre represents the other end of the spectrum from Cyan, in which they operate in a similar way to a fully commercial organisation. Their approach to asset management has only recently been updated, but the national scope of their operations has allowed them, to a certain extent, pick and choose areas of investment. The appointment of a new Chief Executive in 1997 triggered significant cultural changes, and part of this in asset management terms has included bringing their maintenance contracts 'in-house'.

However, there are some similarities within the three case studies. All three organisations operate a very top down approach when it comes to strategic decision-making processes. Although the operational decisions relied upon the input of front line staff, important decisions were very much guided by senior management. In this way more influential players dominate the process internally and this is also mirrored in the external processes which have seen a greater exercise of power between larger housing association and the local authority.

## Conclusion

Internal asset management decisions can be divided to address 'strategic' and 'operational' aspects. Operational decisions are further divided to explore those which are driven by economic, social, political and cross-cutting factors. On a broad level, internal decision-making in all three organisations predominantly take a top-down approach. However, there is some resistance exercised by middle management and front line staff concerning the selective dissemination of information and knowledge. Internally there are also power struggles between departments and the allocation of resources is recognised as one of the three obligatory passage points in the internal decision making game. External decision making explores the complex partnerships that exist between each housing association with local authorities, private landlords, the Housing Corporation, residents and other associations. External decisions are largely dependent upon the local authority but the extent to which each association 'plays the game' is determined by their need to continue investing in the area.

The next chapter pulls together the key issues to emerge from the research, exploring in depth the suitability of the analytical framework of the study. This will return to Foucault's relational concept of power and Clegg's framework of power, as well as revisiting Steven Lukes' perspective, and addressing how this fits with the research outcomes discussed in chapters six and seven.

## CHAPTER 8

### Conclusions

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#### Introduction

Decision-making in the public sector is an under researched area, and more specifically there is very little work which concentrates upon the stock investment decisions made by housing associations. The case studies used in this thesis have shown three different approaches to asset management decision-making processes. Unlike other work concerning decision-making and asset management, the research has explored how power and knowledge underpin decision-making behaviour. It has also examined the organisational behaviour and culture of the associations in analysing their stock investment practices. This chapter returns to the original research questions and examines the broad findings of the study. It then goes on to discuss the methodological approach taken, examining both the strengths and weaknesses of the project. Finally, the chapter explores possible areas of further research, taking into consideration the methods, context and focus of potential future enquiries into asset management decision-making behaviour.

#### 8.1 Decision-making models

The main aim of the research is to investigate the decision-making behaviour of housing associations, and in doing so has focused upon their stock investment processes. By examining decision-making the research has been concerned with exploring:

- How useful are decision-making models in explaining decision-making behaviour within housing associations?

The current evidence base concerning decision-making models was evaluated to address which models could be suitable to analyse the decision-making behaviour in the housing association sector. Traditional rational models (Rational and Normative Models; Simon, 1958) were rejected because it was unlikely that actual decision-making behaviour would follow the logical orderly approach described by these theories. Two more suitable models were identified, the political–bureaucratic model (Pettigrew, 1973) and the behaviourist model (Cyert and March, 1992). These understood decision-making to be a political process, acknowledging internal conflicts and external influences to be part of decision-making practices.

However, the two models placed decision-making behaviour within a rigid framework, using predominantly quantitative methods. Modelling decision-making behaviour in this way was unsuitable for the research objectives and qualitative focus of the study. Instead the fundamental concepts central to these models have provided the necessary tools to help build knowledge around decision-making behaviour in housing associations.

The reference made to these decision-making models has drawn attention to the concept of power; this is integral to the understanding of how decisions are framed and then made. All levels and types of decision-making examined within the research are underpinned by the key concept of power.

## **8.2 Power in the decision-making process**

The findings suggest that power is integral to all levels and types of decision-making within the three associations. Addressing this central concept of power the research has further questioned:

- To what extent can the analytical framework developed within the study (that is Foucault and Clegg’s notion of power) be used as a tool to help understand the empirical processes of power involved in decision-making?

- To what extent, when applied to housing associations, do these models and theories work in practice?

Power is a complex and elusive concept, creating real challenges for empirical investigation. Perceptions of power are greatly contested, and it is very difficult to identify; therefore theories of power are hard to prove or disprove. The analytical framework developed within the research found 'relational' approaches to power more helpful than 'attributional' approaches.

Relational approaches to power have drawn on the work of Michel Foucault. He tries to move away from the negative idea of the 'powerful' and the 'powerless', but instead looks at the way power functions within the everyday relations between people and institutions (Mills, 2003). Stewart Clegg builds on the Foucauldian paradigm to develop what he refers to as 'circuits of power' (1989a). In Clegg's framework power exists in three circuits: episodic, social integration, and system integration which emphasises the relational nature of power (Silva and Backhouse, 2003).

The 'relational' based framework lends itself to studying organisational decision-making because it enables power to be traced within the three case studies through examining organisational activities and processes. Questioning 'how power is exercised' rather than 'what power is' (Cousins and Hussain, 1984), directed the fieldwork to look at the internal influences on decision-making such as strategy implementation, stock investment criteria, and funding allocations, and external impacts such as regulation requirements and government policy. It also found evidence of resistance within decision-making processes, which reinforces the Foucauldian concept that organisational actors were not just 'passive dupes'.

Clegg's framework, which builds on the idea that power is a relationship between two individuals or groups, was then applied to the decision-making 'games' that exist within the three associations. The framework helped to identify the players involved, their tactics, and the resources available in asset management decisions. Further Clegg's framework

highlights that power is continually shifting within the decision-making arena. Internally, the shifts in power are dependent upon the staff agendas, funding allocations, and access to information. In external decision-making power shifts are dependent upon the partnerships and alliances formed, regulation and government policy.

However, some of the empirical evidence did not support the Foucauldian/Cleggian relational concept developed within the analytical framework. Foucault's 'multi-directional' view of power does not translate to the predominantly top-down approach found within the three case studies. In this way Foucault's emphasis that power is expressed in both directions through all actions is rather idealised.

Further, although Clegg effectively develops a relational framework based on the Foucauldian paradigm, as power moves metaphorically through the circuit (Silva and Backhouse, 2003) it is ultimately an outcome of a set of rules, procedures or interpersonal relationships where A's power over B is dependent upon A controlling resources. This implies that the location of power is also an important factor. In addition to recognising the exercise and circulation of power within the three organisations the research also pinpoints the location of power (that is with senior management), rejecting the Foucauldian notion that power can neither be a possession nor an owned commodity (Smart, 2002).

### **8.3 Approaches in asset management**

Asset management is a key process within housing associations and we have seen that decisions are shaped by the exercise and shift in power relations. Looking more closely at the asset management strategies, the research was interested in investigating the key factors which shape housing associations stock investment decisions. This was further explored by considering:

- How does a housing association's organisational culture shape its approaches to asset management decision-making?

- And what impact does their external environment have upon the stock investment process?

The internal approach to asset management taken by housing associations reflects how they define the character of the 'problem'. More problematic decisions which usually involve sensitive information and difficult choices around issues such as demolition, large sums of financial capital, or decisions which impact substantial levels of their housing stock are governed by senior staff. This reflects the top down approach to decision-making evidenced in all three case studies. Decisions perceived to be less controversial or are more 'clear cut' involve greater engagement with front line staff.

Dependent upon the nature of the problem, that is whether it is an economic, social, political or cross-cutting driven decision, will direct which senior member of staff will have more influence (and exercise more power) regarding its strategic and operational implementation. For example, a more innovative and experimental scheme involves greater input from the development director in comparison to a decision which is operating on a tight budget.

The internal response to stock investment issues is also dependent upon the scale at which the association operates. Data are produced by the housing associations, which monitor the performance of individual neighbourhoods and schemes, but this is only compared internally. For the national association, performance indicators are raised to a higher and more competitive standard than the two regionally based associations. Benchmarking, in asset management terms, may be deemed 'good' or 'satisfactory' at the localised level but if compared nationally wider indicators including school grades, demand levels and environmental quality may actually be judged as 'poor' or 'unsatisfactory'. Therefore, the internal evaluation and assessments made by associations can be viewed as 'insular' and dependent upon the geographical scale and conditions they operate in.

Addressing the wider impacts upon stock investment decisions, housing associations are devising their asset management strategies in a shifting external environment. The

influence external agencies have upon asset management processes are dependent upon the housing associations geographical base and scale, and the extent of its commercial viability. Power shifts between the relationship housing associations have with the external agencies dependent upon the above factors. If an association has a 'need' (either financially or strategically) to work with the local authority, other housing associations or another external partner in the area, then their asset management practices reflects this. If commercial or geographical strength outweighs their reliance upon other groups then there was less evidence of external collaboration.

#### **8.4 Knowledge and information in the decision-making process**

Investigating further Foucault's discussion of power, fundamental to power is knowledge. Foucault describes knowledge as a juxtaposition of power relations and information-seeking, which he terms 'power/knowledge' (Foucault, 1980). The inter-relationship of power/knowledge expressed by Foucault focussed the research to look at links between power, knowledge and decision-making. This reinforces the notion that knowledge is a key part of the decision-making process identified by the behaviourist model. Using these ideas, at a pragmatic level the research was interested in:

- How is knowledge and information used by housing associations within the decision-making process?
- Who has access to knowledge and information and how do they control it?

Power is closely linked to knowledge in all three housing associations. Information is used selectively, and differently, by organisational members as an expression of power relations within the decision-making process. The 'knowledge' held by senior staff reinforces and produces the predominantly top down approach to asset management found in the three case studies. Senior players exercise power by withholding strategic and political information from staff lower down the organisation.

However, there is some evidence of other players in the circuit exercising power through the use of information. Front line staff report anecdotal information on individual schemes, and research staff control information through their understanding of technical databases and datasets which inform stock investment. Both these mechanisms allow some level of inclusion of non-senior staff within the decision-making process. But ultimately the control of knowledge from the top down influences the predominant approach taken to asset management.

Analysing more specifically the actual information and data used by housing associations draws attention to the original interest in the project by the Housing Corporation. The study looked at the extent to which, and how housing associations use housing market and contextual data provided by the Housing Corporation to inform their stock investment decisions.

The Housing Corporation information (such as CORE and HIP data) is not used as extensively as one might expect. Each housing association prefers to use their own customised system which modifies the type and source of information to suit the specific requirements of their own stock investment planning. This may have a bearing on the future uptake and administration of unified data systems proposed by the Housing Corporation such as nrosh which try and regulate the use of data in the sector.

