

The Governance of Housing
Association Diversification in Northern
Ireland: Managing Interdependent
Social and Commercial Logics

by
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Abstract

Housing associations (HAs) are hybrid bodies located between the state, market and community sectors. These divergent influences often give rise to contested notions of identity and purpose as HAs pursue social and commercial goals. The aim of this thesis was to investigate the drivers of HA change, focusing specifically on diversification into private housing markets. It developed the literature on hybridity and institutional logics in two distinctive ways. First, it focused on the Northern Ireland HA sector and second, it studied change through a corporate governance lens, both of which remain under-researched. The study adopted a four-stage grounded methodology to capture data at the sectoral and organisational levels, including observations of board and committee meetings in Northern Ireland's two largest HAs, using Critical Incident Technique methodology. The thesis conceptualised the tensions that confronted the two HAs as they diversified into private housing markets and also the approaches they adopted to simultaneously manage social and commercial logics. Many studies of HA hybridity have reported evidence of logic succession, whereby market influences displace social purpose goals whenever HAs enact private market norms and values. In contrast, this study drew on the concepts of hybridity, paradox and institutional logics to construct a new 'paradox model of organisational hybridity', which reframed the debate on social and commercial goals, from one of logic dominance and succession to one of logic interdependency and management.

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Abbreviations

AHLF	Affordable Homes Loan Fund
ALMO	Arm's-Length Management Organisation
CCNI	Charity Commission Northern Ireland
CE(s)	Chief Executive(s)
CHA	Choice Housing Association
CIT	Critical Incident Technique
DD	Director of Development
DfC	Department for Communities
DHS	Decent Homes Standard
DSD	Department for Social Development
EIB	European Investment Bank
GDDA	Group Director of Development and Assets
GDG	Group Director of Growth
GFC	Global Financial Crisis
HA(s)	Housing Association(s)
HAG	Housing Association Grant
HCA	Homes and Communities Agency

HPP	Housing Policy Panel
HRA	Housing and Regeneration Act
HSS	Housing Selection Scheme
ILP	Institutional Logics Perspective
LA	Local Authority
LSVT	Large scale voluntary transfer
MML	Maple and May Limited
MMH	Maple and May Homes Limited
MM	(refers to both of the above companies)
NDA	Non-Disclosure Agreement
NIA	Northern Ireland Assembly
NIAO	Northern Ireland Audit Office
NICHA	Northern Ireland Co-Ownership Housing Association
NIFHA	Northern Ireland Federation of Housing Associations
NIHE	Northern Ireland Housing Executive
OH	Oaklee Homes
ONS	Office for National Statistics
PIS	Project Information Sheet
RHA	Radius Housing Association

RHL	Radius Homes Limited
RoI	Republic of Ireland
SDC	Social Development Committee
SHDP	Social Housing Development Programme
SHRP	Social Housing Reform Programme
SLA	Service Level Agreement
SMT(s)	Senior Management Team(s)
SWOT	Strengths, Weaknesses, Opportunities, Threats
T:BUC	Together: Building a United Community
TDL	Tealstone Developments Limited
TSA	Tenant Services Authority
UK	United Kingdom
UoB	University of Birmingham
WR	Welfare Reform

Chapter One: Introduction

1.1 Contextual Background

HAs are social businesses driven by a social purpose. As of December 2020, Northern Ireland's twenty government registered HAs owned and managed approximately fifty-six thousand social and shared ownership homes (NIFHA, 2020a). The same HAs are also registered charities. This means that they do not distribute dividends to shareholders but reinvest surpluses to support their charitable aims. Surpluses are used to invest in the maintenance and upgrade of existing tenants' homes; to underwrite and service the costs of private debt needed to fund new housing supply; and to pay for a broad range of tenant support services and community infrastructure. The two HAs that feature as case studies in this thesis refer to this as generating 'profit for purpose'.

There is a great deal of diversity among Northern Ireland's registered HAs. Some operate on a regional basis and focus on the development of new homes. Others are community-based and focus on meeting housing need within specific local geographies. While the majority provide traditional social rented homes, a significant proportion provide specialist accommodation, including sheltered and supported housing, hostels, care homes, and women's refuges. Shared-ownership rests largely with the Northern Ireland Co-Ownership HA (NICHA), where first-time buyers access home ownership through the open market. Unlike England, no HAs have been created through public sector stock transfers (Shanks and Mullins, 2016a). As the sole delivery agents of new build social housing in Northern Ireland, registered HAs continue to receive strong financial support from government, matching capital grant pound for

pound with private finance. A more detailed overview of the sector is provided in chapters 2 and 5.

HAs are quintessentially hybrid in nature, featuring characteristics of the public, private, and third sectors (Mullins and Pawson, 2010a). In recent years, this variable composition has led to a paradigm shift in the way that HAs in Northern Ireland are financed, governed, and structured. More recently, HAs have also diversified into new non-core business streams. In other words, the HA sector has become more commercialised. Since the Global Financial Crisis (GFC) in 2007, several HAs have raised longer-term bond finance through the capital markets (Shanks and Mullins, 2016a). The shift towards capital finance has been facilitated by a steady process of consolidation in the form of mergers and - to a lesser extent - group formations. Thirteen mergers have taken place in the sector since 2008; this enhanced scale and capacity has helped to strengthen HAs' balance sheets, and as a corollary, increase their borrowing potential.

As scale and complexity has increased, corporate governance in the sector has been professionalised. HAs are now governed by smaller boards, placing greater strategic importance and value on private sector expertise. However, board membership in the Northern Ireland HA sector remains a voluntary undertaking (Shanks and Mullins, 2015). Large HAs have also recently diversified into private rental and/or private for sale housing markets. Accommodation of other non-traditional client groups may take place in the near future as a result of recent changes to the definition of affordable housing. In April 2021, as this thesis was approaching its final stages, the Department for Communities (DfC) issued a new definition of affordable housing, to include

intermediate sale and intermediate rented tenures, alongside social housing (DfC, 2020a).

HAs' hybrid nature also induced a four-year dispute over the sector's identity and status. In June 2016, the Office for National Statistics (ONS) concluded that due to government regulation and control, registered HAs in Northern Ireland were to be reclassified as public bodies for government accounting purposes. This decision had the potential to shift the sector's private debt of almost £1 billion onto the national 'balance sheet', possibly curtailing HAs' ability to source new private finance. It was not until the Northern Ireland legislature brought forward a range of deregulatory measures under the Housing (Amendment) Act (Northern Ireland) 2020 that the ONS reclassified HAs back to their original status as private bodies.

This thesis is interested in the hybrid influences that are driving change in the Northern Ireland HA sector. It aims to make a contribution to the growing body of international scholarship on housing hybridity, which to date includes studies of housing providers in Asia (Lee and Ronald, 2012; Wang and Murie, 2011), Australia (Gilmour and Milligan, 2012), Europe (Czischke et al, 2012; Gillett et al, 2018; Gruis, 2008; Morrison, 2016; Mullins and Acheson, 2014; Mullins and Pawson, 2010a; Muir and Mullins, 2015; Rhodes and Donnelly-Cox, 2014; Rolfe et al, 2019; Tang et al, 2017), and the US (Blessing and Mullins, 2020; Bratt, 2012; Nguyen et al, 2012; Smith, 2010) as well as some international comparisons (Blessing, 2012; Mullins et al, 2018; van Bortel and Gruis, 2019). It also contributes to other debates that study HA change from institutional logics (Mullins, 2006; Sacranie, 2012; Morrison, 2017), financialisation (Aalbers et al, 2017; Jacobs and Manzi, 2019; Smyth, 2019; Smyth et al, 2020;

Wainwright and Manville, 2017) and historical socio-legal (McDermont, 2007; 2010) perspectives.

The next section provides a brief overview of some of the arguments contained in this literature on HA change to highlight some theoretical and methodological weaknesses. In doing so, it identifies a number of research gaps that this thesis seeks to fulfil.

1.2 Problem Statement and Research Gaps

The trends of commercialisation and market diversification look set to continue in Northern Ireland as HAs respond to the outworkings of Brexit, the Covid-19 pandemic, and changes to government policy. Thus, the topic of change and the effect of commercial goals on HAs' identity, culture, and strategy merits further investigation.

A common thread in extant studies is the dilution of social purpose and shifts in governance and organisational decision-making as HAs embrace the norms and values of the private market. The significance of these studies often hinge on variations of the root word 'dominate'. For example, McDermont (2007:72) "*demonstrates how the norms of private finance have come to dominate at all levels*" in the way that HAs are governed and in social housing policy more generally. Sacranie's (2012:546) study of a large English HA "*suggests that the dominant corporate sub-culture had largely overtaken the community-based regional culture*". Furthermore, Mullins (2014:225) states that "*the dominance of business efficiency over local accountability logics has been the most significant macro-evolutionary tension leading HAs to transform their governance models*". Finally, Manzi and Morrison (2018:1926-7) intimate that "*whilst the ascendancy of the market logic does not necessarily imply a rejection of other*

logics, it does require decision makers to switch their attention to issues and solutions that are consistent with the orientation of the dominant logic”.

As these studies reference shifts in logics, it is reasonable to assume that the word ‘dominant’ is being used in a literal rather than figurative sense. However, none of these studies define precisely what they mean by ‘dominance’ or use methodologies that are able precisely measure shifts in logic dominance. At what point can researchers empirically tell when the balance has tipped, and commercial logics overtake or become more ‘dominant’ than social logics? What forms of evidence should be used to measure shifts in HAs’ values, culture, and strategy? Should ‘dominance’ be an objective quantitative measure, using financial metrics like income from commercial activities as a percentage of HA turnover? Or - like most current studies - should ‘dominance’ be a qualitative measure predicated on the judgement of the researcher?

Moreover, extant studies tend to focus on large English HAs and overlook the significant variation in organisational values that exist across the HA sector. Depending on how one views this debate, some HAs are clearly more social or less commercial than others. To this end, how reliable and/or analytically generalisable are extant accounts of change in what is an extremely diverse sector? Perhaps more importantly, how useful are such analyses to policy makers? In the absence of universally accepted methodologies capable of accurately measuring shifts in logic ‘dominance’, this study contends that mixed methods research is important and that researchers should observe decision-makers in action so that organisational decisions can be tracked. The methodological approach adopted by this study is laid out in section 1.3 below.

Current studies also commonly accentuate the ‘competing’ nature of social and commercial logics. Again, to quote a few examples: Mullins’ (2006) seminal paper which spearheaded research on HA logics references the competing logics of ‘scale and efficiency’ on the one hand versus ‘local accountability’ on the other. Sacranie’s (2012) study presents a set of competing ‘customer’ and ‘community’ logics and, similarly, Morrison (2016) examines competing ‘social’ and ‘commercial’ logics. The assumption that normally underpins these accounts is that logic duality is a zero-sum game; one that results in competition, requiring some form of ‘trade-off’ (Blessing, 2012; Teasdale, 2012). But are dual logics inherently incompatible? Must they result in competition that ultimately sees one supersede the other? Or can multiple logics co-exist simultaneously, redolent of HAs’ hybrid DNA? In general, recent studies do not countenance logic complementarity, despite Mullins’ (2006:19) early conclusion that the sector’s future development could involve displacement of one logic by the other or the continued co-existence of the two logics in the long-term.

