

How are Australia's leading housing not-for-profit organisations embracing social enterprise and hybridity?

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*Presentation to 7th Australasian Housing Researchers Conference
Perth 10 February 2013*

Outline

- **Conceptual foundations**
 - Social enterprise (SE)
 - Hybridity
- **Research Method**
 - 'Insider' accounts
- **Developments in leading Australian housing NFPs**
 - Business development
 - Organisational changes
 - Future challenges
- **Risks facing the SE model**



The research

Understanding leadership, strategy and organisational dynamics in the not-for-profit housing sector

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Swinburne Research Centre
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February 2013

AHURI Final Report No. xxx (AHURI supplied)

ISSN: 1834-7223



- AHURI-funded – final report forthcoming

- Organisational behaviour & strategic positioning of *leading* Aust. housing NFPs

 - Leaders reflect evolving development path of community housing sector

- To complement policy-centred research

- Research team

 - Vivienne Milligan & Gethin Davison (UNSW), Kath Hulse (Swinburne), Paul Flatau & Alicia Baulkis (UWA)

- Research partner

 - Centre for Social Impact (UNSW)

- UK collaborator

 - David Mullins (Birmingham U)

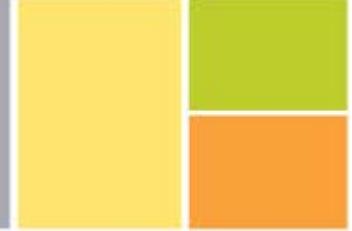
Questions from social enterprise & hybridity perspectives

CITYFUTUREs

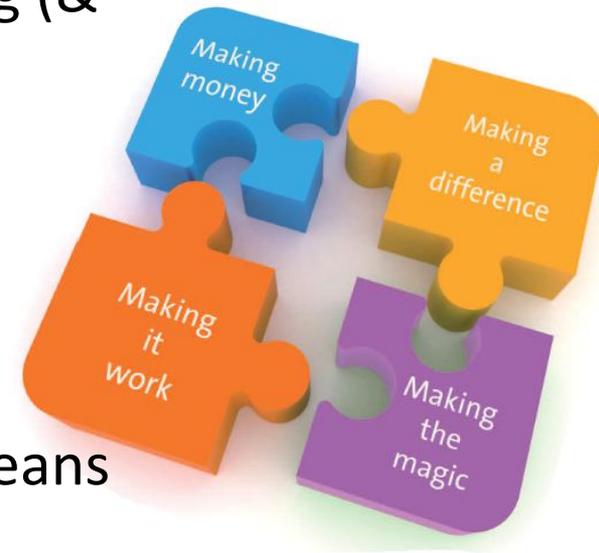
- How does SE work in housing NFPs?
- In particular, which entrepreneurial activities are developing and how sustainable are they?
- What is / will be required of governments to sustain housing policy goals through this model?
- How robust / responsive will SE be in changing policy & market contexts?
- What will be the unfolding identity, legitimacy & benefits of hybrid housing entities?



Social enterprise



- Concept of ‘using business means to pursue social ends’ (Peattie & Morley 2008)
- In our sector, organisations trading in housing (& wider, complementary) activities to generate social benefit
 - through revenue seeking, cross subsidy, private financing
- Intensity of entrepreneurship depends on mission, values & capacity
- Increasingly promoted by policymakers as means to achieve welfare objectives in context of retraction by governments & market failure
- Heavily contested:
 - sceptics – ‘fairweather’/corruptible model
 - proponents – new magic of social / ethical markets, ‘here to stay’

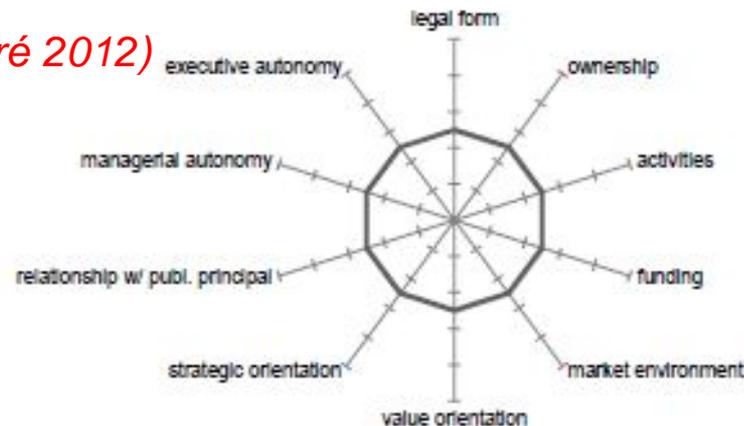


http://www.socialventures.com.au/wp-content/uploads/2010/08/Business_Planning_Guide_for_Social_Enterprise2.pdf