## **8.5 Future asset management behaviour in the housing association sector**

The research has addressed the current approaches to asset management in three housing associations. In light of these findings the research was concerned with examining:

- To what extent are housing associations becoming ‘learning organisations’ in their approach to asset management?
- Are housing associations becoming more commercial in terms of their stock investment strategies?

- How will the extent of their ‘commercialisation’ affect the relationship with the Housing Corporation (and Communities England) in the future?

It is anticipated that housing associations’ approach to asset management will change in light of trends encouraging the use of business planning tools and the general ‘commercialisation’ of the sector. Practices adopted from the private sector were already in position in all three case studies. Commercial property in collaboration with the traditional social housing stock, and other types of business diversification was viewed as an important element of strengthening stock profiles and future investment planning.

There is recognition by the housing association staff that traditional and old styles of strategic asset management developed inefficient and un-strategic approaches to stock investment, and consequently associations have learned from their mistakes. Housing associations are moving away from operating as ‘compliance’ agencies towards becoming ‘learning organisations’ and developing their own procedures and information bases as part of flexible asset management strategies. This suggests greater autonomy from the Housing Corporation, as they become more commercialised and develop frameworks to suit individual organisation needs.

As practices become more commercialised, it is probable that power will be exercised to a greater degree from the top-down and there will be even less involvement from front line staff. The remainder of this chapter will explore possible research to analyse potential future behaviour of housing associations, but will firstly address both the strengths limitations of the current research project.

## **8.6 Methodological approaches**

The research findings suggest that power is integral to understanding all levels of decision-making. The study was concerned with unpicking how these decisions were made and framed by exploring each association in depth. To undertake more comprehensive research

on asset management than had previously been conducted, semi-structured interviews were carried out with key players in each case study. By using qualitative methods the dynamics and roles played in decision-making were investigated. Further, interviews were able to explore and ascertain organisational culture and changes in behaviour which was a key part in researching stock investment processes.

A case study approach was undertaken to demonstrate varying frameworks used to tackle asset management. Although the use of three examples is by no means exhaustive, the three associations used in the research effectively highlighted differences concerning size, geographic location and concentration of stock.

However, there are difficulties in researching power in the decision-making process and the chapter has already drawn attention to the theoretical limitations of this. At a practical level relying upon interviews had to allow for some disparities in retelling organisational practices and contradictory accounts concerning the exercise of power in the organisation. The perspective of a senior manager talking about the extent to which they include colleagues at junior levels may be different to the way that front line and middle management perceive their role in the decision-making process. The fieldwork was able to evidence individual perceptions of power, but there are also the underlying effects of power that could not be observed empirically. The research has tried to tackle this through the use of Clegg's framework of power to try and trace its existence and how power is expressed in the decision-making process.

In terms of research participants, only housing association and some local authority staff took part in the interviews. To prevent jeopardising the relationships built up with the housing associations interviews with tenants and board members could not be carried out, and there was limited access to non-managerial staff. If these participants were included in the study then the Foucauldian perspective of power could prove to be a more useful framework. Including the viewpoints of tenants, board members and further front line staff would provide more extensive evidence to analyse theories of resistance and 'micro-practices' of power.

## 8.7 Future research

This investigation of the housing associations sector within the study presents three examples of how not-for-profit landlords tackle asset management. The housing association sector continues to grow and expand, but there remain local authority landlords and the new addition of Arms Length Management Organisations (ALMOs) as an alternative to stock transfer. Further areas of investigation could look at examples of both local authorities and ALMOs to explore their approaches to strategic asset management.

An argument could be made for both types of landlords to provide a less commercially orientated approach to stock investment than evidenced in the three housing associations. This is partly due to the greater level of social responsibility practiced by local authority housing provision. Further, discussions which took place within this study found that housing association staff noticed less 'business-like' and 'strategic' approaches within the local authorities that they worked in partnership with. The financial frameworks under which housing associations operate, would envisage a greater commercial behaviour towards their asset management processes.

The governance structures of ALMOs implies that they remain independent from the local authority but their public funding and lack of access to private finance places them more firmly within the public sector than housing associations. It would therefore be expected that ALMOs display less commercially orientated approach than housing associations. As Pawson (2006) identifies there is no academic or official research into the way ALMOs operate in practice or the degree of independence they actually have from local authorities. The differing organisational cultures adopted in the three research case studies have directly impacted their approaches to asset management. In this respect, undertaking research on ALMOs would predict that the way they tackle asset management would depend upon the extent to which they had continued to replicate previous local authority practices.

Furthermore, the housing association sector is diverse. The case studies were selected on account of scale and geography but there are other criteria which could form the basis of further research. Different types of housing associations could be explored such as BME associations, or sheltered accommodation, to compare their approaches to asset management. For example, community-led housing associations would be expected to operate less commercial practices, and recent stock transfer associations may still be in a transitional phase in terms shifting organisational cultures from previous local authority practices. It may be the case that the different functions of associations may alter the level of regulation and external input.

It is recognised that the research has examined asset management processes under a specific set of conditions; housing associations facing the problem of low demand. In the fieldwork the case studies acknowledged that their asset management strategies would reflect a different approach compared to an association located in high demand areas such as the South of England. Wider policy issues such as the growing problem of housing affordability offer further opportunities to research the issue of asset management under an alternative set of market conditions. Further areas of enquiry could explore this by looking at associations specifically located in high demand areas, or choosing a particular locality in the South East to examine how asset management is approached and the dynamics of organisations and partnerships operating in the area.

The methodological approach examined in the previous section draws attention to un-avoided limitations in the research design, specifically the exclusion of tenants and board members within the interview sample. The research found that all three case studies currently exclude tenants from stock investment decision-making. Associations are already referring to tenants as 'customers', and with more emphasis upon tenant empowerment they may play a more significant part in asset management decision-making in the future. The Tenant Involvement Commission established by the National Housing Federation in 2006 was set up to examine the increased role of tenants and communities in decision making processes. It would therefore be of value to conduct research which examines how this is put into practice.

From the perspective of board members, if the role of the Housing Corporation (and Communities England) becomes less authoritative and the sector continues to develop a more commercial environment, then board members may influence and regulate policy and strategy decisions to a greater degree. If tenants are part of the board representatives it poses the question of the impact this will have on the dynamics and power relations with senior management concerning stock investment planning?

This thesis closely examines the vertical segregation in decision-making practices but has not considered the issue of gender within these processes. Exploring gender, in addition to the focus upon organisational hierarchies, would have opened up further research questions which could not have been sufficiently answered within the boundaries of this study. It does however, present an additional angle to the research area and provide another avenue for further investigation. Out of the twenty interviews conducted with senior and middle managers in the three housing associations only five (25 per cent) were with women (two in Ochre and three in Magenta). Yet looking closer at the organisational composition in Ochre and Magenta, 64 and 59 per cent of employees respectively are female (RSR, 2006b).

This is supported by research undertaken by the Housing Corporation (2004b and 2004c) who have published two reports which examined the experiences of women working in housing associations. The findings suggest that although the proportion of women in senior roles had risen since 1992, gender inequality still exists and is embedded in the organisational culture of associations as well as their working practices. Women are often excluded from decision-making networks, and those who have succeeded often 'learned to play the game' in a male way. It would be interesting to address women's roles in decision-making processes and the extent which they had to taken on masculine characteristics to remain included in managerial and higher level decisions.

Addressing the importance of gender and decision-making also highlights the need to explore other identities and their impact upon decision-making. In particular, the role and

experiences of BME staff working in housing associations. Work by Somerville et al. (2000) found that out of the 72 non-BME housing associations they surveyed only 3.7 per cent of senior managers came from BME groups. This reflects a pattern across a wide range of sectors whereby BME staff are disproportionately found at lower levels of the organisation. Further, Somerville et al. (2004) discuss the way that institutional racism in employment can be seen to stem from three processes: 1) the 'core values' within an organisation; 2) how leadership qualities are measured and expressed; and 3) how the judgment of individual managers can 'tap into' stereotypes and prejudice.

In line with the findings from this thesis, whereby a large majority of decisions were made by senior managers, one would expect that the exclusion of BME staff from this level of the organisation would bear an impact upon the process of decision-making. Similarly to the way females in senior positions are perceived to 'play the game' in a male way (Housing Corporation, 2004c), there is a risk that BME staff would have to act 'whiter than white' (Somerville et al., 2004: 152) to conform to identities accepted by senior decision-makers within housing associations. It is argued that once in senior roles, individuals conform to the dominant culture and reproduce its characteristics, thus limiting the number of BME staff who are able to access managerial positions (ibid). Potential future research, linked to findings in this thesis and other work, could look at the proportion of BME staff included in decision-making processes and the barriers, both potential and in place, to their role in strategic decisions.

If these areas of future research are to be carried out then an alternative methodological framework may provide a more robust piece of research. Although semi-structured interviews effectively captured an in-depth analysis of decision-making behaviour other methods of data collection could be used to improve the research. An ethnographic study may offer an alternative perspective to exploring decision-making, power and knowledge. This would avoid disparities in relying upon re-telling organisational practices but would have to account for the researcher's perception of power and reflexivity.

The research has examined decision-making processes in the context of the public sector and more specifically housing associations, where there is little evidence to suggest similar studies. It has highlighted the importance of using power, knowledge and information to look at decision-making behaviour, in a discipline that traditionally traces behaviour in commercial organisations. The three case study examples have demonstrated that asset management in these housing associations is becoming more commercially orientated, and it is anticipated that future behaviour will continue to follow this trend. The subject of asset management has remained under researched in the social housing sector; the research presented in this study hopes to add to knowledge relating to issues of strategic stock investment decisions in the social rented sector.

If we return to the original interest by the Housing Corporation at the beginning of the study, it specified a concern for how the housing market and contextual data that they provide is used (if at all) by housing associations to inform asset management processes. The research has presented a sample of three housing associations, in a sector of over one thousand six hundred landlords, where each case study has provided a unique approach to stock investment planning and the utilisation of information databases. This highlights the great diversity found in the housing association sector. If the Housing Corporation were to fully understand information and knowledge used and processed by associations it would require them to gain a full understanding of each association's organisational culture and managerial styles, which are an integral part of strategic asset management and their decision-making behaviour.

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## Appendix 1

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### Interview schedule – Stakeholder Interviews (Audit Commission)

**Brief introduction about the research**

**How much time have you got available for the interview?**

**Do you mind if the interview is recorded?**

**Note: Keep asking for examples throughout the interview**

**1) Introduction**

**a) What do you think are the current issues concerning low demand and housing market renewal?**

i) Links to low demand, change demand, pathfinders, policy etc?