The starting point for this research is that social and commercial logics in HAs are contradictory in that they are oppositional (e.g. profit versus non-profit; core activities versus non-core activities etc). However, contradictory logics do not need to be framed as incompatible either/or choices that result from competition. One recent longitudinal study of a hybrid Empty Homes collaboration found that social and commercial logics could be compatible if they formed part of shared organisational goals (Gillett et al, 2018). This thesis frames contradictory social and commercial logics as interdependent in much the same way that we - humans - breathe. For example, inhaling and exhaling are two contradictory biological processes, but they do not compete and cannot be resolved or reconciled. In fact, they are mutually constitutive

and permanent processes (for as long as we live!) and one gives rise to the other. They cannot be separated and both form part of a larger whole (i.e. the respiratory system). This analogy can be extended, for example, to ‘Fairtrade’ companies which generate profits but do so in an ethically responsible way. This same principle can also be extended to the innate HA business model, which relies on both public subsidy and private finance to deliver new social and affordable housing. This interdependency means that there is no inherent competition and HAs do not need to forsake one logic in pursuit of the other nor do they need to valorise commercial logics over and above social logics. This idea challenges Manzi and Morrison’s (2018:1938) observation that “*a market logic is likely to compel organisations to abandon their social roots*”.

So, if contradictory rather than innately competing logics is the starting point of this research, several key questions emerge. First, what causes social and commercial logics to become asynchronous? Where the displacement of social logics does occur, is it due to external pressures such as government policy? Or is it down to board agency, hubris and/or incompetent leadership? Perhaps it is a combination of both structure and agency? Alternatively, under what circumstances do dual logics co-exist harmoniously and what strategies, tactics and/or trade-offs are required to maintain social and commercial logics in some form of equilibrium?

Now that the focus of this study on these research gaps has been established, section 1.3 sets out in more detail the scope of this thesis and its approach.

1.3 Research Scope and Approach

This study develops the literature on HA change in several ways. First, it examines change through a corporate governance lens, focusing on board decision-making in

greater depth than earlier studies have done. While there is a core body of research on corporate governance in the voluntary and social enterprise sectors (Cornforth, 2003; Cornforth and Brown, 2014; Cornforth and Spear, 2010; Ebrahim et al, 2014; Low, 2006; Mair et al, 2015; Mason and Doherty, 2015; Spear et al, 2009), it remains a largely neglected and unexplored aspect of HA research (noteworthy exceptions include: Malpass, 1997; McDermont, 2007; Moore, 2017; Mullins, 2014). Corporate governance is an ideal focal lens from which to study shifts in hybridity and logics because board members are the custodians of an organisation's social mission, values, and identity. It is they who are tasked with making decisions that affect the future nature of hybridity in their organisations. Board members must also act in a HA's best interest in accordance with fiduciary, legal, and regulatory responsibilities.

Corporate governance has no universal definition but scholars mostly agree that it relates to the "*the structures, systems and processes concerned with ensuring the overall direction, control and accountability of an organisation*" (Cornforth and Chambers, 2010:99). In terms of scope, McDermont (2010:8) considers corporate governance to be "*the system by which companies are run by company boards*". Others suggest that to treat corporate governance and the board as synonymous "*is to invite trouble*" (Renz and Andersson, 2014:18) or "*to equate corporate governance with the role of the board is to miss the point. It is much too narrow*" (Demb and Neubauer, 1992:16). This study takes a broader view of corporate governance than that of the board itself, to include senior executives and key external stakeholders (e.g. regulators, lenders, legal advisers etc) outlined in stage 1 of the research approach below.

Second, it focuses on Northern Ireland, whose unique housing history and context makes it a fascinating laboratory for HA research. This enables HA change to be studied in a different social and political context, beyond the predominant focus of large English HAs. Early in the research process, two studies of housing hybridity by Mullins and Acheson (2014) and Muir and Mullins (2015) indicated that extant explanations of organisational change in England may not be applicable to Northern Ireland. For example, Mullins and Acheson's (2014) study of homelessness and mental health charities in Northern Ireland found that these organisations actively adapted to state and market-imposed influences by asserting and re-enacting their charitable roots and value-based identities. Moreover, Muir and Mullins (2015) concluded that the treatment of HAs in Northern Ireland as public bodies posed a greater threat to their historical third sector identities in comparison to England where shifts towards the private market represented a more significant challenge. Evidence from these two studies highlighted the risks of adopting a priori explanations of change drawn from large English HAs without considering contextual distinctiveness.

A third distinctive dimension of this study relates to its methodology. The thesis adopts a theory building approach to provide insights into: (1) the structural drivers of change in the Northern Ireland HA sector; (2) the tensions HAs encounter when they co-enact contradictory logics; and (3) the different tactics HAs employ to manage social-commercial related tensions. This theory building approach requires a philosophy that acknowledges the ontological status of both structure and agency, and thus, the thesis draws on the stratified ontology of critical realism (Bhaskar, 1979) to establish the multiple layers and drivers of change in the Northern Ireland HA sector. Consistent

with theory building, the study adopts a grounded methodology that affords primacy to ‘theoretical sensitivity’, with emergent concepts firmly rooted in the empirical data.

The study’s research philosophy and methodology naturally guide its four-stage data collection process and analysis. Stages 1 and 2 are part of a sector scoping study, which both inductively shape the in-depth case research design in stages 3 and 4. The four stages combine both qualitative and quantitative methods. Stage 1 includes elite stakeholder interviews with sector leaders and two separate focus groups with HA chairpersons and tenants/residents to help establish the main influences on HA board decision-making. This is followed in stage 2 by a chief executive (CE) survey, which *inter alia* presents a sectoral overview of HAs’ core values and business priorities. This sectoral level data is then analysed before ‘zooming in’ (Nicolini, 2009) to stage 3, which focuses on organisational change in Northern Ireland’s two largest HAs. This phase of the research draws on multiple forms of data, gathered through documentary analysis, non-participant board observation, and semi-structured interviews with executive and non-executive directors. Following Czischke (2014), the thesis draws on Flanagan’s (1954) Critical Incident Technique (CIT) to structure board observations. Strategic decisions and discussions that relate to private housing market diversification are tracked and analysed in order to assess their impact against core charitable goals. Once the case data is analysed, the study then ‘zooms out’, drawing on critical realism’s ‘retroduction’ mode of inference to connect the ‘observable’ case findings with ‘events’ at the sectoral level. In doing so, the thesis postulates a new theoretical explanation of HA change. Finally, stage 4 seeks feedback from case participants on the study’s emergent theoretical framework to enhance its validity. As a whole, this methodology offers a novel way of researching and thinking about logic ‘dominance’.

Besharov and Smith (2014) suggest that it remains a theoretical and empirical mystery why logic multiplicity can cause discord and dysfunction in some organisations yet be positively and seamlessly managed in others. It is hoped that this study's findings and its emergent theoretical framework will be of relevance to corporate governance actors across the Northern Ireland HA sector and beyond, through its focus on the key tensions that stem from the pursuit of social and commercial goals, and the different response strategies and tactics HA boards employ to effectively manage tension. As HAs in Northern Ireland are in the early stages of commercial diversification, the evidence presented in this study can provide an important baseline for the sector and be of practical value for other HAs contemplating diversification now or in the future.

1.4 Researcher Positionality

Interpretive studies of HA change rarely offer reflexive accounts of how they arrive at their conclusions. In those that do, researchers often fail to make explicit their own beliefs and personal biases that undoubtedly shape their worldview. Therefore, this section briefly outlines my own personal interest in housing studies research and reflects on some biographical details that shape my identity as a researcher.

As I write this section in April 2021, local news headlines are dominated by the wave of sectarian violence that has gripped several towns and cities across Northern Ireland for the last ten days. What started out as gangs of loyalist youths rioting with the police - linked to political tensions over the post-Brexit Irish Sea border - quickly escalated into sectarian clashes with nationalists in interface areas. This recent spate of violence has evoked memories of my own childhood, living in a social housing estate in Lurgan, less than 100 metres from a flashpoint. Riots were frequent then, occurring almost

daily during the Drumcree standoff, with the police and British Army greeted by bricks, bottles, and petrol bombs whenever they entered the estate. Vehicles were often set alight (and even a train once!) just yards from my home. As I write these words on the 23rd anniversary of the signing of the Good Friday Agreement, I feel a deep sense of personal frustration at the lack of progress that had been made over the last two decades in bringing the two main communities in Northern Ireland together. Furthermore, unemployment, poor educational attainment and lower life expectancy are all endemic features of working-class life in Northern Ireland; 350,000 people continue to live in poverty, including over 100,000 children. Therefore, my interest in housing studies research relates principally to the positive role that both the NIHE and HAs have played over many decades in Northern Ireland. Both have a proud record of providing high quality social housing and responsive local services to the most vulnerable members of society in Northern Ireland and they play a critically important role in terms of building peaceful neighbourhoods and brokering cross-community relations right across the region.

The decision to study HA change through a corporate governance lens relates more to my academic and professional background. I studied Housing Management as an undergraduate (2003-2007) and first encountered the term ‘corporate governance’ as a final year student. A guest lecture on the subject, prompted much of my early thinking around the composition and diversity of HAs’ boards. Who serves on HA boards? How are they selected/appointed to these positions of power and influence? In whose interest do they act? How in tune are board members with the trials and tribulations of working-class life?

In 2008, when employed by the Chartered Institute of Housing, I started a master's degree in Corporate Governance as part of my professional development. By the time I had finished in 2010, I was employed as a Lecturer in Housing Studies at Ulster University, teaching housing history, housing policy, and corporate governance modules on the same course I had studied as an undergraduate. In 2013, I then joined the board of a HA in Northern Ireland, briefly chairing its Audit and Risk Committee and I remained on that board for 18-months gaining vital corporate governance experience, before resigning to side-step a research conflict of interest. Now independent of any HA, I was able to undertake a two-year (2013-2015) sector-commissioned review of HA corporate governance in Northern Ireland in collaboration with my PhD supervisor, Professor David Mullins. This study helped address many of the burning questions I had since a final year undergrad - outlined above! It also paved the way for a second major project, funded by the NIHE, on the role of tenants in governance, drawing on models and practices from other UK and European jurisdictions, along with two of my PhD supervisors, Professor David Mullins and Dr Halima Sacranie. After the degree's closure and my departure from Ulster University in 2016, I worked briefly as a consultant for a well-known management consultancy firm that specialises in housing and corporate governance. When I applied for the ESRC scholarship in 2016, it felt like a natural step to study HAs through a corporate governance lens. While this broad theme was fixed from the outset, the research aim and objectives were not predetermined. The next section provides some reflective commentary on how the research aim and objectives evolved throughout the study.