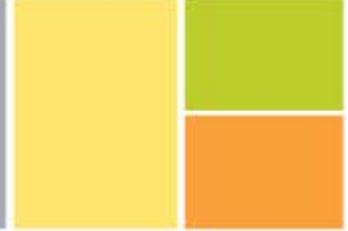
Hybridity

- Organisations with 'significant characteristics of more than one sector' (public, private & third) (Billis 2010)
- Public & private / for-profit & NFP (4th sector?)
- Concerns governance & politics, org. values, ownership, structure & culture, strategy & working methods (Karre 2012)
- Search for synergies between state, market & civil society logics/strengths
- Difficult balancing act (Rubin in Bratt 2012, Blessing 2012) or impossible challenge? (Stoeker in Bratt)

The 'ideal' hybrid (Karré 2012)



- Structured survey followed by in-depth interviews with CEOs of 14 of NFP growth provider cohort
- Built on previous European studies & Mullins (2006) 'Delphi' panel methodology
 - Insider experts
 - Anonymous
 - Iterative
 - Interactive
- **Scope**
 - Strategic positioning
 - Internal (e.g. values) & external factors (policy & market) influencing this
 - Organisational responses to change
 - Future strategic decisions
- Next stage 2013-2014: longitudinal & comparative elements

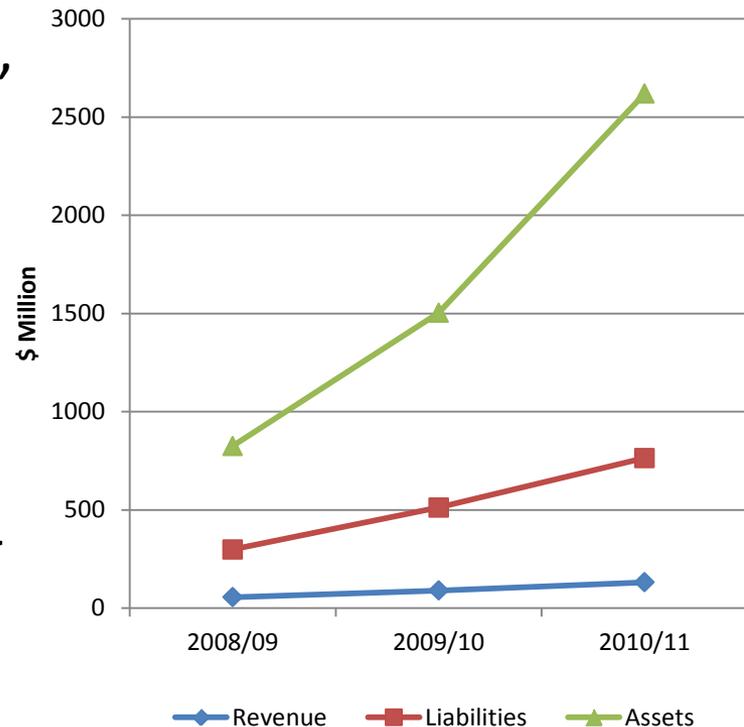


■ Survey interval (2008-2011) coincided with period of massive growth in surveyed organisations, driven by

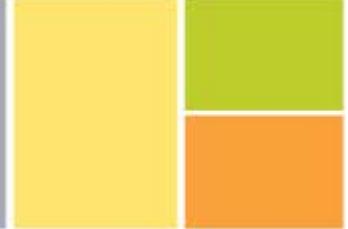
- NRAS
- Stimulus (SHI)
- State programs
- Entry of private finance
- Own investment (surpluses, leveraging assets)