**2) Market Renewal Pathfinders**

**a) What is the role of the Audit Commission in the housing market renewal pathfinders?**

i) What do you think are the links between the role of the Audit Commission and government policy and responses concerning housing market renewal?

**b) What has been the outcome of the scrutiny reports on the pathfinder projects?**

i) What are the strengths and weaknesses of the pathfinders?

ii) How do they vary in the nine different areas?

**c) On a scale of very high → low, do you think the pathfinders are taking risks in their approach to tackling low demand areas? (examples)**

i) On a scale of very high → low, do you think they are being innovative in their approach?

**d) In your opinion, on a scale from very well → poor how suitably linked is the analysis, strategy and intervention phases of the pathfinder projects?**

**3) Role of Housing Associations**

**a) What role have housing associations taken within the pathfinder areas?**

i) On a scale of very high → low how significant an impact are they having upon the programmes?

**b) Are they represented on the boards of pathfinder programmes?**

**c) To what extent are housing associations working with the following groups as part of the pathfinder projects:**

i) Local authorities

ii) Private developers

iii) Tenants

iv) Other housing associations

v) Community members?

**4) Future Implications**

**a) What are the next stages of the pathfinder programmes?**

**b) What factors do you think will affect the market renewal pathfinders in the future?**

**Do you have any information which you think would be helpful for my project? (reports, documents etc)**

**Further contacts to assist my research.**

**Thank you for taking part in the interview**

**Do you have any further questions?**

## Appendix 2

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### Interview schedule – Stakeholder Interviews (ODPM)

**Brief introduction about the research**

**How much time have you got available for the interview?**

**Do you mind if the interview is recorded?**

**Note: Keep asking for examples throughout the interview**

#### 1) Introduction

- a) **What do you think are the current issues concerning low demand and housing market renewal?**
- b) **How do you think social landlords are responding to low demand housing?**
  - i) Local authorities
  - ii) Housing associations
- c) **What projects are you currently working on in the areas of low demand housing and housing market renewal?**
  - i) Scale, focus, location, key issues, stakeholders involved.
  - ii) **How do these projects link to government policy?**

#### 2) Asset Management

- a) **I'm aware that you don't deal with issues concerning asset management and social landlords but have you looked at projects and initiatives which have dealt with demolition and disinvestment in the social housing sector?**
  - i) What were these concerned with? Where are they located?
- b) **Tell me about whole life costing**
  - i) What is it?
  - ii) Who uses it?
  - iii) Examples

#### 3) Housing Market and Contextual Data

- a) **To what extent do you think social landlords (specifically housing associations) are using housing market and contextual data to inform their management strategies, programmes and projects, especially those operating in low demand areas?**
  - i) Government data sources
  - ii) Neighbourhood statistics, Survey of English Housing, English House Condition Survey, CORE.
  - iii) **The use by HA of research by academics, consultants and government?**
- b) **How informed are social landlords about the data available to them?**
- c) **If social landlords are aware of the data available to them, in what ways are they using it?**

#### **4) Organisational Behaviour**

- a) **On a scale of very well → poor, how responsive to change do you think social landlords and social housing organisations are as a sector, and in what ways is this evident?** (Changes in housing markets – rising/falling, changes in financial regulation, policy, tenants etc)
  - i) Is there any indication that as a result of changes in housing markets that social landlords (specifically housing associations) are withdrawing from low demand areas?
- b) In what ways do you think that external changes (housing markets, policy, finance) affect the behavioural changes within social housing organisations?
- c) **Do you think the sector is risk averse or do they take too many risks?**
- d) **To what extent do you think financial regulation affects the level of risk taken?**
- e) In terms of risk management/assessment – do you know of any programmes, research, or projects in which social landlords and/or organisations are using it?
- f) Do you know of any training programmes available in social housing organisations so that staff are more capable of dealing with changes in the sector (e.g. low demand, changes in regulation) and if so how widely available are they and to what extent do staff take part in this training?
  - i) Egan Report – skills.

#### **5) Future Implications**

- a) **What factors do you think will affect social landlords concerning housing market renewal and low demand housing in the future?**

**Do you have any information which you think would be helpful for my project?  
(reports, documents etc)**

**Further contacts to assist my research.**

**Thank you for taking part in the interview**

**Do you have any further questions?**

## Appendix 3

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### Interview schedule – Stakeholder Interviews (Housing Corporation)

**Brief introduction about the research**

**How much time have you got available for the interview?**

**Do you mind if the interview is recorded?**

**Note: Keep asking for examples throughout the interview**

**Do the answers apply to all housing associations – are there any differences between small, medium and large housing associations and if so why?**

#### 2) Introduction

- a) **What do think are the current issues facing housing associations?**
- b) **On a scale of very important → not important, how significant an issue is asset management for housing associations?**
  - i) Is asset management a widely used term, or is another phrase used by housing associations?

#### 3) Key Factors Shaping Asset Management

- a) **What do you think are the key factors that drive asset management?**
- b) **How well developed do you feel housing associations asset management strategies are, how and in what ways does this differ from association to association?**
- c) **How much influence does the Housing Corporation have over asset management? Is there a particular set of guidelines and how strict are these?**
- d) **How integral to the overall business plan do you feel asset management strategies are for housing associations?**
- e) **On a scale of very well → poor, how responsive to change do you think housing associations are as a sector, and in what ways is this evident? (Changes in housing markets – rising/falling, changes in financial regulation, policy, tenants etc)**
  - i) To what extent do you think that this response, on a scale of very large → small, has an effect on asset management strategies and in what ways is this evident?
  - ii) Is there any indication that as a result of changes in housing markets and/ or asset management strategies that housing associations are withdrawing from low demand areas?
- f) **What do you think are the financial implications of asset management decisions in low demand areas?**
- g) To what extent on a scale from very large → small is the financial aspect (as opposed to social) of asset management determining the outcome of strategies in low demand areas?

- h) Are housing associations required to have an asset management strategy, and how well do you think housing associations comply with this requirement?
- i) **Do you think that decision making strategies exist within housing associations concerning asset management?**
- j) What do you think is the role of the following groups within the decision making process:
  - i) Board members; ii) Housing managers; iii) Housing officers iv) Tenants.
- k) On a scale of very well → poor how informed do you think housing associations are about what their competitors are doing?
- l) **In what ways do you think housing associations are working together with the following groups to deal with asset management issues in low demand areas?**
  - i) Local authorities
  - ii) Private developers
  - iii) Other housing associations
  - iv) Tenants
  - v) Community members

#### 4) Organisational Behaviour

- a) **Do you think the sector is risk averse or do they take too many risks?**
- b) To what extent do you think financial regulation affects the level of risk taken?
- c) **Do housing associations have the staff resources to deal with asset management strategies?**
- d) Do you know of any training programmes available in housing associations so that staff are more capable of dealing with asset management, and if so how widely available are they and to what extent do staff take part in this training?
- e) In what ways do you think that external changes (housing markets, policy, finance) affect the behavioural changes within housing associations as organisations?

#### 5) Housing Market and Contextual Data

- a) **To what extent are housing associations using housing market and contextual data to inform their stock investment strategies in low demand areas?**
- b) How informed are housing associations about the data available to them?
- c) **How do housing associations use housing market and contextual data to inform their asset management strategies in low demand areas?**
- d) If housing associations are aware of the data accessible to them, to what extent are they knowledgeable about the use for stock investment strategies?

#### 6) Models

- a) **Looking at risk management/assessment – is there evidence to show housing associations are using it, and do you know of any models which they can use?**
- b) **Are you aware of any asset management models that are used by housing associations, if so what are they and how do they operate?**
- c) In your opinion what are the strengths and weaknesses of these models?

#### 7) Future Implications

- a) **What factors do you think will effect asset management in the future?**

**Do you have any information which you think would be helpful for my project?  
(reports, documents etc) – HC documents**

**Lists of housing associations for mailing list for questionnaire**

**Possible case studies**

**Further contacts to assist my research.**

**Thank you for taking part in the interview**

**Do you have any further questions?**

## Appendix 4

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*Sheffield Hallam University*

Centre for Regional Economic and Social Research

Francesca Albanese  
The Centre for Regional Economic and Social Research  
Sheffield Hallam University  
City Campus  
Howard Street  
Sheffield  
S1 1WB

27th August 2004

Dear (insert name),

**Research into the Asset Management Strategies of Housing Associations Working in Low Demand Areas**

I am a Ph.D. student at the Centre for Regional Economic and Social Research, Sheffield Hallam University, and am currently carrying out a study under the supervision of Professor Ian Cole and Dr. Paul Hickman. The research I am undertaking aims to explore the process by which strategic stock investment decisions are made by housing associations working in areas of low demand. To begin my study I am keen to speak to key stakeholders who have knowledge of, and an interest in, the areas of low demand housing and asset management.

Whilst I recognise the enormous demands placed on your time, I would be most appreciative if you or one of your colleagues could spare some time to talk to me. Should you have any queries about the content of this letter or the research project itself, please do not hesitate to contact me at the address or telephone number above. I will be in contact with you shortly to see if you are interested in taking part in the research.

Yours sincerely

Francesca Albanese

## Appendix 5

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*Sheffield Hallam University*

**Centre for Regional Economic and Social Research**

Francesca Albanese  
The Centre for Regional Economic and Social Research  
Sheffield Hallam University  
City Campus  
Howard Street  
Sheffield  
S1 1WB

9th December 2004

Dear RSR Officer,

**Research into Stock Investment Strategies of Housing Associations Working in Low Demand Areas**

I am a Ph.D. student at the Centre for Regional Economic and Social Research, Sheffield Hallam University, and am currently carrying out a study, which is being supported by the Housing Corporation, under the supervision of Professor Ian Cole and Dr. Paul Hickman. The research I am undertaking aims to explore the process by which strategic stock investment decisions are made by housing associations working in areas of low demand.

As part of the study I am keen to hear from housing associations operating in low demand areas. Whilst I recognise the enormous demands placed on your time, I would be most appreciative if you could spare some time to complete the attached questionnaire.

My research is concerned with looking at two areas. The first section examines the housing market intelligence used by housing associations and the second section looks at housing stock investment strategies. The questionnaire is composed of a series of mainly short closed questions, requiring mostly tick box answers. It should take about five minutes to complete, and should not require reference to other documentation. Everything in the questionnaire will be treated with the **strictest of confidence** and individual responses will not be passed on to anyone else. If you have any problems completing the questionnaire or have any queries about the research project itself, please do not hesitate to contact me at the address above.