1.5 Research Aim and Objectives

Although corporate governance was listed as a core theme of my ESRC application, it also happened to be in vogue. Debates were prominent within the HA and third sectors in the years that preceded this thesis (e.g. Cosmopolitan HA, Kids Company etc) and at its outset in relation to the tragic events that surrounded the heart-breaking Grenfell Tower fire. In many respects, the ESRC award validated the importance of this line of research inquiry. The study's main research aim and five objectives evolved throughout the study in what at times felt like a cumbersome and messy process. Year 1 of studentship commenced in autumn 2016 with a taught MA Social Research degree, before progressing to the PhD in autumn 2017. As I write this in 2021 and reflect on the various iterations of the 'draft PhD questions', it is interesting to see how they have evolved since those early days. In early 2018, I submitted a list of twenty questions with potential research designs and data analysis tools for discussion with my supervisors. These questions were later refined and categorised into three themes, exploring: (1) organisational tensions and logic duality; (2) power dynamics and the role of the board; and (3) risk management and board performance. Over several months in 2018, discussion ensued around whether corporate governance would be subject of the study (i.e. themes 2 or 3) and focus exclusively on the board itself. Or whether it would be the object of the study (i.e. theme 1) and act as a focal lens into a specific organisational/social phenomenon. In the end, it was agreed that the study's focus should be on the latter, principally due to my background, which is a blend of housing policy and corporate governance. Although the overarching theme of organisational change was agreed relatively early in the process, the fine-grained research objectives evolved through the research process itself, with an initial scoping

stage informing a more in-depth research stage, described briefly above and in full detail in Chapter 4. The main research aim and its five underpinning objectives are as follows:

Aim:

An investigation into organisational change in the Northern Ireland Housing Association sector through a corporate governance lens.

Objectives:

1. To chart the evolution of the HA sectors in England and Northern Ireland to foreground socio-historical and housing policy differences, integral to the study's grounded research design.
2. To analyse the main values, priorities and influences that shape board decision-making in the Northern Ireland HA sector.
3. To identify key tensions that stem from the co-enactment of social and commercial logics, focusing specifically on diversification into private housing markets in Northern Ireland's two largest HAs.
4. To examine how the boards of Northern Ireland's two largest HAs manage social and commercial related tensions.
5. To advance knowledge of organisational change drivers, tensions and responses by building a theoretical framework through which hybrid HA functioning can be understood.

1.6 Thesis Structure

The thesis structure reflects its methodological approach of a sectoral scoping study followed by in-depth case research. Thus, it starts with a sectoral overview before 'zooming in' to the organisational case studies and then 'zooming out' (Nicolini, 2009) again to connect the case data to its broader context.

Chapter 2 examines how the contemporary HA sectors in England and Northern Ireland have evolved since the 1960-70s, building on previous accounts of the English sector's social origins (Mullins, 2000) and discontinuous history (Malpass, 2000a). It underscores socio-historical and institutional differences between the two jurisdictions and highlights recent evidence of significant policy divergence, with market influences more prominent in the English HA sector.

Chapter 3 introduces the three theoretical perspectives that helped shape and inform the development of this study's emergent theoretical framework. The strengths and weaknesses of the hybridity, institutional logics and paradox perspectives are all evaluated. Collectively, these three perspectives shed light on the external drivers of HA change, the tensions that stem from the co-enactment of dual logics, and the structural and strategic responses to these tensions.

Chapter 4 details the study's philosophical underpinning and how it shaped my research strategies, methods, and approach to data analysis. It provides a breakdown of the four-stage methodology which began with a series of elite level interviews and two focus groups with HA chairpersons and tenants (stage 1), followed by a CE survey (stage 2). These first two stages informed the in-depth case study phase which drew on the CIT methodology to track organisational decisions and discussions - related to

private housing market diversification - over an eight-month period in Northern Ireland's two largest HAs. The CIT methodology drew on multiple forms of data collection including documentary analysis, interviews with board members and senior executives, and non-participant board observation. Stage 4 then sought validation of the study's findings and emergent theory from the boards and SMTs of these organisations.

Chapter 5 reports the empirical findings from stage 1 and stage 2. It provides profile data on the Northern Ireland HA sector and its corporate governance arrangements, plus a more substantive analysis of the values, priorities and influences that shape board decision-making in the sector. This scoping phase of the research helped inform the case study research theme (i.e. private market diversification) and strategic case selection.

Chapter 6 examines the effect of hybrid influences on board decision-making and both HAs' rationale for diversification. It uncovers a series of tensions that both boards faced when they co-enacted social and commercial logics, categorised under three thematic headings: (1) organisational structure, identity, and funding; (2) corporate governance and risk; and (3) organisational culture and strategy.

Chapter 7 examines how both HAs *managed* social-commercial related tensions. It presents four overarching strategies that facilitated and enabled the co-existence of social and commercial goals, namely: (1) organisational structures and professional advice; (2) corporate governance expertise and independence; (3) strategic goal alignment; and (4) risk management. Strategic decision examples are used to demonstrate variations in responses to tensions by the two HAs.

Chapter 8 ‘zooms out’ to consider evidence from all four stages of the study in an attempt to advance theoretical knowledge of hybridity and change in the Northern Ireland HA sector. It draws on paradox theory to conceptualise tensions and institutional logics to conceptualise tension management. In the final piece of the theory building jigsaw, retroductive reasoning is used to connect the case data (stages 3 and 4) with the sectoral scoping data (stages 1 and 2) in search of the generative mechanisms driving change in the sector. This chapter posits a new theoretical explanation of HA change: the ‘paradox model of organisational hybridity’.

Finally, Chapter 9 reflects on the study’s main research aim and theory building approach. It summarises the study’s main headline findings. It reflects on the significance of the study and outlines its key contribution to the field of study, including the challenges of conducting research through a corporate governance lens. The study’s limitations are acknowledged to inform an agenda for future research on HA change. The chapter concludes with a short discussion about the societal implications of the study’s findings for HA corporate governance actors and some personal thoughts on the importance of balancing social and commercial goals.

Chapter Two: HA Growth and Transformation in England and Northern Ireland

2.1 Introduction

From 1972 until 1998 Northern Ireland was under direct rule from Westminster and tended to adopt the same housing policies as those introduced in England (Muir, 2012; Paris, 2008; Paris and Frey, 2018). However, since 2010, housing policies in England has separated it from other UK jurisdictions to the extent that England is now the ‘outlier’ (McKee et al, 2017:9). Because of Northern Ireland’s symbiotic housing policy relationship with England, the aim of this chapter is to chronologically chart the evolution of the HA sectors in these two jurisdictions, in order to foreground key socio-historical and housing policy differences. Section 2.2 considers the state, market, and legislative drivers that have led to growth and transformation in the English HA sector from the mid-1970s onwards. It builds on previous studies that detail the social origins (Mullins, 2000) and discontinuous history (Malpass, 2000a) of HAs and examines more contemporary issues, including the sector’s financialisation (Jacobs and Manzi, 2019; Smyth, 2019; Smyth et al, 2020). Likewise, section 2.3 charts growth and transformation in the Northern Ireland HA sector from the 1970s onwards. This includes an examination of its unique historical, political and institutional context. As the thesis is about HA change in Northern Ireland, section 2.4 provides an overview of the sector’s profile in 2020. Overall, the evidence indicates major socio-historical differences and more recent policy divergence between the two jurisdictions in respect of HAs. Market pressures and competition have been more prominent drivers of change in the English sector, whereas in Northern Ireland the sector continues to

benefit from stronger political and financial support in comparison to England. On that basis, section 2.5 concludes that explanations of change in the English HA sector should not be used a priori to explain change in the Northern Ireland sector.

2.2 Growth and Transformation in the English HA Sector

2.2.1 Phase 1: 1974 to 1988

Some contemporary HAs can trace their lineage to the Model Dwellings Societies of the Victorian era, although most have been established from the 1960s onwards. In the 1960s, the Conservative government sought to introduce new forms of market housing, inspired by models in Scandinavia. Cost rent and co-ownership pilots were introduced, paving the way for a new wave of housing societies. Pump primed by a £25 million government loan fund, societies could borrow at rates similar to what local authorities (LAs) could borrow at from the Public Works Loan Board. In 1964, the Housing Corporation was established to administer the loans and to promote the growth of cost rent and co-ownership societies. Committee members of these new societies often benefitted financially by providing professional services in what the government termed ‘enlightened self-interest’ (McDermont, 2010). This practice stood in contrast to the longstanding philanthropic motives that had characterised the voluntary housing movement.

In addition to the cost rent and co-ownership societies, there was another wave of philanthropic HAs in the 1960s following a ‘rediscovery of poverty’ (Abel-Smith and Townsend, 1965). LA slum clearance programmes which rehoused tenants in high-

rise flats on peripheral estates, rising levels of homelessness, and Rachmanism¹ became major public concerns - all of which were depicted in the poignant BBC drama documentary, *Cathy Come Home*. This famous television programme aired two weeks before the launch of the homelessness charity, Shelter, helping it to raise £5.25 million in seven years, of which £2.25 million was channelled into HAs (Malpass, 2000b). Other newly established HAs were funded by church-based groups and LAs, notably the Greater London Council. According to McDermont (2010), there was a battle of identity at this point between the new cost rent and co-ownership societies and the new philanthropic HAs who disparagingly referred to one another as 'the fee grabbers' and 'the brown rice and sandals brigade'. The former sought to focus on new build, let at economic rents, while the latter concentrated on the refurbishment of existing dwellings for lower income households.

Clearly, the modern HA sector had begun to take shape in the 1960s. However, the historical turning point was the Housing Act 1974. The background to this legislation was twofold: first, there was a shift in opinion away from large scale slum clearance towards inner city urban renewal, where HAs lay claim to expertise (McDermont, 2010); and second, there was mounting dissatisfaction with how LAs were performing. HAs were mooted as a 'third arm' of housing provision and once again they used their expertise to meet the housing needs of niche groups, compensating for gaps in municipal provision. The 1974 Act introduced a new regulatory regime and funding framework for HAs. It reinvigorated the Housing Corporation whose previous remit only

¹ Perec Rachman (1919-1962) was a private landlord who operated in London in the 1950s and 1960s. His name is now in the Oxford English Dictionary (Rachmanism) as a synonym for tenant exploitation.

covered cost rent and co-ownership societies. Registration with the Housing Corporation became a condition of grant funding, with hundreds of HAs receiving generous capital grant allocations, moving them to the ‘centre stage’ of housing policy (Langstaff, 1992). This funding heralded a period of sustained growth - in what was essentially a risk-free environment - for almost fifteen years (Jacobs and Manzi, 2017).

However, the price of registration was such that HAs became “*instruments of government housing policy*” (Malpass, 2000:179) and had to relinquish much of their freedom. Moreover, the practice of allowing committee members to charge fees in exchange for professional services was ended. It is also important to note that the 1974 Act was introduced against the backdrop of an economic crisis. Global events in the 1970s had significant social, economic, and political ramifications for the United Kingdom (UK) including the collapse of the Bretton Woods monetary agreement which governed international exchange rates and the brief Yom Kippur War (1973) which led to a fourfold increase in oil prices (Malpass and Rowlands, 2010). This economic crisis signalled the death knell for the post-war Keynesian welfare state. Attempts by the Labour government to reduce state overload in the mid to late 1970s culminated in widespread strikes by public sector trade unions, dubbed the *Winter of Discontent* (1978-79), although deeper fiscal constraints and more fundamental ideological transformations were introduced after the election of a Conservative government in 1979.