■ However, also uncertain market & private financing conditions post GFC

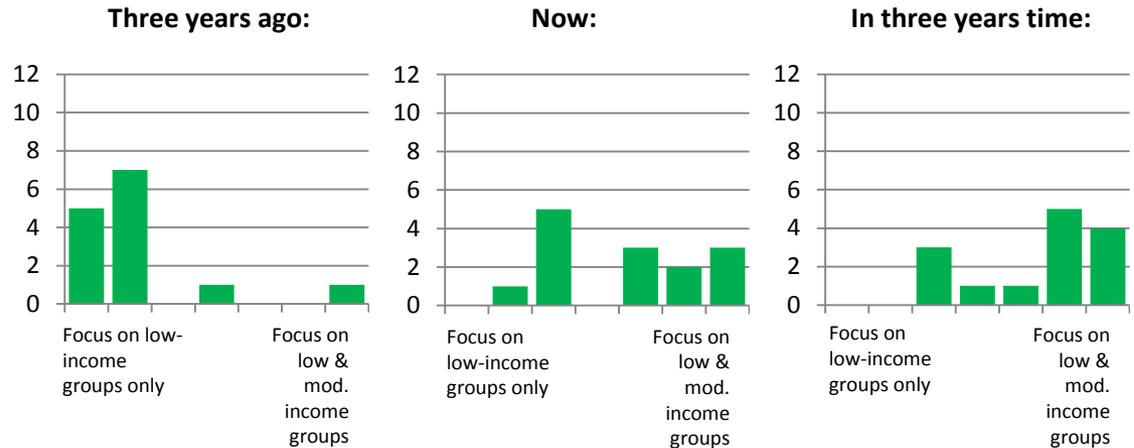
Business Growth (all organisations)



Business directions of housing NFPs



Mixed income

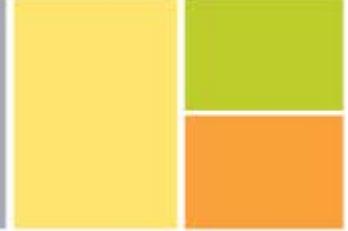


Geographical expansion/ multiple communities



y axis shows number of panel members

- *“The fundamentals of what we do have not changed. The vast majority of everything we do is for people on low or very low incomes.”*
- *“I’m happy ... If I have to have 70 per cent of people who are not homeless housed in my housing, to get 30 per cent who are or could be, that’s 30 per cent more than I would’ve got anyway. “*
- *“It is definitely not a business that is sustainable with just social housing. You have to have affordable housing – middle income – in the mix.”*
- *“We’ve got no boundaries... “*
- *“We’re so happy we [went national] because otherwise we’d have stopped dead.”*



- NRAS driven models – revenue (management fee) & asset-based
- Asset procurement, ownership & utilisation
- Mixed tenure initiatives
 - sales to investors, home buyers, tenants
- Tenure pathways
- Place management
- Wider services

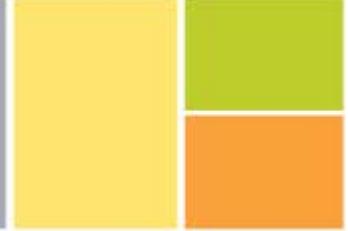
Differing views on mixed tenure:

“We want our clients to live in mixed communities but want to do that by focussing on our clients. That is, achieving that through smaller developments, rather than high risk large projects with lots of housing that is not for our clients.”

“The whole business of doing mixed tenure and having to present our product in a more stylish way ... We treat our tenants as customers more. It has been a challenge, but a welcome challenge.”

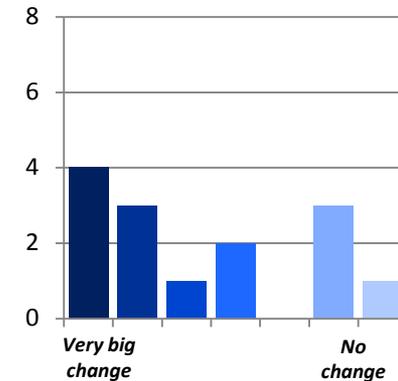
“There is so much scope to increase the density of public housing areas & provide mixed-tenure housing... but the only way you can do it at scale is ...by being a partner rather than thinking that you can do this yourself.”

Organisational developments

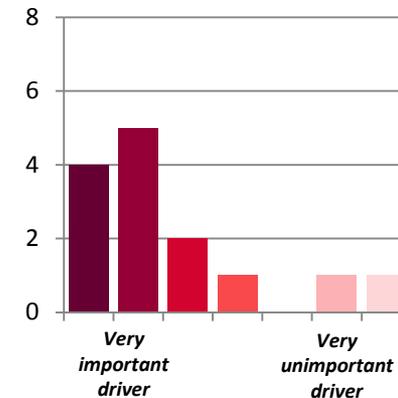


- Corporations Act governance
 - significant implications for Board fiduciary responsibilities
- Major changes to Boards
 - Membership, structures, separation of roles
- New level of senior management
 - e.g. CFOs, COOs
- CEOs as business developers
- More & different types of specialist staff
- More complex accountability
 - regulator, lenders, contracts, private partners & other stakeholders