When you have completed the questionnaire, please return it either by email as an attached document to **(insert email)** or post it to the address above.

Yours sincerely

Francesca Albanese



*Sheffield Hallam University*

**Centre for Regional Economic and Social Research**

**RESEARCH INTO STOCK INVESTMENT STRATEGIES OF HOUSING ASSOCIATIONS WORKING IN LOW DEMAND AREAS**

The questionnaire is concerned with looking at two areas. The first section examines the housing market intelligence compiled and used by housing associations, and the second section looks at stock investment strategies in low demand areas.

The questionnaire is composed of a series of mainly short closed questions, requiring mostly tick box answers. It should take about five minutes to complete, and should not require reference to other documentation. Everything in the questionnaire will be treated with the **strictest of confidence** and individual responses will not be passed on to anyone else.

When you have completed the questionnaire, please return it either by email as an attached document to [insert email](#) or post it to: Francesca Albanese, The Centre for Regional Economic and Social Research, Sheffield Hallam University, City Campus, Howard Street, Sheffield, S1 1WB.

**Please complete the following details:**

**Name of your organisation:** .....

**Your name:** .....

**Your position within the organisation:** .....

**Your telephone number and email address:** .....

.....

1. I would first like look to at the housing market intelligence your organisation uses. Please indicate below which of the following data sources your organisation uses to compile their housing market intelligence, along with how helpful you found each source (*please put an X in all the relevant boxes*)

Data source	Do you use this data?		How helpful was this data?		
	YES	NO	Helpful	Neither helpful or unhelpful	Unhelpful
RSR					
CORE					
HIP					
Neighbourhood statistics					
Dataspring					
Housing management data (e.g. void rates and rent arrears)					
Other secondary data sources (please specify below)					

2. How difficult have you found it to compile accurate and up-to-date housing market intelligence for your organisation? (*please put a X in the appropriate box*)

- Very easy  
 Fairly easy  
 Neither easy or difficult  
 Fairly difficult  
 Very difficult

3. How regularly does your organisation update their data sources for their housing market intelligence? Would you say that it was roughly every: *(please put a X in the appropriate box)*

- 0 - 6 months
- 6 months - 1 year
- 1 - 2 years
- 2 - 3 years
- 3 years or more

4. What percentage, would you estimate, of your organisation's stock is located in low demand areas? *(please put a X in the appropriate box)*

- 0 – 20 %
- 20 – 40 %
- 40 – 60 %
- 60 – 80 %
- 80 – 100 %

5. Thinking about your stock in low demand areas, has your organisation carried out any of the following stock investment/disinvestment practices? *(please put an X in all the relevant boxes). If your organisation has not carried out any of the following then please go to question 8.*

- Stock transfer
- Stock reduction
- Stock swapping
- Change of management arrangements

6. Looking at the above stock investment/disinvestment practices, have any of the following resources or methods been used to help to inform the decisions made by

your organisation to invest or disinvest in an area? *(please put an X in all the relevant boxes)*

- Your organisation's housing market intelligence
- Housing Corporation guidelines
- Other good practice guidelines (please specify below)
- Other sources or methods (please specify below)

7. Thinking about your organisation's stock investment/disinvestment strategies and decision making processes, what do you think could have improved these practices? *(please put an X in all the relevant boxes)*

- Staff training
- Employment of new staff
- Greater assistance from the Housing Corporation
- A more accurate, comprehensive and up to date housing market intelligence
- No improvement necessary
- Other (please specify below)

8. Thinking about your organisation's understanding and monitoring of their housing market intelligence, and their investment/disinvestment practices in low demand areas, what do you think are the most pressing issues facing you as a housing association?

.....

.....

.....

.....

.....

9. Thinking more generally about the role of housing associations, where along the following continuum would you place:

a) Housing associations currently and; (please put an **A** in the relevant box, labelled 1-5)

b) Where housing associations are heading in the future? (please put a **B** in the relevant box, labelled 1-5)

<b>Social Organisations</b>						<b>Commercial Organisations</b>
	1	2	3	4	5	

10. Would your organisation be willing to be contacted to participate in further research for the study? (please put a **X** in the appropriate box)

<input type="checkbox"/>	Yes
<input type="checkbox"/>	No

**Thank you for completing the questionnaire, please return it by email as an attached document to [\(insert email\)](#) or post it to: Francesca Albanese, The Centre for Regional Economic and Social Research, Sheffield Hallam University, City Campus, Howard Street, Sheffield, S1 1WB.**

## Appendix 6

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## Case Study Interview Schedule – Stock Investment Strategies

### Brief introduction about the research

How much time have you got available for the interview?

Do you mind if the interview is recorded?

### Introduction

The Housing Corporation are interested with what they term ‘asset management’:

- 1) Is this term used by your housing association (if so what is used instead) and what do you understand this to mean?
- 2) Does your organisation have an asset management strategy in place (or equivalent)? If so:
  - Age
  - Period of review
- 3) What role do you play in your housing associations asset management strategy?

### Stock Investment

Thinking about the asset management strategy currently in place, or a past strategy:

- 1) What factors did you consider when formulating your asset management strategy? (PROBE)
  - Economic (property value, condition, demand, stock profile, developers)
  - Social (tenants: aspirations and needs, neighbourhood agencies, other landlords)
  - Political (funding, regulation, changes in performance requirements)
  - Environmental (other amenities, infrastructure)
  - Organisational (operation, aims, objectives)
- 2) Thinking about the above factors, how do you balance the competing demands which are present within your asset management strategy?
- 3) Have any of the following processes occurred in your organisation:
  - i) Stock swapping
  - i) Stock rationalisation
  - ii) Stock reduction
  - iii) Change of management arrangements

If so can you please tell me about them using examples (PROBE):

- When they occurred
  - Who was involved
  - Processes that occurred
  - Decisions made
  - Sources of information used
  - Partnership working
  - Conflicts of interest
- 4) **Dependent upon answer to previous questions:** Can you tell me further about your asset management strategies and initiatives which have occurred at present and in the past.
  - 5) Are there any areas at present which your association is thinking of investing or disinvesting in and why?
  - 6) **For national housing associations (and those operating in more than one area) –** Does your asset management strategy account for local variations and how is this evident?
  - 7) Are you in partnership with other groups or organisations concerning your asset management strategy, please can you explain what they involve and how they link up?
    - Local authorities
    - Other housing associations

- Community groups
  - Private developers
  - Tenants
  - Wider initiatives
- 8) To what extent do you think that the following play a part in your organisations asset management strategy, in what ways is this evident?
- Business plan
  - Risk management framework
  - The Housing Corporation
- 8) In your opinion, what could be done to make your organisations asset management strategy stronger? (PROBE)
- improved housing market intelligence (data used, its analysis and application)
  - organisational structure (staff, objectives, goals, strategies)
  - assistance from outside organisations

### **Organisational Behaviour**

- 1) Thinking more generally about your housing associations organisational structure and behaviour, do you feel that it is more closely aligned with being a social or business organisation (what characteristics display this)?
- 2) With reference to the above question is this reflected in its asset management strategy and in what ways in this evident?
- 3) Thinking again about the organisational structure and behaviour of your organisation can you think of any external changes which have affected the housing association?
- 4) Have the above affected your asset management strategy and in what ways is this evident?

### **Knowledge and Resources**

- 1) To what extent do/did the following resources help to inform your asset management strategy?
  - Housing Corporation data (RSR, CORE)
  - Local housing market data (tenure mix, household size, population data, income levels, social and private housing data)
  - Housing management data (void levels, rent arrears, turnover rates)
  - Stock condition survey
  - General property information (description, design, tenant characteristics)
  - Other socioeconomic data sources (neighbourhood statistics)
- 2) In your opinion, which sources of information provide the most effective knowledge for your asset management strategy and why?
- 3) How often is the information updated?
- 4) Can you tell me about how the resources you have discussed are collected and used by your organisation?
  - Analysis and evaluation techniques
  - Access for staff
  - Awareness of the data available
  - Distribution within the organisation
  - What are they used for?
  - How are the resources collected and by whom?

### Staff

- 1) Who presents the main driving force behind your asset management strategy?
  - Board Members
  - Senior Management
  - People/groups outside the organisation
- 2) What staff resources are allocated for your organisations asset management strategy?
  - What groups are present within the organisation concerning its asset management strategy and how do they work together?
  - What changes could be made to improve these?
- 3) Are there any staff training programmes available which specifically focus upon asset management, if so what do they involve?
- 4) In your opinion do you have sufficient skills to:
  - Examine future demand of the stock
  - Implement an asset management programme
  - If these skills are lacking, what can be done to improve them
- 4) Thinking about information and knowledge which is held by your organisation, do have particular members of staff who are responsible for collecting, analysing and disseminating data?
  - Is their role only concerned with this task or is it part of a broader job description?
  - Is any training available for staff concerning the use of data sources and research as an integral part to the organisation?
  - Do you feel there are enough members of staff who have the skills and capacity to process information and data concerning your asset management strategy, how can this be improved?

### Tenants

- 1) How do you think your tenant profile will change?
- 2) What will be the impact of this?

### Future Implications

- 1) Can you tell me about your organisations approach to asset management in the future?
- 2) What factors do you think will effect your organisations asset management in the future?  
(PROBE)
  - Economic (property value, condition, demand, stock profile, developers)
  - Social (tenants: aspirations and needs, neighbourhood agencies, other landlords)
  - Political (funding, regulation, changes in performance requirements)
  - Environmental (other amenities, infrastructure)
  - Organisational (operation, aims, objectives)
- 3) Do you have any forecasting techniques/strategies which try to account for future behaviour?

**Do you have any information which you think would be helpful for my project? (reports, documents etc)**

**Further contacts to assist my research.**

**Thank you for taking part in the interview**

**Do you have any further questions?**

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## **Appendix 7**

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## Focus Group Interview Schedule (Magenta)

### Stock Investment Strategies and Organisational Behaviour

Brief introduction about the research

How much time have you got available for the interview?

Do you mind if the interview is recorded?