Changes to public administration followed in the 1980s, underpinned by monetarist and neoliberal policies that reflected the political philosophies of the ‘New Right’ referred to as ‘New Public Management’ (Hood, 1991; Marsh 2001; Walker, 2000). Ultimately, these approaches instilled private sector principles into public sector

service delivery on the premise of efficiency and resourcefulness (Clarke and Newman, 1997). Services provided by LAs were subjected to severe cuts, none more so than public housing, creating the conditions for non-state hybrids to replace LAs as direct service providers.

By the end of Phase 1, HAs had almost doubled their market share of social housing from less than five per cent in 1974 to eleven per cent in 1988 (Stephens et al, 2020). Furthermore, the capital grant system that underpinned the sector's growth during this Phase would serve HAs well in Phase 2, following the introduction of mixed funding.

2.2.2 Phase 2: 1988 to 1997

While the Housing Act 1974 created a propitious funding environment for HAs, enabling them to work as niche providers and regeneration partners alongside the much larger LAs, the Housing Act 1988 paved the way for their rapid growth in new development. Malpass (2000b) stated that it is reasonable to conceive the Housing Act 1988 as the beginning of the contemporary period for HAs. This legislation introduced a mixed funding regime whereby shortfalls in public grant were reconciled with private loans borrowed against HAs' accumulated stock holdings (Mullins, 2010). The Act also phased out fair rents to reassure private lenders unfamiliar with the sector that borrowed monies could be repaid (McDermont, 2010). One critical commentator observed that the legislation created a feeling of HAs being floated on the stock exchange with "*suits, smart cars and higher salaries*" appearing swiftly afterwards (Purkis, 2010:9). By 1989, almost seventy per cent of the social rental programme in England was mixed-funded, with average grant levels of seventy-five per cent. However, competitive bids for development funding throughout the 1990s put

downward pressure on grant levels. As a result, HAs utilised their assets as loan security and charged higher rents to cover development costs (Williams et al, 2020). Despite these increases, HAs' rents "*remained generally well below market and were more resource-efficient than had been the case before 1989*" (Gibb and Whitehead, 2007:193).

The 1988 Act and earlier powers from the Housing Act 1985 and Housing and Planning Act 1986 paved the way for voluntary stock transfers from LAs to HAs, made easier by rule changes to tenant ballots (Pawson and Mullins, 2010). As a result, a new wave of HAs emerged with closer ties to LAs (Mullins, 2010). Under large scale voluntary transfer (LSVT), former council housing was refinanced with private loans (underpinned by the comfort of Housing Benefit) to fund stock improvements and create tenure diversification (Pawson and Mullins, 2010; Gibb and Whitehead, 2007). Moreover, the Local Government and Housing Act 1989 introduced a new financial regime for LAs which made it more difficult for them to operate as direct housing providers by controlling new borrowing and requiring them to use capital receipts for debt redemption purposes (Mullins et al, 1992). With LAs now recast as strategic enablers, demunicipalisation set the scene for the not-for-profit HA sector to flourish (Jacobs and Manzi, 2013; McKee, 2009).

Financial deregulation also occurred during Phase 2. High-street banks dominated social housing finance after the 'Big Bang' stock exchange reforms in 1986 (Wainwright and Manville, 2017). Moreover, the Building Societies Act 1986 enabled building societies to compete with clearing banks in the range of loans and services they provided to prospective homeowners (Mullins and Murie, 2006). An unsustainable house price boom occurred in the same year, rippling outwards from South East

England (Forrest and Murie, 1994). A precipitous rise in interest rates from 9.5 per cent in 1988 to 15.4 per cent in 1990, along with spiralling inflation, a fall in house prices, negative equity, and dramatic increases in unemployment levels all culminated in peak levels of home repossession in 1991 (Mullins and Murie, 2006). In response, both LAs and building societies worked in partnership with HAs to provide mortgage rescue schemes (Malpass, 2000b; Stephens, 2007). Moreover, the abolition of corporation tax relief in the late 1990s incentivised the acceleration of group formations in the sector (Malpass, 2010).

A nascent bond market for HAs emerged in the late 1980s, comprised of institutional investors and capital market intermediaries, including the establishment of The Housing Finance Corporation in 1987 (Clark and Monk, 2014; Wainwright and Manville, 2017). This new innovative funding vehicle enabled debt finance to be raised on an aggregated basis and then loaned to individual HAs in the sector (Fuller, 2019). Although the bond finance market was slow to prosper, its effect on the sector's growth and transformation became more considerable in Phase 4, following reductions in government funding and restrictions in bank lending in the wake of the Global Financial Crisis (GFC) in 2007.

Finally, Section 106 of the Town and Country Planning Act 1990 (amended by the Planning and Compensation Act 1991) was another important policy instrument introduced during this period, although its effect on social and affordable housing completions was not felt until Phases 3 and 4 (see figure 2.1). Until the 1990s, the main delivery mechanism for social housing had been the purchase of sites at market value with the aid of public grant. However, the 1990 Act enabled LAs to place obligations on private developers to provide social and/or affordable housing or make monetary or

in-kind contributions in its place. Such obligations have been used to offset the negative impacts of new development by capturing the uplift in land value derived from planning approval (Burgess et al, 2011).

By the end of Phase 2, two relatively simple business models dominated the HA landscape. While the majority focused on the provision of rental housing, a sizeable minority provided shared ownership housing. Shared ownership reduced reliance on long-term debt as it generated capital receipts from initial sales along with additional income when shared owners ‘staircased’ into full ownership (Williams et al, 2020). Over this nine-year period, HAs moved from their initial position as specialist providers to a mainstream role in social housing provision, evidenced by the sector’s one hundred per cent growth in market share from eleven per cent in 1988 to twenty-two per cent in 1997 (Stephens et al, 2020).

2.2.3 Phase 3: 1997 to 2010

New Labour’s public sector modernisation agenda sustained and even extended the neoliberal policies implemented by previous governments (Malpass and Victory, 2010; Pawson and Jacobs, 2010). For example, in 2000, LAs were required to conduct options appraisals to evaluate how they would secure the resources needed to achieve the government’s Decent Homes Standard (DHS) by 2010. Consequently, the HA sector experienced its most rapid growth during this Phase, principally due to stock transfers and the sector’s ability to leverage in private investment to upgrade dilapidated council stock (Malpass and Mullins, 2002; Pawson and Mullins, 2010). Between 1997/98 and 2009/10, 229 LSVT organisations were established in England².

² More than 200 LSVT associations were established (103 partial and 126 whole) in this time period, with stock holdings surpassing those owned by the traditional HA sector (Williams et al, 2020).

LAs could employ three main mechanisms to secure resources for stock upgrades, including Private Finance Initiatives, Major Repairs Allowance, and Arm's-Length Management Organisations (ALMOs) (Mullins and Pawson, 2010b). Under the latter, LAs retained ownership of the stock but delegated management and maintenance responsibilities to ALMOs. The first ALMO was established in 2000 and peaked at 70 by 2008, managing more than one million homes, more than half of the UK's council stock (Cole and Powell, 2010). Whereas traditional HAs tended to borrow secured-mortgage finance from multiple lenders on more or less similar terms, LSVT organisations managed to secure debt from single banks - on a model akin to project finance - at long-term, low-interest rates. Pioneered by THFC, the European Investment Bank (EIB) also entered the social housing finance sector in 1998; an important financial institution that by 2018 (Phase 4) had lent £4 billion to the sector (Williams et al, 2020).

A new wave of reforms followed the Gershon Efficiency Review in 2004. This review ushered in a reformed system of procurement termed *Investment Partnering* which channelled social housing grant to those HAs able to demonstrate best in class performance. With eighty per cent of grant designated to approximately seventy 'lead partners' in the 2004-2006 National Affordable Housing Programme, some HAs were incentivised to merge or enter into consortia arrangements with sector 'leads' (Mullins and Craig, 2005). HAs increased their scale and size through mergers and group structures so that by 2009/10 the largest twenty HAs controlled just under thirty per cent of the overall HA stock (Mullins, 2010).

Provisions contained in the Housing Act 2004 made it possible for private house builders to bid for social housing grant. In the 2006-2008 funding round, nine private development partners were selected to receive grant allocations worth two per cent of the total £3.9 billion available, and in doing so, it removed the monopoly position held by HAs since the 1980s (Mullins, 2010). The 2004 Act departed from previous policy in that it paved the way for private companies to retain ownership and management of the houses they constructed for social purposes, although in practice few were interested in long-term housing management. Nevertheless, HAs were subjected to realigned competition from within the sector and new competition outwith the sector (Mullins, 1997; Mullins and Walker, 2009). Moreover, the admission of for-profit companies to the sector under the Housing and Regeneration (HRA) 2008, which came into effect in April 2010, created a level playing field with not-for-profit HAs when it came to the provision of subsidised housing. The same legislation introduced a new regulatory and funding framework for the sector, including the creation of two new statutory bodies, the Tenant Services Authority (TSA) as regulator and the Homes and Communities Agency (HCA) as funder. More significant, however, was the introduction of new state powers over the management and operation of registered providers³, which ultimately compromised their independent status in Phase 4.

Finally, the GFC in 2007 had significant repercussions for the HA sector towards the end of Phase 3 and into Phase 4. Virtually no consolidation occurred in 2010, due in part to restrictions in the availability of private finance and as banks increased interest rates on existing loans, making refinancing deals unattractive (Pawson and Sosenko,

³ Social and affordable housing providers registered with the Social Housing Regulator are now referred to as 'Registered Providers' irrespective of their individual status (e.g. for-profit, not-for-profit, public, private etc).

2012). Moreover, HA business models and cross-subsidisation strategies were adversely affected by restrictions in mortgage finance, a collapse in house prices, interest rate volatility, faltered consumer confidence, and a spike in unemployment levels (Sacranie, 2011). Despite these challenges, there were some opportunities, including the sale of private developments to HAs and enhanced ratios of affordable housing in Section 106 projects (Burgess et al, 2011). In conclusion, HAs surpassed LAs as majority social housing landlords in 2008 (Pawson and Sosenko, 2012) and by 2010 the sector had amassed over 2.4 million homes in England, giving them a fifty-five per cent market share of social housing (Stephens et al, 2020).

2.2.4 Phase 4: 2010 to 2020

After the Conservative-Liberal Democrat coalition government took office in 2010, capital expenditure for social housing was cut by sixty per cent over the four years 2011-12 to 2014-15 (NAO, 2012:4). Housing policy decisions were largely shaped by the government's deficit reduction strategy or 'austerity agenda' which sought to curb spending in the wake of the GFC. Stephens and Stephenson (2016) suggested that although expansionary monetary policy and fiscal consolidation had become the main drivers of housing policy since 2010, such drivers were underpinned by strong ideological principles. Spending cuts and political dogma led to the abolition of over 100 non-departmental public bodies (Guardian, 2018), including the TSA, whose regulatory powers were passed to an independent committee within the HCA after its cessation in 2012.