Change in board skills sets

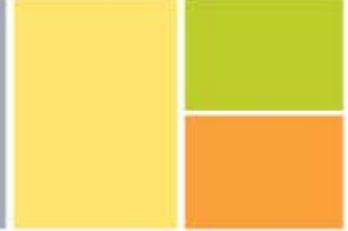


Importance



y axis shows number of panel members

Organisational developments (2)



■ More business sophistication & commercial discipline

- Driven by Boards, new skill sets & private lenders

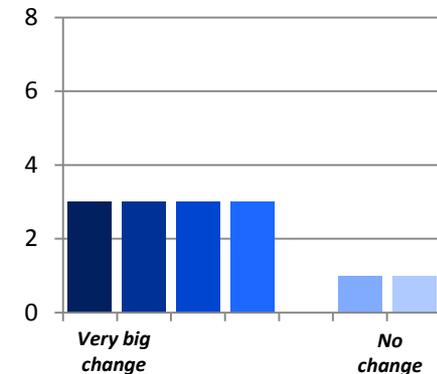
■ New risk management approaches

- e.g. group structures, SPVs, for-profit subsidiary

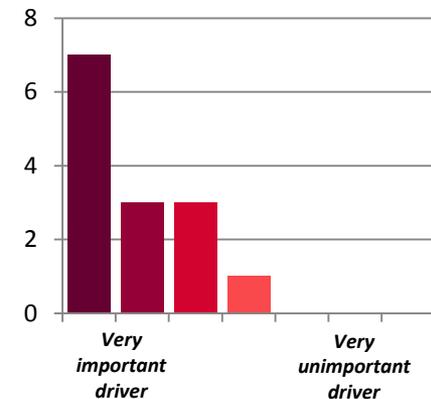
■ Investment in IT & change management

- Business-like regimes
- Performance management, financial competencies
- Greater awareness of risk and return

Change in financial competency

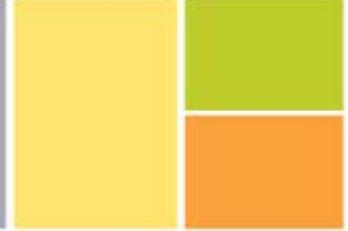


Importance



y axis shows number of panel members

Organisational challenges: the next 3 years



Future challenges :

“We’ve spent probably six or eight months ... running down every burrow that we can see.... And it’s not that the ideas or the thinking are wanting, but the policy and funding environment isn’t there”.

We would advocate for stock transfer ...only if we genuinely thought that we could create benefits for the current public tenants. And that question hasn’t been fully resolved”.

“For us to be [financially] viable long term ... we need new properties, we need to churn them at years 15 to 20, if we are going to avoid the big costs that come with that.”

- Revenue or asset driven business?
- How diverse a business? What income mix? Wider activities?
- Preservation of core social housing function
- Efficiency, scale & risk mitigation vs local anchorage
- Engaging in public housing transfers?
- In stalled growth environment since 2012, downscale or retain capacity/attract new business?

Entrepreneurship

- Product diversity & growth sprouted in favourable policy context
 - i.e. external environment significant driver
- For current housing subsidy levels, income mix imperative to business viability
- Private financing is constrained
 - small balance sheets
 - leverage capacity reached for some
 - cost of finance
 - short term loan finance (refinancing risk)

Hybridness

- Demonstrable change in governance & capacity of NFPs
 - However, threatened by policy/funding volatility
- Long-standing CHOs appear to have strong social ethos guiding business mix
 - primacy of social housing
- Greater public /private accountability
- Organisational anchorage in civil society weak, though consumer outcomes appear positive

Key risks to housing SE model posed by

CITYFUTUREs

(1) Governments

- Volatile policy environment for community housing
- Subsidy, tax reform risks to financial viability
- Protection (not utilisation) of state's housing assets
- Unrealistic targeting & leverage requirements
- Steering/contracting vs respecting independence of agency/fostering innovation
- Lack understanding of / policy support needed for cost effective private financing



(2) Markets

- Housing market volatility
- New market segment for lenders
 - Excessive compliance control
 - Overpricing of risk
- Perception of unfair competition from housing industry? (EU precedent)

(3) Civil society

- Legitimacy of social enterprises

“We do get accused of ‘looking like McDonalds’ & trying to take on the world & being very entrepreneurial.”

- Holding onto social values
- Value conflicts
- Community vs national priorities (e.g. service responses or growth?)

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