Ground Rules - no interrupting, confidentiality

Outline of session

#### Introduction

1. Can I ask all of you to quickly introduce yourselves, give your job title and briefly define your role within Magenta

#### Housing Investment and Decision Making

2. Thinking about the areas and communities that you work in can you describe an occasion where there has been a decision made to invest or disinvest and what that has involved? **PROBE**
  - a. Your role
  - b. When it occurred
  - c. Who was involved (within and outside organisation)
  - d. Processes involved
  - e. Decisions made and what informed this (management recommendations, gut reactions, tenants, data sources)
  - f. Sources of information used
  - g. Partnership working
  - h. Conflicts of interest
3. Thinking more about your role in Magenta, to what extent are you involved in the decision making processes within the organisation?
  - a. Areas such as stock investment, development, housing management, regeneration (focus on their role)
  - b. What does this involve - **Examples**
  - c. What impact do you feel you have on decision making
  - d. When did they occur
  - e. Who was involved (internal and external groups)
4. To what extent are you encouraged to take part in decision making?
5. What is the role of tenants within Magenta in the process of stock investment?
6. Do any of you take part in partnership work with other organisations as part of your job and how effective do you feel this is?
7. Thinking more about these processes is there anything you would change about the way Magenta approaches housing/community investment?

### Knowledge and Resources

8. What resources and information do you have access to within Magenta on a day-to-day basis and what purpose do they serve within your role? **PROBE**
  - a. Data sets (neighbourhood stats, census, CORE, housing management)
  - b. Reports (internal and external)
  - c. Research (city council, academic, commissioned)
9. To what extent are you encouraged to use secondary data sources within your role?
10. How useful would you consider these resources and what do you use them for?
11. Is staff training provided within Magenta, if so what does this involve?
  - a. Courses
  - b. On the job learning

### Organisational Behaviour

12. Thinking quite generally about your housing associations organisational structure and behaviour, do you feel that it is more closely aligned with being a social or business organisation (what characteristics display this)?
13. Thinking again about the organisational structure and behaviour of your organisation can you think of any external changes which have affected the housing association?

### Futures

14. Thinking about Magenta in the future as an organisation what do you consider being the main challenges and risks that you face?
15. Do you feel they have the resources and skills to be able to tackle these issues?
16. What are the main driving factors that you think will affect Magentas future?  
**PROBE**
  - a. Externally (policy, funding, regulation, local authority, housing markets, tenant base, development)
  - b. Internally (staffing, mergers, organisational objectives)

**Do you have any information which you think would be helpful for my project?  
(reports, documents etc)**

**Further contacts to assist my research.**

**Thank you for taking part in the interview**

**Do you have any further questions?**

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## Appendix 8

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## **Magenta Housing Trust**

### **Asset Management Strategy 2005-2010 (Draft)**

#### **What is Asset Management?**

For housing associations asset management is essentially the range of activities undertaken to ensure that their housing stock meets needs and standards now and in the future. This goes beyond investment in repair and improvement of stock. Effective asset management is also about reviewing and (if required) changing the asset base to reflect changing needs and demand.

An Asset Management Strategy is therefore a framework and a plan, based upon reliable data, for an association to base and integrate decisions concerning retention of stock, disposal of stock, investment in stock and replacement and/or development of stock.

#### **Purpose of Document**

The purpose of this document is to set out Magenta's approach to asset management, particularly in relation to General Needs stock, for period 2005-2010. It seeks to set Magenta's approach within a clear strategic context that reflects the impacts and implications of our external operational environment. It also shows the integration of our proposal in relation to retention of stock, investment, disposals, development and growth and how these proposals fully reflect our Business Plan forecasts in relation to resource availability over the next five years.

As explained within the document, this should be seen as an enhanced interim Asset Management Strategy document as it is intended that a further revised "final" strategy document will be produced at the end of 2005 to reflect updated condition data etc.

This "interim" strategy document is based upon existing stock data and a range of updated assumptions. It reflects:

- A much more comprehensive, neighbourhood focused approach
- A thorough review of property investment needs (and related targets) to 2010, together with revised cost assumptions
- A revised programme for achieving the Decent Homes Standard by 2010 in relation to our sustainable stock identified for retention

- Revised assumptions in relation to projected disposals (to 2010) and the associated financial implications (including the impact arising from currently identified clearance proposals to support Housing Market Renewal in City A)

## Summary of Key Asset Management Assumptions

### Disposals

	2005/06	2006/07	2007/08	2008/09	2009/10	TOTAL
Anticipated Number of Units Disposed (General Needs)	43*	151	124	105	136	559

\* This excludes 237 properties in 'neighbourhood ε' which are already in the process of disposal/demolition

### Decent Homes Programme

	2005/06	2006/07	2007/08	2008/09	2009/10	TOTAL
Number of Properties to Decent Homes	289	262	262	288	288	1389
Amount Invested (£million)	2.21	2.00	2.00	2.20	2.20	10.61

### Decent Homes "Plus" Programme

	2005/06	2006/07	2007/08	2008/09	2009/10	TOTAL
Number of Properties to Decent Homes "Plus"	133	497	497	497	578	2202
Amount Invested (£million)	0.49	1.84	1.84	1.84	2.14	8.15

### Other Property Investment

	2005/06	2006/07	2007/08	2008/09	2009/10	TOTAL
Other Property Related	6.80	7.97	8.02	7.72	7.55	38.06

Investment (£million)						
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### Total Property Investment 2005-2010

	2005/06	2006/07	2007/08	2008/09	2009/10	TOTAL
Total Property Related Investment (£million)	9.5	11.81	11.86	11.76	11.89	56.82

### Business Plan Forecast (Resources) 2005-2010

	2005/06	2006/07	2007/08	2008/09	2009/10	TOTAL
Business Plan Resources Available (£million)	9.85	11.87	10.96	10.86	12.59	56.13

### Link with Key Business Plan Priorities

Magenta's current Business Plan identifies three long-term key business priorities:

- Ensuring our portfolio of stock is sustainable, well balanced and meets the needs and aspirations of our customers
- Providing and encouraging the highest possible quality of services
- Making our neighbourhoods places where people want to stay and choose to live

Our Asset Management Strategy is clearly integral to the effective delivery of the priority relating to our portfolio of stock. It will also play a significant role in contributing to neighbourhood renewal and regeneration in line with the third priority above.

#### Contextual and Background Information

Over the 40 years of its existence Magenta has seen its stock grow to almost 10,000 dwellings. Our current stock breakdown is as follows:

- General needs homes for rent 8,260
- Supported and care homes 808
- Voids awaiting demolition 127

In addition to the above we have approximately 660 shared ownership, market rental and student units.

Whilst Magenta has stock across region X, the majority of homes are located in City A and City B, with a high proportion of City A stock located within the Housing Market Renewal (HMR) boundary.

This creates ongoing implications for Magenta in terms of stock loss arising from a long-term process of strategic clearance as part of the programme to restructure the housing market in inner core City A.

We have carried out impact assessments in relation to each of City A's four HMR "Zones of Opportunity" to assess the clearance implications for Magenta based upon the outcome of the Council's Neighbourhood Renewal Assessments. The results of these impact assessments have been used to inform our assumptions on stock loss and disposal in the context of our Asset Management Strategy.

Many areas of City A's inner core within which Magenta has significant stock, are not however included within the initial "zones" and therefore the longer term (and related impact for Magenta) for these areas in terms of HMR and clearance will not be clear for some years. We have therefore had to make informed assumptions as to the medium/longer term sustainability of the stock involved and have shaped our asset management approach of these areas accordingly.

A further important implication for Magenta, arising from the nature and location of our stock, is low demand. Part of our approach to asset management therefore, has to be linked to sustaining demand for our stock in inherently low demand areas.

A fundamental element of our overall Asset Management Strategy is our Decent Homes Programme. We have updated and enhanced our strategy to ensure that we achieve the requirement that all our sustainable, retained stock meets the Decent Homes standard by 2010. A comprehensive reappraisal of the cost assumptions linked to delivering the Decent Homes programme and a re-assessment of the financial implications of our forecasts have been carried out.

The outcomes from this have subsequently informed our overall Business Plan financial forecasts for the next five years so we can clearly demonstrate how we will achieve and monitor progress towards meeting the Decent Homes requirement. This work has also helped to inform our assumptions on the scope for Magenta to implement improvements to its stock above the basic Decent Homes standard, where such an approach would improve the popularity of our stock and contribute to the wider sustainability of the neighbourhoods involved. We have called this our Decent Homes "Plus" approach.

## **Action to Date**

The following is a summary of actions taken in recent months in order to develop our revised interim Asset Management Strategy. During that time we have:

- Agreed a methodology to re-categorise neighbourhoods within which we have stock, to underpin a revised approach to asset management based upon a clear neighbourhood focus
- Using the agreed methodology, we have identified and agreed revised neighbourhood categories for asset management purpose: This was subsequently supported by a comprehensive neighbourhood analysis process
- Developed a more comprehensive framework for the inter-related elements of the overall Asset Management Strategy (in terms of investment, disposal and development)
- Carried out initial HMR zone impact assessments to update disposal and other assumptions in the light of first tranche clearance proposals indicated by the outcomes from City A's neighbourhood Renewal Assessments
- Reviewed our overall assumption in relation to projected disposals (2005/10) in terms of:
  - Disposals for clearance (including HMR)
  - Strategic disposals
  - Dealing with long-term, uneconomic voids
  - Tenure diversification
  - Right to Buy
  - Stock rationalisation
- Recalculated Business Plan financial forecasts to reflect a revised disposals programme
- Assessed the impact upon Decent Homes programme (DHP) of the revised disposals assumptions and identified our "core" DHP for 2005-10 in relation to sustainable stock proposed for retention (based upon current data) to ensure we achieve the Decent Homes Standard by 2010
- Assessed the scope for the implementation of a Decent Homes "Plus" standard to enhance the popularity and sustainability of targeted stock
- Identified intermediate investment costs for stock where no decent homes investment is programmed e.g. because of planned/clearance
- Revised overall investment cost assumption in the context of all the above
- Used revised cost assumptions to inform current, overall Business Plan assumptions and forecasts and ensured planned investment, disposals etc. are explicitly reflected in Magenta's Business Plan's financial framework for 2005-2010

## Neighbourhood Focus

In order that we can take informed investment decisions it is imperative that such decisions are taken in the context of comprehensive data relating to the condition of our stock and indicating the overall sustainability of the neighbourhoods within which the stock is located. Those decisions must also, however, take account of the wider, positive contribution our investment can have upon the stability and regeneration of our neighbourhoods.

In this context, as indicated above, a revised approach to the categorisation of neighbourhoods within which we have stock has been carried out to ensure our Asset Management Strategy is clearly neighbourhood focused.