In 2011, the government's *Big Society* agenda sought to transform the traditional social housing offer under a narrative of 'localism', by purportedly devolving more power to

local communities over housing and planning decisions and opening up “new opportunities for commercial activity in areas that were previously the preserve of government” (Jacobs and Manzi, 2013:31). Under the Localism Act 2011, HAs had the discretion to offer fixed-term flexible tenancies to new tenants rather than typical lifetime tenancies. Alongside fixed-term tenancies, a new ‘Affordable Rent⁴’ model was introduced, enabling HAs to charge up to eighty per cent of local market rents for new build and vacant social rent properties. However, this was under the assumption that participating landlords would assume greater levels of debt (Pawson and Wilcox, 2011) and a stipulation by Homes England⁵ that additional income generated by this model would be used to cross-subsidise new affordable supply.

Policy reforms introduced by the Welfare Reform Act 2012 included benefit entitlement thresholds for claimants, a financial penalty for under-occupation known as the ‘Bedroom Tax’ and certain employment conditions attached to a new Universal Credit benefit payment. According to Murie (2012:1042), this post-2010 blueprint for social housing launched “*a populist attack on the welfare benefit system and those receiving help from the state*”. In other words, welfare reform (WR) was introduced under the “*pretext of reducing the structural deficit arising from the 2007/2008 global financial crisis*” (Jacobs and Manzi, 2017:28). Savings to the welfare bill were complemented by an imposed one per cent reduction in HA rents for four consecutive years, introduced by the majority Conservative government’s Welfare Reform and Work Act 2016 (MHCLG, 2018).

⁴ Affordable Rent falls within the definition of social housing contained within sections 68 and 69 of the Housing and Regeneration Act 2008 (UK Parliament, 2019) Accessed 1 May 2020.

<http://researchbriefings.files.parliament.uk/documents/CBP-7747/CBP-7747.pdf>

⁵ Homes and Communities Agency was rebranded as Homes England in 2018.

Although HAs remained the key players in affordable housebuilding in England during Phase 4, competition became a more entrenched feature of affordable housing delivery. Public monies and/or charity funds were increasingly being used by HAs to bid against one another for development opportunities and against ‘for-profit’ registered providers to acquire Section 106 deals. By April 2020, fifty-four ‘for-profit’ providers had registered with the Regulator of Social Housing, securing approximately eight per cent (£171m) of the £2 billion available from the Shared Ownership and Affordable Homes Programme 2016-2021. In a bizarre twist in 2018, the government intervened to prevent for-profit providers from using the moniker ‘housing association’ after the National Housing Federation threatened legal action against one. Furthermore, Phase 4 witnessed the remarkable return of council housebuilding after the removal of borrowing caps on their Housing Revenue Accounts in 2018 (Perry, 2020).

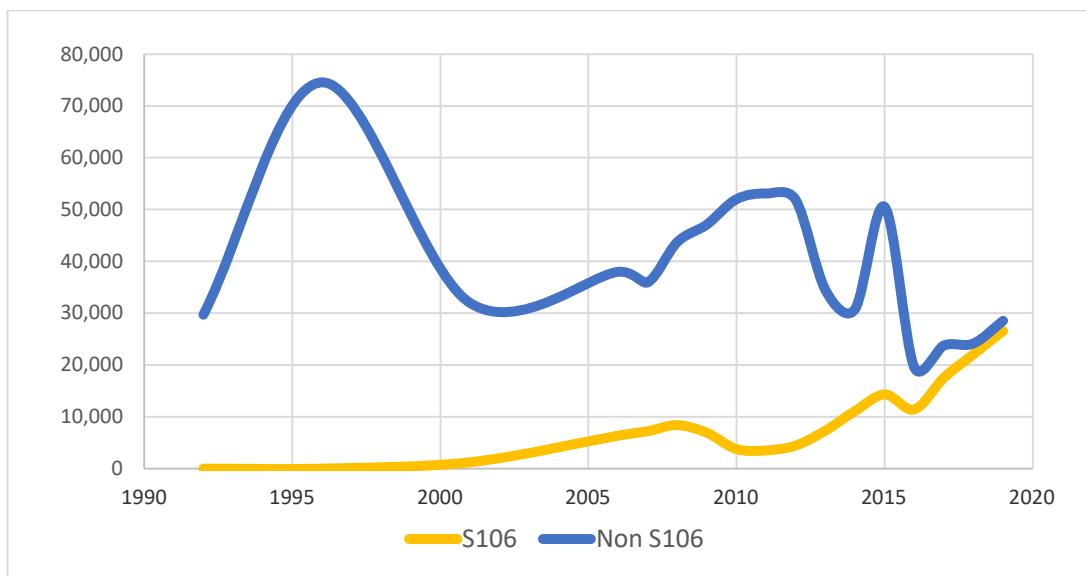
Section 106 planning obligations represented a significant percentage of affordable housing supply in this Phase but still marginally trailed traditional types of provision. In 2018/19, planning obligations accounted for forty-eight per cent of the total affordable output⁶ (Stephens et al, 2020; figure 2.1). Greater reliance on Section 106 agreements to bolster supply meant that new social and affordable housing development was increasingly subjected to the vagaries of the market (Wilson, 2019). The combined effect of financial and competitive pressures on HAs’ business plans, cash flows, and income certainty, stimulated yet another trend of (mega) mergers in the sector in this Phase⁷ (Campbell and Williams, 2017; Global Accounts, 2017; Jacobs and Manzi,

⁶ Total affordable output included 28,000 affordable and 3,600 social rent homes in 2018/19.

⁷ For example, in 2016, L&Q and East Thames (L&Q) and Affinity Sutton and Circle (Clarion) merged to create two FTSE 100 sized mega HAs.

2019; Manzi and Morrison, 2018; Morrison and Szumilo, 2017). Nineteen mergers took place across the sector between 2017-2019 (HCA, 2019) with smaller and medium sized HAs merging with larger HAs to bolster balance sheets and take advantage of the enhanced borrowing potential that derives from larger consolidated portfolios (Jacobs and Manzi, 2019; Williams et al, 2020). Mergers were also gently nudged by the government's White Paper (2017:52) expectation that HAs "*make every effort to improve their efficiency, in order to release additional resources for housebuilding....through mergers or partnerships with other associations*".

Figure 2.1: Section 106 affordable housing completions in England 1992-2019

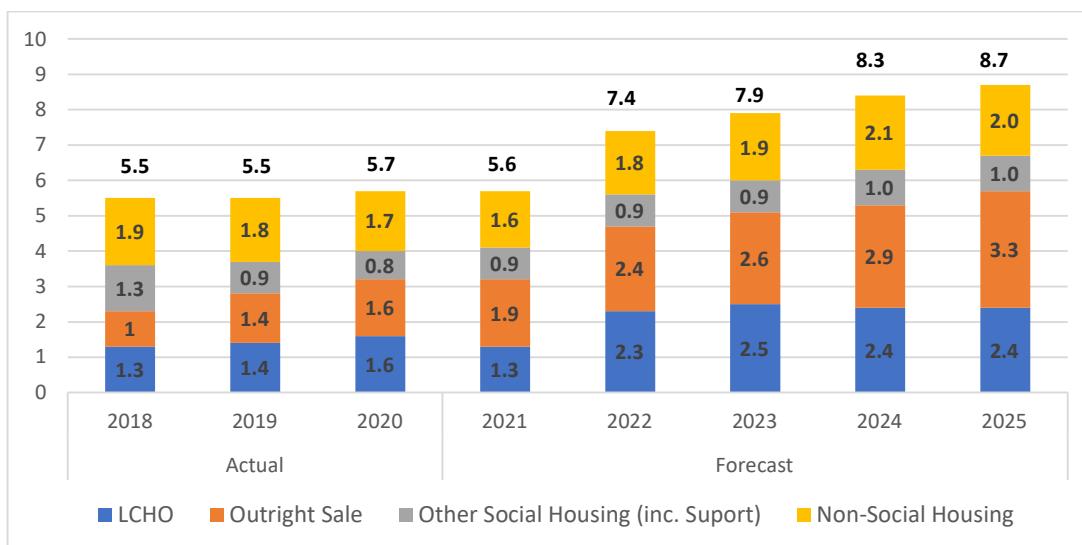


Source: UKHR (2020: Table 20)

A shift towards non-core market activities was another notable feature of Phase 4 as HAs sought to raise additional income to offset reductions in government funding and restrictions in traditional bank finance (Williams et al, 2020). By 2020, approximately one quarter of the sector's annual turnover was derived from non-social housing letting

activity and this was forecasted to increase in the five years to 2025 (HCA, 2020; figure 2.2).

Figure 2.2: Income other than social housing lettings by source (£bn)



Source: Regulator for Social Housing (England) (2020)

The majority of HAs with 1,000+ homes in England were engaged in commercial activities, most commonly, development for sale followed by market rent (HCA, 2019). However, the cross-subsidy model came under significant pressure towards the end of the decade due in part to rising costs (e.g. associated with remedial fire-safety works to apartment blocks after the Grenfell fire in 2017), market uncertainty (e.g. stemming from the UK's protracted Brexit negotiations with the European Union from 2017-2020) and a slow-down in market transactions and activity (e.g. due to the global Coronavirus pandemic in 2020). Nevertheless, despite diversification into commercial markets and non-core activities, the principal role of HAs continued to be the provision of 'decommodified' social rented housing (Murie, 2018).

In order to plug funding gaps after the GFC, HAs shifted away from long-term bank debt towards capital market finance at long-term maturities and fixed interest rates

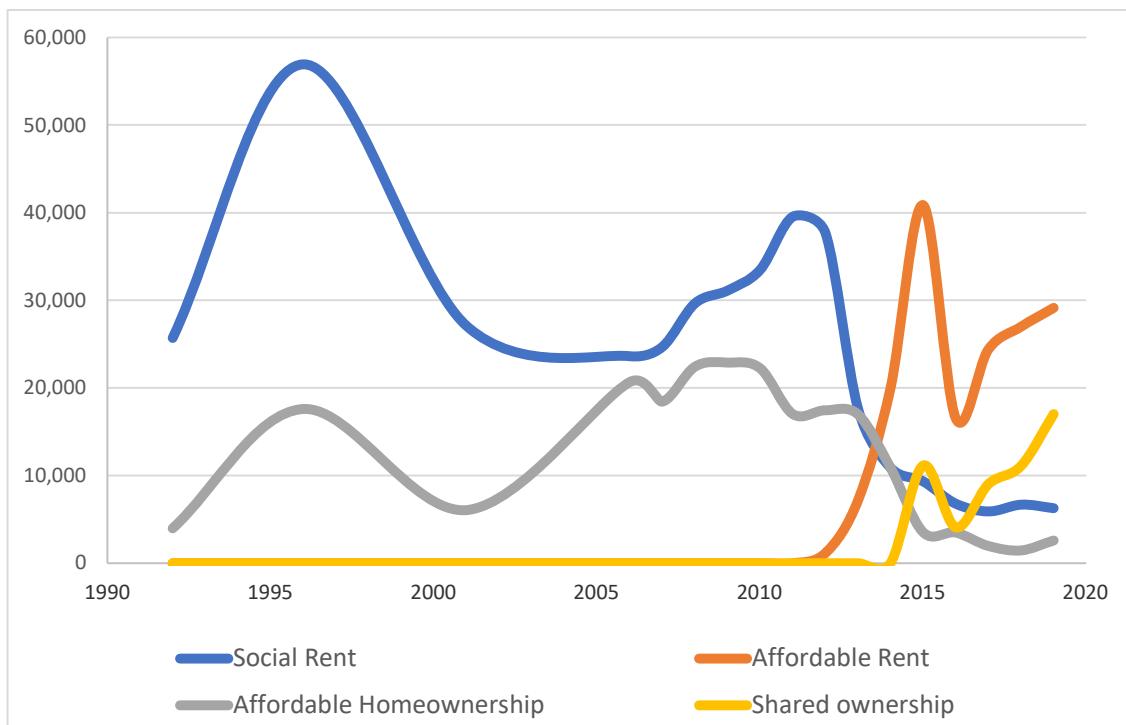
(Jacobs and Manzi, 2019; Van Bortel & Gruis, 2019). Supported by the government's Affordable Homes Guarantees Programme announced in 2012, guaranteed bond finance helped to reduce the cost of development finance for HAs. By the time the scheme ended in 2016, over £3 billion in government guarantees had enabled sixty-six HAs to build around 35,000 affordable homes using EIB bond finance (Wilson, 2020). A new version of the programme⁸ - announced in the government's 2019 Spring Statement - was set to be launched in 2020, providing a further £3 billion of guarantees to support the delivery of 30,000 new affordable homes (Perry, 2020). In the three-year period 2017-2019, a total of 116 bond issues or private placements had taken place across the sector (2019: 42, 2018: 48, 2017: 26), with a combined value of £14.2bn (2019: £6.7bn, 2018: £4.9bn, 2017: £2.6bn) (HCA, 2019), compared to an average of one or two per year prior to 2010. Nevertheless, shorter-term bank finance had returned to the sector in 2013 and by mid-2019 the HA sector had almost £100 billion of private finance (drawn and undrawn) in place. Bank debt accounted for sixty-two per cent of the total and capital market finance for thirty-eight per cent (Williams et al, 2020).

The decisive shift towards 'affordable housing' provision in Phase 4 marked a significant departure from the dominance of social housing development in previous Phases (figure 2.3). Overall, the balance of government support for new housing supply lay in the significant investment it offered to private markets and products with considerably less government expenditure (as a percentage share) spent on affordable housing compared to Scotland, Wales and Northern Ireland (figure 2.4). By 2020, one third of new homes in the sector were delivered without any grant, and where grant

⁸ Affordable Housing Guarantee Scheme

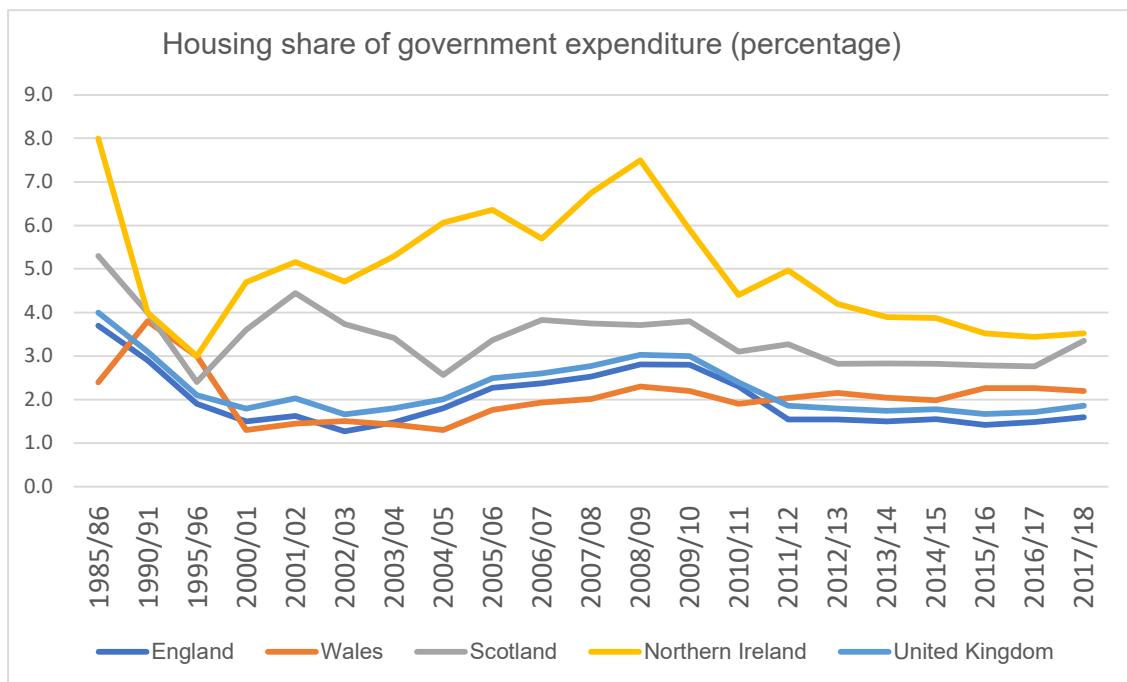
was available, it accounted for only eleven per cent of registered providers' development costs, compared to seventy-five per cent in 1989/90 (William et al, 2020). Figures show that only 6,287 social rented homes were delivered in 2018/19, accounting for eleven per cent of the overall affordable housing supply compared to the 57,023 social homes (eighty-seven per cent) delivered in 1992/93 (MHCLG, 2019). Moreover, the number of ALMOs reduced from their peak of 70 in 2008 (Phase 3) to just 31 by 2019. Nine became stock transfer HAs while others were brought back in house after the completion of DHS works as councils sought to regain political control over housing, save money, deliver improved services, and enhance tenant accountability (Inside Housing, 2019).

Figure 2.3: Number of affordable completions by tenure type 1991/92 to 2018/19



Source: Author's own (produced from MHCLG affordable housing supply statistics)

Figure 2.4: Analysis of identifiable government expenditure across the UK

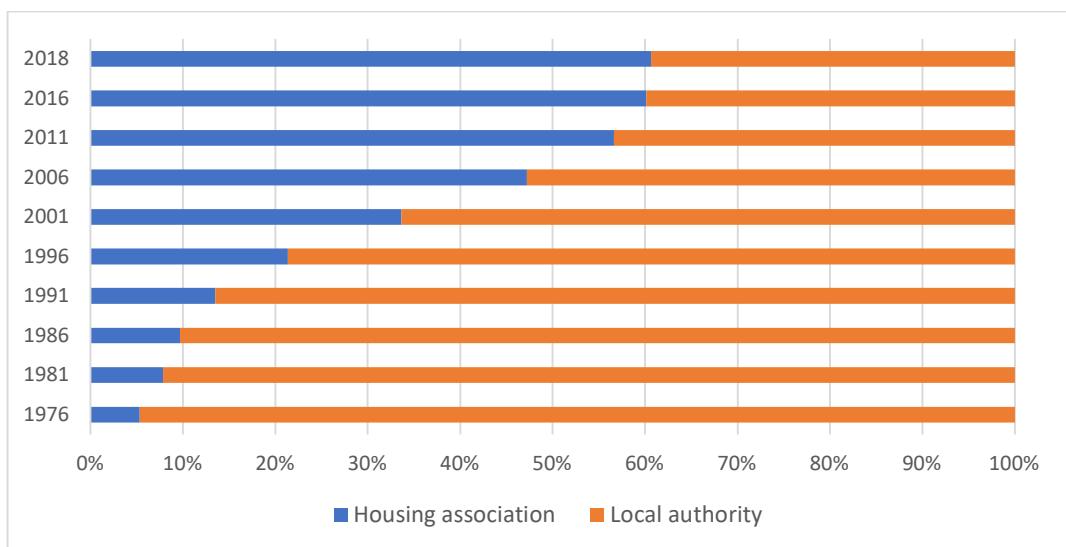


Source: UKHR (2020: Table 57)

While the early years of Phase 4 saw the abolition of the TSA, consumer regulation was firmly back on the housing policy agenda in 2020 triggered by the 2017 Grenfell fire tragedy and the 2020 global pandemic. It was clear from the responses to the 2018 Social Housing Green Paper and its Call for Evidence that tenants/residents and key stakeholders wanted to see consumer regulation achieve parity with economic regulation (MHCLG, 2020a). In response, the 2020 Social Housing White Paper included a policy commitment to legislate and strengthen the Regulator of Social Housing's approach to consumer regulation; one that replaced the previous reactive approach with a "*proactive, proportionate, outcome-focused and risk-based approach*" (MHCLG, 2020b:35). In conclusion, HAs cemented their dominance with a sixty-one per cent market share of social housing provision by 2018 (Stephens et al, 2020).

Figure 2.5 illustrates the shift from LA to HA dominance over the four Phases (latest figures available to 2018).

Figure 2.5: HA and LA dwellings as a percentage of social housing sector

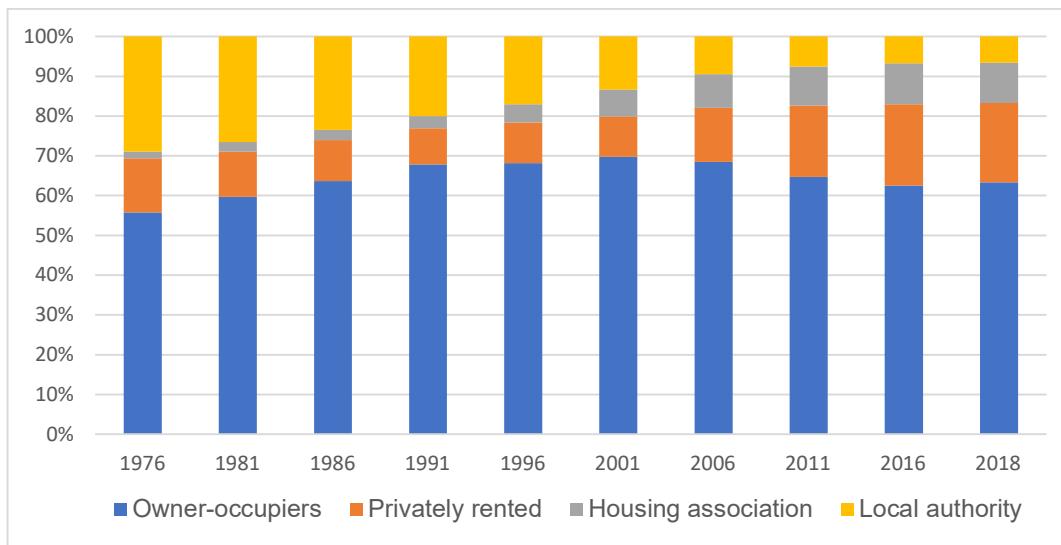


Source: Author's own (produced from MHCLG affordable housing supply statistics)

Figure 2.6 illustrates the percentage change across all tenures for the same period. Although Phase 4 covered the period up to 2020, this did not signify the end of this Phase but rather it was the cut off point for the research. The four Phases appear to underscore the HA sector's long-term shift from philanthropic and voluntary sector beginnings to their incorporation into the machinery of government (Malpass, 2000b; McDermont, 2010; Mullins, 2010; Mullins and Riseborough, 1997) and now to their current form of large-scale financialised institutions (Aalbers et al, 2017; Jacobs and Manzi, 2019; Smyth et al, 2020; Tang et al, 2017). However, at this level of generalisation it is easy to miss the significant variation that exists across the sector in terms of HAs' values, beliefs, identities, and behaviours (Mullins and Jones, 2015). A different way to characterise growth and transformation across the four Phases is one of a shift away from supply subsidies in Phase 1 to demand subsidies in Phases 2 and

3 to a cross-subsidy model in Phase 4. The next section examines the somewhat less distinct and more arbitrary phases of growth and transformation in Northern Ireland HA sector to foreground some of the socio-historical and key housing policy differences between these two jurisdictions.