### Neighbourhood Categorisation

From 2003 Magenta's Asset Management Strategy was linked to a process of area prioritisation. In broad terms this means that the stock was broken down into three categories:

- Priority 1 – Top priority for investment
- Priority 2 – Lower priority for investment
- Priority 3 – No priority rating for investment

This has now been revised, our new neighbourhood categories are:

- “Long term sustainable” areas (these are neighbourhoods that area focus for investment, retention and potential strengthening of Magenta's position)
- “Priority” areas (neighbourhoods where there may be a degree of uncertainty but are a focus for physical – and social – investment to support wider regeneration objectives)
- “Transitional” areas (neighbourhoods that require careful tracking and review, where the future is less certain and/or influenced by external strategies. The focus in these areas will be mainly reactive or possibly cyclical, maintenance with scope for intermediate investment if appropriate, to sustain stability)
- “Residual” areas (neighbourhoods which are not sustainable with the resulting focus and therefore being upon disposals/clearance)

It should be noted that whilst some neighbourhoods may be categorised as transitional, on an overall basis, certain parts or sub-neighbourhoods may be considered to the residual.

We need to establish a clear methodology to help inform the above re-categorisation of neighbourhoods. The key criteria used within the methodology, included:

- Condition of stock in the area

- Sustainability of the local housing market
- The external strategic context/impact
- Demand
- A range of neighbourhood factors from Magenta’s own Neighbourhood Tracking process and ‘CAMD’ e.g.
  - Stability
  - Environmental issues
  - Social-economic indicators
  - ASB incidents/crime indicators
- Relative values for money of investment in stock to meet the desired standards

We subsequently applied an option appraisal approach, on a neighbourhood basis, which helped inform our asset management decisions for each area.

As mentioned previously we have also completed a comprehensive analysis of all the neighbourhoods within which our stock is located. This involved a total of 40 identifiable neighbourhoods, these have been re-categorised as:

- Long-term sustainable – 27 neighbourhoods
- Transitional – 6 neighbourhoods\*
- Priority – 7 neighbourhoods\*

\* There are a number of sub-neighbourhoods within these areas that have been classified as “residual”.

The neighbourhood categorisation and analysis has been further supplemented by Magenta’s production of a “Neighbourhood Renewal Impact Assessment” report for City A. This report has helped to inform the Asset Management Strategy by providing additional clarity in terms of predicted stock loss and the identification of sustainable stock within the HMR zones as indicated by the outcomes of the Council’s Neighbourhood Renewal Assessments.

## **Neighbourhood Tracking**

In order that we can have confidence in terms of ability to examine and monitor the characteristics and performance of neighbourhoods on an ongoing basis we have well-established “neighbourhood tracking” processes. This also plays a key part in informing our Assets Management Strategy as research has indicated that social housing tenants and

applicants pay great attention to neighbourhood issues in terms of their social housing choices.

Neighbourhood tracking is carried out by Magenta as a working tool to monitor changes, viability and issues in selected neighbourhoods. There are sixteen neighbourhoods tracked at present. These will include some areas considered to be broadly long-term sustainable (in the context of our neighbourhood categories) but which merit ongoing monitoring to minimise risk.

The tracking system uses a number of indicators to track stability and demand in an area, the condition of the housing stock, environmental issues and any community and socio-economic information. The information is produced quarterly and uses a traffic light system to show warning signs if applicable.

Tracking reports are used within Magenta for a number of purposes. Comparative data between quarters highlights trends in a neighbourhood, which in turn highlight any risk that need to be addressed. The information is used to make strategic decisions, for example where to concentrate resources for dealing with anti-social behaviour, but also for operational purposes. The report analyses repairs data, which then assists the Property Services team to measure the impact of any planned investment and, although the tracking system is primarily to identify trends and averages, it can also highlight an issue on a particular block or street within a neighbourhood.

## **Stock Condition and Data Management**

As suggested earlier, informed investment decisions can only be confidently taken in the context of robust, reliable, up to date stock condition data. Magenta will therefore be carrying out a new stock condition survey during the first half of 2005/06 to ensure the ongoing reliability and accuracy of it's stock condition information.

Magenta have also purchased a new asset management software package that will provide a far more effective future platform for the collection, storage and analysis of stock condition and other asset management related data.

It is envisaged, therefore, that the investment assumptions contained in this "interim" strategy document (which is based upon the best upon the best available current data and information) will be subject to amendment and further refinement in the future to fully reflect the updated data obtained via the new stock condition survey.

## Asset Management Strategy (2005-2010)

### Key Assumptions

#### Disposals Assumption

We currently anticipate the disposal of approximately 559 general needs units over the next five years. It is estimated that some 460 of these properties currently do not meet the Decent Homes Standard. These disposals will arise due to the impact of a number of strategies, however the main factor will be clearance proposals within the Housing Market Renewal area. Some 307 disposals will be linked to HMR proposals.

The remaining properties, as suggested elsewhere in this document, will be disposed of to facilitate our rationalisation in certain neighbourhoods, to provide additional receipts, to deal with uneconomic properties and as a result of the Right to Buy.

	2005/06	2006/07	2007/08	2008/09	2009/10	TOTAL
Anticipated Number of Units Disposed (General Needs)	43*	151	124	105	136	559

\* This excludes 237 properties in 'neighbourhood ε' which is already in the process of disposal/demolition

The above will clearly be subject to review and amendment on a year-by-year basis to reflect progress made, changes in the strategic context etc.

#### Investment Assumptions

##### Decent Homes Programme

A key element of the investment assumptions within Magenta's Asset Management Strategy is the delivery of our programme to achieve the Decent homes Standard in relation to all our retained, sustainable stock by 2010, as required by the Government.

From 2002 Magenta has made steady progress in tackling its non-decent stock which is now primarily confined to older terraced properties and houses converted into flats located in inner core City A.

Progress on Decent Homes	2002/03	2003/04	2004/05
Non-Decent as % of Stock	28.9%	25.5%	21.6%

Some 1,846 properties are identified as potentially non-decent as 31<sup>st</sup> March 2005 (on the basis of current data). However, it is projected that around 457 of these properties will be disposed between now and 2010, mostly because of the clearance impact of HMR.

Our “core” Decent Homes Programme (2005/10) therefore currently involves approximately 1,389 units. These properties will therefore be the focus of decent homes investment over the next five years.

In order to ensure we achieve the Decent Homes target we are currently planning to invest approximately £10.61m in our Decent Homes programme during 2005-2010. The delivery of this programme will be the main focus of our overall investment plan.

	2005/06	2006/07	2007/08	2008/09	2009/10	TOTAL
Number of properties to Decent Homes Standard	289	262	262	288	288	1389
Amount Invested (£millions)	2.21	2.00	2.00	2.20	2.20	10.61

We will of course review, amend and update the core Decent Homes Programme on a regular basis to reflect new stock condition data and any changes to the disposals assumptions. The annual investment plan to support decent homes delivery will inform and will be informed by Business Plan financial forecasts on income and resources.

### **Decent Home “Plus”**

The Decent Homes standard is a fairly basic standard. Our concern is that, bearing in mind the nature and location of much of our stock, merely applying the Decent Homes standard in a uniform manner across the portfolio of stock may not make a sufficiently strong contribution to the popularity and sustainability of our stock in particular neighbourhoods, over medium and long-term, as the requirements and aspirations of tenants continue to evolve.

We have therefore introduced a component to our overall asset management investment plan called Decent Homes “Plus”. This involves targeting a programme of improvements, above the basic Decent Homes Standard, in particular neighbourhoods. This will protect the viability of our stock and also support the wider sustainability and regeneration of the areas involved.

We are planning to invest some £8.15 m in total during 2005-10 to support this Decent Homes “Plus” programme.

	2005/06	2006/07	2007/08	2008/09	2009/10	TOTAL
Number of Properties to Decent Homes “Plus”	133	497	497	497	578	2202
Amount Invested (£million)	0.49	1.84	1.84	1.84	2.14	8.15

Once again, we will monitor and review our Decent Homes “Plus” proposals on a regular basis. This will be to particularly ensure that implementation is subject to the projected availability of resources over and above the requirement to meet our core decent homes commitments i.e. we will not allow our Decent Homes “Plus” approach to prejudice the delivery of the main Decent Homes Programme.

### Other Property Investments

Future investment in our stock will clearly not just be about achieving Decent Homes/Decent Homes “Plus”. We will also be providing investment related to:

- Response repairs
- Programmed maintenance
- Cyclical maintenance/compliance
- Component renewal
- Voids management
- Major repairs
- Aid/adaptations
- Interim or Intermediate investment

Magenta is currently planning to invest a total of £38.06 in its property over the next five years in relation to the above.

	2005/06	2006/07	2007/08	2008/09	2009/10	TOTAL
Other Property Related Investment (£million)	6.80	7.97	8.02	7.72	7.55	38.06

Total Property Investment 2005-2010

Taking all the above into account, Magenta’s property investment proposals for 2005-10 involve total expenditure of £56.82

On a year-by-year basis this can be broken down as follows;

	2005/06	2006/07	2007/08	2008/09	2009/10	TOTAL
Total Property Related Investment (£million)	9.5	11.81	11.86	11.76	11.89	56.82

### **Business Plan Forecasts (Resources) 2005-2010**

The above proposals can be delivered on the basis of current Business Plan forecasts in relation to anticipated future financial resources.

	2005/06	2006/07	2007/08	2008/09	2009/10	TOTAL
Business Plan Resources Available (£million)	9.85	11.87	10.96	10.86	12.59	56.13

As with all forecasts the above figures will be subject to future review and amendment, particularly those elements (totalling some £13.8 million) relating to currently anticipated profits from potential non-core and strategic disposals during 2005-2010

## **Replacement Assumptions**

### **Strategy for Growth**

Magenta's recent approach to growth has been linked to the pursuance of stock transfer opportunities as the main vehicles to enable growth. The geographic focus for growth has been City A.

We will be reviewing our growth strategy during 2005/06 to ensure our approach reflects a range of drivers for change, supports our key business priorities and recognises that effective asset management, as well as relating to existing assets, is also about reviewing and changing the asset base where appropriate, to reflect changing circumstances, need and demand.

### **New Development**

New development will make a key contribution to securing a better balanced and more sustainable portfolio of stock by 2010 which, as previously stated, is one of Magenta's key Business Plan priorities. We are seeking to secure partner status funding for 2006/07 and beyond from the Housing Corporation via a consortium arrangement with other housing associations. For the immediate future, our lead RSL role in City Centre North, means we

are already developing mixed tenure developments to support Housing Market Renewal in collaboration with a private development.

New projects will continue to include affordable housing for sale as well as for rent and may take us to new areas where the growth in demand exceed supply.

Our aim is to deliver up to new units in 2005/06 and to increase this to up to 200 new units per annum from 2006/07.

### **Consolidation**

As the LIFE model develops further in City A, it is likely that some housing associations will wish to explore the potential to rationalise their position in particular neighbourhoods in the context of securing a reduction in the number of associations operating within them.

This will offer Magenta opportunities for consolidation in certain area, which it may wish to pursue if appropriate. Clearly we will ensure that any such proposals make business sense in terms of our Asset Management Strategy, our approach to growth and our overarching Business Plan priorities.

Our assumption is that over the period 2005-2010 we will be able to keep the impact of any such consolidation proposals broadly neutral in terms of both numbers and cost, as they will mainly be offset by parallel rationalisation of our position in other neighbourhoods e.g. new stock swap arrangements.

# Asset Management Strategy 2005-2010

## Next Steps/Conclusions

### Some Next Steps

Towards the end of 2004, Magenta produced a detailed Asset Management Strategy Review Action Plan. The main actions scheduled to be delivered before the end of 2004/05 have now been completed and the outcomes, which are detailed in previous sections, have informed content of this interim document.

In the above mentioned action plan, this document was described as a “revised, enhanced, interim Asset Management Strategy document”, based upon the best available current data and reflecting a range of updated forecasts and assumptions.

This document is described as “interim” on the basis that a further updated “final” document is programmed to be produced at the end of 2005. This “final” strategy document will reflect a number of further steps, outlined in the action plan, which are planned to be implemented during 2005/06:

- Completion of a new stock condition survey
- Further strengthening of interim strategy document via updated stock condition data
- Fresh analysis of updated data (and other related information) using new arcAsset software system
- Completion of a comprehensive “fit for purpose” appraisal of our supported housing stock to inform the overall asset management framework for Magenta
- Production of revised draft “final” strategy document to produced by December

The above will form the key next steps in terms of ensuring the ongoing validity and robustness of Magenta’s Asset Management Strategy.

### Conclusion

This strategy document contains a range of projections, assumptions and forecasts based upon a thorough and comprehensive review and analysis of the best available, relevant, current data. It is intended to ensure that our revised Asset Management Strategy reflects a more effective integration of our approaches to retention of stock, investment in our stock (including how we intend to deliver our Decent Homes obligations), disposal of stock, new development and growth. It also seeks to place our approach to asset management within a clear, external strategic (and neighbourhood) context and to take full account of the

implications arising from that. The revised strategy outlined in this document is fully encompassed within Magenta's Business Plan and reflects financial forecasts in relation to resource availability over the next five years.

As has been made clear, however, this should be viewed as an interim strategy document. It will require review, amendment and updating during 2005 to reflect the new data obtained from our latest stock condition survey and an ongoing analysis of other relevant information. This process will result in the production of a revised "final" strategy document at the end of 2005.

There is clearly a degree of risk inherent in any long-term strategy which is, of necessity, based upon projections, forecasts etc. as these will be founded upon current information and data. It is therefore imperative that assumptions are regularly reviewed and amended in the light of fresh data and the progress made in relation to the various inter-related elements of the overall strategy.

This should therefore be seen very much as an evolving, flexible strategy document that will require future revision to ensure it retains validity and reliability on an ongoing basis.

## Appendix 9

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### Asset Management Strategy - Cyan

# Investment and Asset Management Strategy

## Introduction

This strategy exists to help us meet our corporate objectives. In particular to help us deliver high quality services to a diverse customer base in sustainable communities. Through consultations with residents we have determined that providing a living environment in a peaceful, safe and pleasant setting is a main priority.

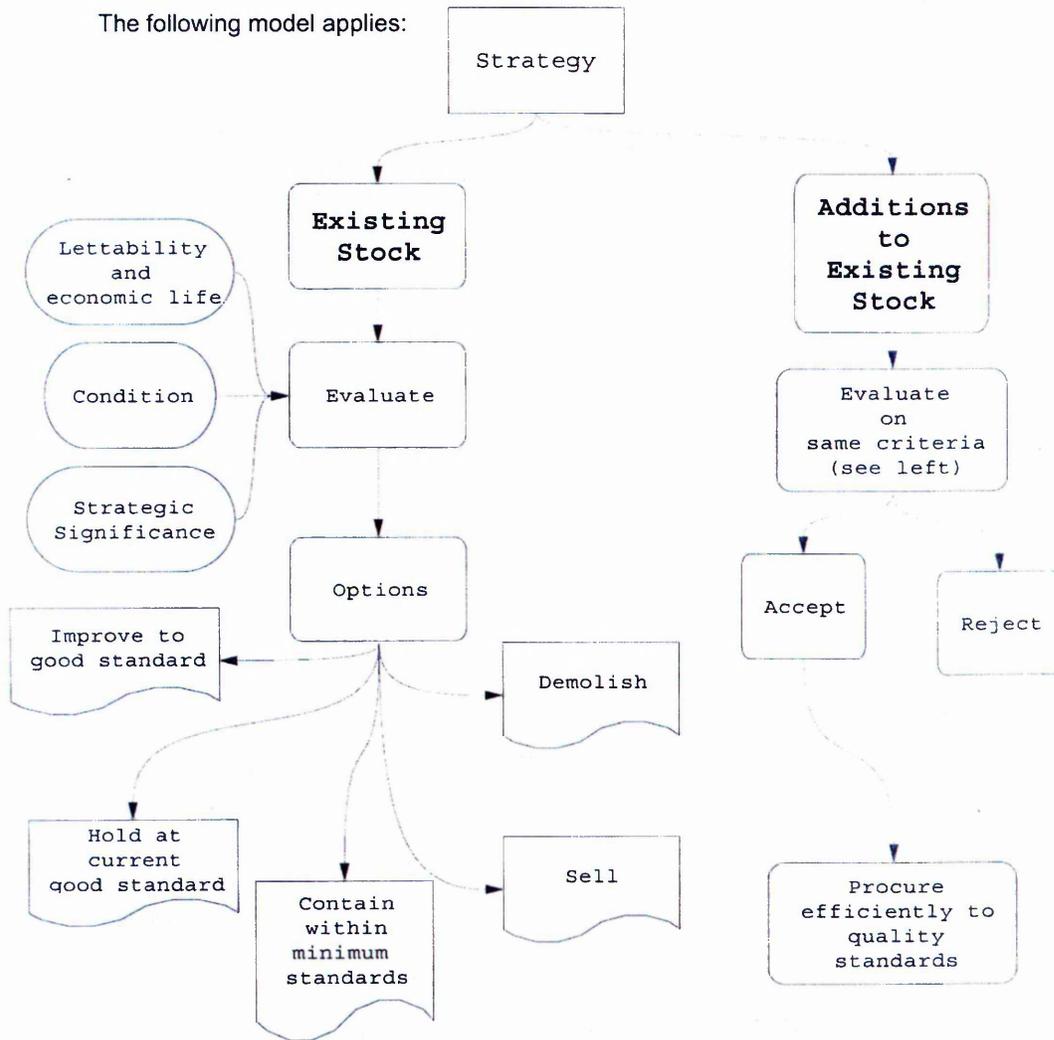
We are aware that our stock is of varying quality, and there are variable patterns of demand. Customer aspirations also change and are an important factor in investment decisions. This raises fundamental issues of costs, priorities and even retention of stock. With particular relevance to priorities, it is recognised that very difficult investment decisions need to be taken in order to meet our strategic objectives and provide appropriate living conditions.

This policy provides a framework to assist with the investment decisions mentioned above.

Outline strategy.

The pages below in this paper provide detail of the strategy. However, the strategy can be summarised as shown on the following chart.

The following model applies:



Before any specific decision is taken regarding investment, an assessment of the whole stock is required in order to have a strategic overview. This assessment can then be supplemented with specific, detailed scheme appraisals. Our overview of stock is contained within a comprehensive control document called the **Investment Matrix**. This document is shown at *appendix 1*. This matrix is a dynamic document, updated monthly that shows the results of considering many indicators that include:

- Decent homes standards
- Repair and renewal costs over 40 years
- Void levels, including terminations and trends
- Arrears levels
- Surpluses and deficits within schemes
- Length of tenancy
- Waiting list numbers
- Other factors

In effect, The Matrix is the result of the operation of many other procedures and activities. Its' primary purpose is to provide substantial information to formulate investment programmes and then subsequently appraise the effectiveness of the decisions post-investment.

To further assist with investment decisions (and also included within the Investment Matrix), all stock is categorised and periodically reviewed

Five broad categories of stock have been identified. These are:

A) Stock which has a long economic life of at least 30 years and which will not require substantial investment within 10 years.

B) Stock which has an economic life of at least 20 years but which will require limited component renewal within the first 10 years.

C) Stock with a long economic life, with a sound structure but which will management initiatives and revenue support, rather than capital expenditure.

D) Stock which requires significant capital expenditure, but post improvement, will continue to have a sound economic life in excess of 20 years

E) Stock where we recommend no major capital investment because of doubts regarding the economic future of the dwellings. These dwellings will be considered for disposal, demolition, or for works to maintain minimum legal obligations.

Working alongside this strategy, are other policies including:

- Our corporate objectives
- Marketing strategy
- Void management procedures
- Minor planned works strategies
- Best value reviews
- Allocations policies
- Regeneration strategies.
- Energy Efficiency Strategies
- Meeting decent homes requirements
- Tenant participation strategies
- Race and diversity strategies.

When outline investment programmes have been agreed, specific schemes can then be subject to more detailed appraisals to determine value for money and effectiveness of any investment. The appraisal pro-formas are shown at appendix 2 and appendix 3. In addition, major investment will also be subject to an additional financial appraisal shown at appendix 4.

Targets for the strategy are set and monitored. The major targets for outcomes of this strategy are:

- Completion of decent homes standards by 2008
- Solutions to remove all properties from category "E" by 2010
- Comprehensive tenant involvement on proposals for investment
- Production of rolling 5 year investment plans
- Meeting of annual financial targets set within the budgeting process each year.
- An improvement on relevant top level performance indicators including property turnover, tenant satisfaction and time taken to let properties.

A multi-disciplinary team will meet quarterly to guide and review the strategy and to make relevant decisions for investment. This meeting will also lead on policy development and will liaise appropriately with Board.

Actions required to achieve the outcomes of this strategy and will form part of departmental and annual action plans. The team with overall responsibility for achieving the outcomes is the Investment Team.