Figure 2.6: Percentage of dwellings by tenure in England 1976-2018



Source: Author's own (produced from MHCLG affordable housing supply statistics).

2.3 Growth and Transformation in the Northern Ireland HA Sector

2.3.1 Phase 1: 1971 to 2001

Northern Ireland's history as a region is intimately bound to the history of its housing (Murtagh, 2016). Therefore, Phase 1 briefly considers the legal and political events that led to the partition of Ireland and subsequent direct rule from Westminster in the 1970s. This helps to shed light on the region's institutional framework for public and voluntary housing. Since the creation of Northern Ireland under the Government of Ireland Act 1920 until 1971, responsibility for public housing lay with sixty-five state bodies. During this period, only a few voluntary housing bodies existed, operating in

the shadows of the dominant state providers (see Mackay and Williamson, 2001 and Mullins et al, 2001 for fuller accounts).

Britain's post-war approach to urban policy, including large-scale LA (re)development and slum clearance did not extend to Northern Ireland (Paris and Frey, 2018). By the early 1970s, forty per cent of the population lived in accommodation that was unfit, in disrepair or lacking basic amenities (McPeake, 2001). Compounded by insufficient resources, poor performance, and the unionist government's *laissez faire* approach to housing policy, unfitness levels in Northern Ireland stood at almost twenty per cent; three times higher than the comparable figure for England (Frey and Brown, 2016:109). Moreover, unionist dominated councils used discriminatory housing practices "*to gain political and electoral advantage*" (Gray and Porter, 2016:35). As housing became politicised, it also became an important precursor to the civil rights movement in the late 1960s (Birrell, 2009; Muir, 2013; Murtagh, 2016). In 1969, a Commission - appointed by the Northern Ireland government - into the events that caused escalations in violence and civil disturbance, from 1968 onwards, concluded that there was:

"A rising sense of continuing injustice and grievance among large sections of the Catholic population in Northern Ireland, in particular in Derry and Dungannon, in respect of (i) inadequacy of housing provision by certain local authorities (ii) unfair methods of allocation of houses built and let by such authorities, in particular; refusals and omissions to adopt a 'points' system in determining priorities and making allocations (iii) misuse in certain cases of discretionary powers of allocation of houses in order to perpetuate unionist control of the local authority"

Lord Cameron, Commission Report, 1969, para 229, (a, 1)

By 1970, the housing crisis was one of the main contributory factors of 'The Troubles'⁹ (Brett, 1986). This contextual backdrop of political violence and widespread

⁹ 'The Troubles' is a commonly used term to euphemistically describe the 30-year period of conflict and political violence in Northern Ireland.

discrimination in housing administration gave rise to the birth of the Northern Ireland Housing Executive (NIHE) in 1971 (Gray and Porter, 2016). In its new role as the comprehensive, regional, non-departmental public housing authority for Northern Ireland, the NIHE assumed responsibility for the housing functions of its sixty-five predecessors. Free from the shackles of political control and the sectarianism that had characterised both central and local government, the NIHE set about depoliticising public housing in the 1970s. Colour-blind policies, technocratic value stances, and bureaucratic systems, all helped to transform the previous system and protect housing professionals and the state from criticisms of bias (Murtagh, 2016). Improvements to public housing became a cornerstone for social, political, and economic reform as the NIHE quickly set about addressing the considerable housing backlog and dire housing conditions that it had inherited (McPeake, 2001). Compared to England's 1988 Housing Act, de-municipalisation of LA housing had occurred much earlier in Northern Ireland but for very different reasons outlined above.

1974 was tumultuous year for politics in Northern Ireland. The Ulster Workers' Council held a strike¹⁰ in opposition to the Sunningdale Agreement, which brought Northern Ireland to a standstill and ultimately led to the collapse of the power-sharing government. This political vacuum - coupled with the region's unique housing circumstances - created the conditions for the birth of the contemporary HA movement. Like England, the contemporary HA sector in Northern Ireland has its roots in the second half of the twentieth century. Inspiration for the role of voluntary housing

¹⁰ The Ulster Workers' Council strike took place in May 1974. It was called by unionists opposed to the Sunningdale Agreement which attempted to establish a power-sharing government with Nationalists in Northern Ireland and a cross-border council with the Republic of Ireland as enshrined in the Government of Ireland Act 1920.

providers in addressing some of Northern Ireland's housing challenges can be traced to a conference held in Corrymeela in 1974 (Shanks and Mullins, 2016a). Convened by the Department of the Environment and Bangor Provident Trust, the conference sought an alternative to the NIHE as the centralised, monopolistic provider of subsidised housing (Mullins et al, 2000). However, it was no coincidence that this event occurred in the same year that legislation had introduced state funding for the voluntary housing sector in England. Accordingly, a voluntary committee was established to lobby for a similar funding arrangement in Northern Ireland, which duly followed under the Housing (NI) Order 1976.

In this early period, serious concerns were raised about the legitimacy of HAs to the Northern Ireland context, particularly those that operated in single-identity communities or that were promoted by certain religious faiths - at a time when the NIHE was trying to implement non-sectarian housing practices. The then NIHE Chairman described this concern as follows: "*personally, I had very deep misgivings on this score, and they have not yet been wholly overcome, although I must acknowledge that so far the movement has been pretty free from the sectarian tarbrush*" (Brett, 1986:126). Moreover, Mackay and Williamson (2001) reported that the government continued to support community-based and niche HA providers as a counterpoise to the scale and dominance of the NIHE.

Growth of the voluntary sector housing movement in Northern Ireland in Phase 1 was largely attributable to: (1) state funding made available by the 1976 Housing Order; (2) the formation of the Northern Ireland Federation of Housing Associations in 1977; and (3) relationships with prominent English HAs, some of which had specialist niche provider interests (Mackay and Williamson, 2001). Forty-five HAs were established

between 1976 and 1987 and steered by government into specialist provider roles, outlined in one government circular as: (1) sheltered housing; (2) community-based renewal; (3) single people; (4) special needs provision; and (5) equity sharing (DOE, 1978).

Policies introduced in Britain in the 1980s that stimulated growth in alternative forms of housing provision did not extend to Northern Ireland. The 1990s on the other hand was a transformative period as direct rule ministers introduced two key changes in line with Westminster policy (Paris, 2008). First, the Housing (NI) Order 1992 made it possible for HAs to access private finance, similar to the 1988 Housing Act in England. Second, a major housing policy review led by central government entitled '*Building on Success: The Way Ahead*' (DOE, 1996) paved the way for HAs to replace the NIHE as developers of new social housing (Gray and Campbell, 2001). According to evidence submitted to the Northern Ireland Affairs Committee in 2004, this transfer of responsibility "*was prompted not by a belief that the associations could do a better job than the NIHE, but because they had access to private sector money unavailable to the NIHE and because their borrowing was not a charge on central government*" (House of Commons, 2004:18). These two important policy shifts represented a pivotal turning point in the sector's history. Since then, the sector has inexorably expanded its geographical reach and operational activities (see Phase 3).

By the 1990s, HAs had been adopted into the machinery of government, subjected to 'Best Value' requirements and treated as public bodies by the Northern Ireland Audit Office (NIAO), the Equality Commission (ECNI) and the Ombudsman (Mullins and

Murie, 2006). Moreover, the implementation of Policy and Fair Treatment guidelines¹¹ in 1994 resulted in some organisational name changes, as HAs sought to extricate themselves from their founding - often faith-based - origins (Mackay and Williamson, 2001). Some low-level merger activity occurred during the 1990s, although this was due to local HAs wanting to become involved in the development programme rather than any explicit government policy aimed at reducing the number of HAs. Nevertheless, the introduction of competitive bidding for new development favoured larger HAs who were able to develop with lower levels of grant (Mullins and Murie, 2006). Enhanced levels of regulatory burden and additional pressures to achieve economies of scale accentuated the divide between larger and community-based providers and ultimately created the conditions for sector consolidation in Phase 2. Some larger HAs also started to diversify their operations into health and social care and into the Republic of Ireland (RoI) in the late 1990s.

By 2001, three decades of political conflict had come to an end following the signing of the Good Friday Agreement in 1998. This peace accord paved the way for the restoration of devolved institutions and policymaking in Northern Ireland (Birrell, 2009). Around the same time, questions began to emerge about the NIHE's future role and structure, including a view that the housing system in Northern Ireland should bear closer resemblance to that in Britain. With unfitness levels below five per cent and religious discrimination in social housing allocations eradicated, there was a sense that the NIHE's dual historic mission had been achieved (Frey, 2014). Furthermore, the

¹¹ Introduced in January 1994, these guidelines aimed to ensure that public bodies responsible for service delivery did not unfairly mistreat or discriminate against specific sections of the community. For example, Royal British Legion changed its name to Clannmil HA and Down and Connor HA became Ark HA.

NIHE continued to lose between 4,500-5,000 houses per year under the House Sales Scheme (Paris, 2001a) and new build ‘completions’ had fallen from 4,885 in 1975 to just 25 in 2001. Completions by HAs in the same years increased from 55 to 1,505 (Stephens et al, 2020). As highlighted by Paris et al (2003), the shift in development roles occurred before the 1998 Peace Agreement and was unrelated to the devolved administration. Rather, it was consistent with housing policy trends in Britain. Over this 30-year period, Northern Ireland’s HAs increased their market share from less than one per cent in 1972 to thirteen per cent by 2010, which was significantly lower than the fifty-five per cent share held by HAs in England in the same year (Stephens et al, 2020).

2.3.2 Phase 2: 2001 to 2011

Government in Northern Ireland was transformed in Phase 2 from an ‘administrative state’ (Paris, 2001b) to a ‘consociational democratic model’ of government. Under this arrangement, power is shared between the main political parties (see Paris, 2001b; and Muir, 2016 for more on politics and devolution in Northern Ireland). Although punctuated by periods of suspension - most notably from 2002-2007 - this new era of political accountability heralded a shift away from the technocratic culture that prevailed under direct rule towards local political control (Muir, 2013). In general, housing policy in Northern Ireland in the first decade of the millennium was largely shaped by a wide gamut of government and sector-led interventions (Muir, 2013; Frey, 2014; Shanks and Mullins, 2015b). Moreover, the housing market boom and bust between 2001-2011 was more extreme in Northern Ireland than elsewhere in Britain (Paris and Frey, 2018). Decisions about the NIHE’s future and the economic situation

in Northern Ireland are now considered in terms of the HA sector's growth and transformation.