### **Property disposals – Points of Principle**

Where it is considered appropriate to consider disposal of a property or group of properties, the following will be considered:-

Only properties designated into category "D" or "E" can be considered.

Disposal of a whole scheme can only be considered after full analysis using the Standard Investment Analysis

Disposals can take the form of sales, property conversions, demolitions or transfer of ownership

A rolling programme of voluntary sales of individual properties to sitting tenants will take place subject to annual budget approval. These sales will contain the usual 2 year restrictive covenant forcing the purchaser to use that property as their own home. In addition, limited number sales of vacant properties on the open market will take place, again subject to initial approval via the Budget setting process and subject to the covenant.

Sales will be targeted at existing tenants and first time buyers. We will not sell to other landlords unless these landlords are part of a strategic partnership engaged in the re-generation of an area.

## Appendix 10

### Magenta Neighbourhood Tracking Data

	Indicators	2003-04 Q4	2004-05 Q1	2004-05 Q2	2004-05 Q3	2004-05 Q4	
<b>Stability</b>	% Social Landlord	49%	49%	56%	56%	56%	
	Stock Turnover (Annual %)	19%	6.40%	6.40%	6.33%	11.67%	
	LTV % Stock	5.3%	5.7%	5.7%	5.5%	5.9%	
	Annual LTV figures from 2004	N/A	N/A	6.2%	6.2%	6.2%	
	Re-let times (weeks)	4.9	11.2	3	5.6	7.2	
<b>Demand</b>	Waiting List Nos: Available Lettable unit	209/19 = 11	163/6 = 27	172/6 = 29	199/6 = 33	205/14 = 15	
	Av Offers per unit in Quarter	2.8	7.7	1.4	2.5	2.3	
	Live Transfer Requests IN and OUT	33 20	38 15	40 20	41 23	43 26	
	Flat/Mais L1 9 Q1 Sales 0 Flat/Mais L8 7 Q1 Sales 8 Flat/Mais L7 3 Q1 Sales 0 Land Registry Recorded Sales within Quarter	n/a £109.1k £109.1k -	£76.9 £129.7 £116.6 -	£76.4 £136.9 £110.2 -	£52.9 £157.6 £91.2 -	£0.00 £155.7 £0.00 -	
	Av. No. Response Repairs	2.5	2	2.1	1.2	2.5	
<b>Housing Stock</b>	Response Repairs £	£51	£48	£46	£50	£40	
	Sectn 82's (new in quarter)	2	1	0	2	1	
	Sectn 11's (new in quarter)	1	1	0	1	0	
	Decent Homes Fail %	75%	58%	58%	58%	58%	
	<b>Socio-Economic</b>	% Claimants Council Tax	26%	26%	24.3%	24.3%	24.3%
% Claimants HB		30%	30%	27.8%	27.8%	27.8%	
5A*-C GCSE % Attainment							
The Belvedere School Bellerive Catholic High School Shorefields Mix Comp		92% 59% 20%	92% 59% 20%	92% 59% 20%	96% 42% 23%	96% 42% 23%	
<b>Environment</b>	Amenities (Access/Quality) Rating by Housing Officers	Most avail	Most avail	Most avail	Most avail	Most avail	
	Environmental Issues Rating by Housing Officers of problems	3 probs on increase	3 probs on increase	3 probs on increase	3 probs on increase	3 probs on increase	
<b>Community</b>	Community Activity Rating	Some Activity	Some Activity	Some Activity	Some Activity	Some Activity	
	Criminal Damage	7.5%	7.5%	7%	7%	7%	
	Burglary No. by Household	1 in 15	1 in 15	1 in 20	1 in 20	1 in 20	
	ASB Reported Incidents Quarterly	3	22	1.32%	6.30%	3.40%	

# Appendix 11

## Cyan Investment Matrix

Scheme name eg 'neighbourhood' 'neighbourhood' etc.	Attract	Weeks used	Weeks off	Terminations	30 YR COSTS	Units	Cost/Unit	Terminations	Matrix	inc 40yrs costs Net (5 ranking)	inc 40yrs costs Exp. GC ranking	Grid/Batter Get into Worse	Investment Code	Average length of Tenancy Weeks	Ratio No. of vacancies in 1yr	% operating surplus
	16.5	28481	285	10	259310	15	17287	3	16250120	1	1	1 better	D	119	26	21.73
	12.4	22176	222	24	894859	62	13650	3	44571838	2	2	4 worse	E	171	20	61.45
	7.5	24000	241	9	526446	27	19488	3	34694800	3	3	3 better	D	59	31	49.22
	8.4	28666	287	32	1165327	68	13242	3	34872794	4	4	2 better	D	119	116	34.52
	8.3	6842	69	2	136023	7	19789	3	9517556	5	5	5 better	D	526	25	25.86
	9.6	7527	75	7	248678	25	8699	3	6653346	6	6	9 worse	D	142	51	47.34
	6.6	6646	66	11	481130	37	13274	3	5213032	7	7	11 worse	B	273	125	11.4
	7.8	3997	34	6	103695	8	12857	2	5173913	8	8	8 better	E	96	91	15.2
	11.8	4889	49	2	206535	12	17378	3	5009654	9	9	6 better	D	118	35	17.5
	2.7	5637	56	14	2111467	83	25439	2	4322955	10	10	7 better	AO	439	97	12.1
	7.3	3308	33	4	108977	6	17663	3	2614728	11	11	14 worse	B	158	128	9.1
	10.7	2248	22	5	393807	19	19148	2	2423004	12	12	12 better	C	42	7	1.8
	12.2	2090	21	4	1852266	50	37046	3	2263287	13	13	15 worse	B	139	105	81.26
	15.3	2391	30	6	98214	19	5168	3	2231726	14	14	10 better	E	374	84	21.0
	5.4	3490	35	6	287788	19	15726	3	1895036	15	15	24 worse	D	52	30	5.0
	11.9	1483	15	4	109659	11	9628	3	1835048	16	16	17 worse	D	285	26	4.3
	8.7	2335	23	14	1411640	68	21201	2	1774523	17	17	34 worse	D	290	14	3.5
	4.2	5957	51	3	371843	21	17883	3	1622842	18	18	28 worse	E	204	176	12.8
	11.4	1712	17	7	258837	21	12145	2	1583012	19	19	27 worse	D	216	25	7.1
	1.3	24688	249	1	220601	12	18383	3	1451638	20	20	16 better	C*	146	6	0.9
	7.3	1339	13	5	604559	25	24174	3	1422775	21	21	23 worse	C	75	21	21.0
	5.3	2370	24	13	58170	30	12657	2	1323190	22	22	30 worse	B	188	172	34.4
	7.5	8139	81	12	1287520	65	15265	1	1311883	23	23	22 better	D	114	37	2.8
	9.8	1894	19	5	558884	28	18986	2	1295160	24	24	18 better	B	428	74	6.2
	5.0	4204	42	9	340340	19	17944	3	1170351	25	25	19 better	C	194	60	80.09
	4.5	1899	17	4	303912	24	12663	1	995621	26	26	31 worse	C	109	60	12.0
	5.8	362	8	4	285555	14	20688	1	912020	27	27	35 worse	D	181	39	4.3
	9.4	1656	17	7	81734	3	27245	1	912020	28	28	20 better	B	510	49	12.3
	11.0	1770	18	8	711438	42	18639	2	884916	29	29	20 better	B	37	6	0.0
	2.7	4381	44	6	3095083	105	26477	2	882189	30	30	25 better	C	89	119	17.0
	6.5	3458	35	1	1314281	47	27963	2	814556	31	31	32 worse	D	248	60	7.5
	13.8	1577	16	8	354611	17	20659	3	837126	32	32	39 worse	D	519	23	3.8
	9.8	520	5	2	76220	4	18055	3	821157	33	33	21 better	E	177	77	17.0
	9.3	2760	28	3	804735	48	17464	1	683057	34	34	13 better	A	47	6	3.0
	11.1	283	3	3	153805	5	30781	1	684161	35	35	33 better	C	218	58	68.66
	5.4	1034	10	6	1594605	65	24071	2	633097	36	36	42 worse	E	78	8	4.0
	10.8	1338	13	3	3387292	42	80648	3	511988	37	37	48 worse	D	89	34	11.3
	4.2	1375	14	10	31184	2	15592	1	543445	38	38	44 worse	D	449	39	13.0
	5.0	859	9	7	285524	13	20271	1	535168	39	39	36 better	E	452	21	21.0
	2.1	5104	51	12	785959	36	21378	2	521956	40	40	43 worse	B	136	108	18.0
					452208	32	14132	2	515262	41	41	40 better	B	176	28	9.3
					612630	28	22237	2	508326	42	42	46 worse	D	169	38	64.81
					561543	38	14399	1	472708	43	43	49 worse	BD	100	52	7.4
									487216	44	44	52 worse	D	189	9	0.8

## Appendix 12

### Survey for Strategic Housing Partnership Decent Homes and Asset Management Working Group

SHP WORKING GROUP - DECENT HOMES / ASSET MANAGEMENT

#### STOCK DATA QUESTIONNAIRE

(Please tick or provide narrative as appropriate)

ORGANISATION:- .....

#### 1. Current Method of Recording/Storing Stock Data.

Is your system:-

- a. Manual Filing System    Yes ( ) No ( )
- b. Electronic Database    Yes ( ) No ( )
- c. Other (please state) .....

Does your organisation use Asset Management Software?    Yes ( ) No ( )

If Yes: What is the name of the software? .....

If No: Are there any plans to buy in new software?    Yes ( ) No ( )

If Yes to this question: What is the date of implementation? .....

#### 2. Energy Information

##### SAP

What is the average SAP rating of your stock in City A ? .....

If you cannot currently provide the average SAP rating - when is it envisaged that this data will be available? .....

##### HECA

The Local Authority is required each year to produce a HECA report that includes an indication of the amount of money spent on energy efficiency measures in the year, by tenure and on what measures. Currently we are unable to report activity by RSLs and cannot therefore calculate the total savings across the City.

Would you therefore be able to provide the following:-

- 1. Total expenditure on energy efficiency measures during 04/05 and future years at year end  
Yes ( ) No ( )
- 2. The type of energy efficiency measures installed such as double glazing, central heating, cavity wall insulation, loft insulation (inc thickness), tank jackets, low energy light bulbs and the number of properties to benefit from each  
Yes ( ) No ( )

If this is not currently available - when is it envisaged it will be? .....

Do you have a 'stand alone' energy data base    Yes ( ) No ( )