The Northern Ireland Housing Executive: Towards Stock Transfer?

By 2002, questions on the future of the NIHE had still not been publicly addressed (Paris et al, 2003), although a marathon conversation had just started. First, an *Inquiry into Housing* held in 2001-2002 by the Northern Ireland Assembly's (NIA) Social Development Committee (SDC) scrutinised a series of legislative proposals into inter alia the (dis)benefits of LSVT and the future role of the NIHE. It concluded that the conflict between the NIHE's strategic and operational roles should be addressed in the forthcoming Housing Bill. Moreover, as the NIHE's stock was in 'relatively good condition', it did not require the same levels of investment as was the case in England. The Inquiry also expressed concerns about the potential for fragmented LSVT structures to undermine the strength of the strategic housing authority, including its ability to undertake urban regeneration, achieve economies of scale, and provide public accountability (NIA, 2001). Despite these conclusions and the lack of political appetite for LSVT, the resultant Housing (NI) Order 2003 made stock transfer easier to achieve in practice, by removing the single tenant veto in favour of majority support, similar to the rest of the UK (Gray and Porter, 2016; Muir, 2012).

Following the collapse of the devolved institutions in 2002, the work of the NIA was progressed by the Northern Ireland Affairs Committee in the House of Commons. A report by the Committee in 2004 into social housing provision pilloried HAs for their 'systemic failure' to achieve new build targets and as a countermeasure recommended that "*serious consideration to be given to returning some responsibility for the new build*

programme to NIHE with appropriate powers to raise private finance” (NIAC, 2004:4-5).

However, significant reductions in the block grant and dwindling capital receipts from house sales after the GFC, coupled with mounting stock investment requirements, meant that calls for the NIHE’s development function to be reinstated were quelled. Rather, these funding pressures prompted a series of reviews from 2003-2011 which examined the potential for structural change to social housing delivery (Shanks and Mullins, 2016b). In 2009, the Department for Social Development (DSD) explored the potential of small-scale transfer as a means of conducting improvement works. By 2011, one small-scale pilot transfer of fifty-five homes had taken place in Derry, the first transfer of its kind in Northern Ireland (Gray and Porter, 2016). This paled in comparison to the significant programme of large-scale transfers that took place in England in the 2000s.

A Missed Opportunity? Developer Contributions and Market Competition in Social Housing Delivery

Since 2001, developer contributions towards social housing had been mooted on several occasions. However, Ministerial ‘intention’ (NIA, 2008) to introduce developer contributions was shelved due to the adverse market conditions arising from the GFC and opposition from private developers (Muir, 2012; Birrell et al, 2016). Moreover, recommendations made by a government review (DSD, 2007) and sector-led commission (CIH, 2010) to make Housing Association Grant (HAG) available to private sector bodies - like the 2004 Act in England - did not materialise nor did competition arise from for-profit registered providers like happened in England after the 2008 HRA.

As a result, HAs in Northern Ireland operated in a more benign environment, less subjected to market competition than their counterparts in England. Restrictions that prevented HAs from developing homes for sale meant they missed out on opportunities to capture dramatic increases in land values to cross-subsidise social housing (CIH, 2010).

The Era of Procurement and Efficiency

By the mid to late noughties, it was acknowledged that HAs needed to become more efficient. A government commissioned review called for a more strategic approach to procurement so that “*leaner organisations*” could be achieved and for HAs’ reserves to be “*put to work*” to enhance supply (DSD, 2007). Soon afterwards, HAs faced a ten per cent reduction in HAG, absorbed by sweating their assets and making more use of private finance (NIA, 2008). Furthermore, in response to European Union Directives and the UK government’s ‘Achieving Excellence’ initiative, the DSD published a Procurement Strategy in 2008 to maximise efficiency in social housing development (DSD, 2008). A ‘model of collaborative procurement’ was introduced to tackle the inefficiency of twenty-six individual HAs procuring construction contracts for small developments on a one-off basis. HAs were required to achieve ten per cent efficiency savings over the duration of the strategy, alongside use of longer-term construction contracts. They were also required to become a member of one of four procurement consortia, creating a considerable cultural change from having to compete for HAG to one of joint working (Muir and Mullins, 2015). These mandated partnership structures differed from the voluntary arrangements that were common between Investment and non-Investment Partners in England. Although the procurement strategy itself did not specify a need for consolidation in the sector, a mid-term review in 2011 indicated that

the transition towards single development teams within each procurement group should be hastened to generate greater efficiencies. This prompted some concern about the potential for redundancies, weakened power bases, and a greater likelihood of merger and takeover activity (Rees et al, 2012; Muir and Mullins, 2015).

Widespread Governance Failings and a Climate of Regulatory Intervention

Despite the absence of any official policy objective for consolidation laid out in the procurement strategy, the pressure for mergers hurtled to the top of the political agenda in 2011. A speech by Alex Attwood - the then Social Development Minister - to the NIA, made explicit his preference for a sector of between 10-14 HAs, comprised of larger developing HAs, management only HAs, and some specialist HAs. The Minister stated that "*rather than mere gestures towards it, the process of merging housing associations needs to begin*" and that officials had been instructed to examine available legal options and further legal powers needed to encourage mergers in the sector (NIA, 2011). However, regulatory pressure rather than overt political pressure became the main force for sector consolidation. In the early 2000s, the NIAO started to raise concerns that HAs had not been subjected to proper regulation. In response, the DSD established a Regulation and Inspection Unit in 2004-05 and commenced a first round of inspections (2005-06 to 2009-10). Corporate governance failure was endemic. Out of the thirty-three HAs inspected, fourteen were judged as 'unacceptable' and a further seven as 'unsatisfactory' in at least one of the four areas examined (NIAO, 2009; appendix 2.1). A second round of inspections conducted the following year raised further concerns about the 'adequacy' of corporate governance in certain HAs. Nine were suspended from the development programme and a number of inquiries were conducted into dubious advanced land purchase practices in two HAs,

where HAG was paid but no social housing was delivered. In response, the DSD supported some HAs to merge with larger partners, whilst others sought the protection of group structures. Eight HAs made substantial changes to their boards and senior management teams (NIAO, 2011) and the Public Accounts Committee called for improved governance, particularly around ethics and in the identification and management of conflicts of interest (NIA, 2015). In conclusion, by March 2011, thirty registered HAs (excluding NICHA) owned over 29,000 self-contained social rented properties almost doubling their market share of social housing from thirteen per cent in 2001 to twenty-five per cent in 2011 (NIHE, 2012).

2.3.3 Phase 3: 2011 to 2020

First ever Housing Strategy for Northern Ireland

A fundamental review into the future of the NIHE in 2011 recommended that the authority's strategic and landlord roles be separated, and that the latter be recast as a social enterprise 'outwith' the public sector (DSD, 2011a). A conversation followed with sector stakeholders on the report's proposals in order to build consensus on an optimum solution (DSD, 2011b). As the detail of this conversation was being analysed, the DSD launched its first ever draft housing strategy for consultation in autumn 2012 (DSD, 2012). 'Facing the Future: Housing Strategy for NI 2012-2017' contained proposals under five broad cross-tenure themes of which reductions in HAG, rent harmonisation for new build properties, and the potential for small-scale stock transfer of two thousand homes, pertained to the HA sector. Various policy ideas around new funding models and extending market competition were outlined, including the establishment of a Housing Supply Forum, the introduction of developer contributions

under the right market conditions, the potential for HAs to enter into long-term leases with private developers, and the possibility of HAG being made available to private developers and even to HAs registered in Great Britain. Proposals also sought to enhance HA regulation and inspection and made explicit overtures to work with the HA sector “*to support business improvement and consolidation*” and to “*promote a culture of greater openness and transparency*” (p.49). Plans to implement these new structures by March 2015, however, were considered ‘unrealistic’ because of the practicalities of legislative timetabling and the absence of any political agreement on the way forward (Frey, 2014).

The draft housing strategy was followed by a more detailed Action Plan in 2013 with specific targets and timescales (DSD, 2013). As part of the Action Plan, the DSD outlined plans to proceed with the transfer of 2,000 NIHE properties to HAs in 2014-15, despite criticisms by the NIAO that two previous pilots in Rinmore (Derry) and Bloomfield (Bangor) did not provide viable templates for future significant stock transfers (NIAO, 2014). The programme was finally suspended after NIHE tenants overwhelmingly rejected two further transfer proposals in the Grange Estate, Ballyclare and the Ballee Estate, Ballymena (Inside Housing, 2018). Tenants voted against these proposed transfers because of concerns about rent increases (Frey, 2018), shared (negative) tenant testimonies about the Bloomfield transfer experience (PhD Interview, March 2019) and because of opposition from Northern Ireland’s leading trade union (Smyth, 2013a; 2017).

In relation to developer contributions, independent research carried out in 2015 concluded that the housing market conditions were not conducive to a scheme that applied a uniform percentage of affordable housing to all new developments (DSD,

2015). Moreover, two expert panels in 2016 (Housing Supply Forum) and 2017 (Housing Market Symposium) recommended for the government to encourage and support joint ventures between HAs and private developers in order to deliver mixed-income, mixed-use developments, commonly used in Great Britain. By 2020, unlike England, the joint venture mechanism had not been used to deliver social housing, private developers did not have access to HAG, and there were no private registered providers in Northern Ireland.

Some of the more contentious structural reform proposals were simultaneously being considered in a separate piece of work. In January 2013, the Minister for Social Development presented proposals for a Social Housing Reform Programme (SHRP) to the SDC (NIA, 2014). These were developed further by a stakeholder engagement event in November 2013 and a research and analysis paper presented to the SDC in March 2014 (DSD, 2014).

Social Housing Reform Programme

Divided into two principal workstreams, the SHRP contained proposals for both *structural* and *policy* reform. Under the former, it became apparent that the social enterprise proposal needed to be reconsidered when it emerged that private lending institutions did not regard it as an attractive lending option (Gray and Porter, 2016). Alternative proposals for the NIHE's landlord function included: (1) retention of stock by a public corporation with HAs responsible for new build; or (2) a partial but substantial transfer of stock to new or existing HAs consistent with the prevailing mixed economy approach (DSD, 2014). At the same time a stock condition update was conducted to inform appraisal options and revealed that an investment of £7.1 billion

(at 2018 prices) was needed in the NIHE's stock over 30 years (Perry, 2020). However, progress about the NIHE's future role - and the SHRP more broadly - stalled in 2016 because of a lack of political consensus on the way forward, compounded by the collapse of the Northern Ireland Executive in January 2017 (Paris and Frey, 2018).

The agreement that led to the restoration of the political institutions in January 2020 contained a commitment to examine options for removal of the NIHE's debt (NIE, 2020). In essence, the decision about the NIHE's future was the most contentious part of the SHRP (Paris and Frey, 2018). The strongest indication of change came in 2020 when the stand-in Communities' Minister announced plans to reclassify the NIHE's landlord arm as a mutual or co-operative. Such models would enable the NIHE to secure private finance to "*repair its homes, regenerate its estates and start building again*" (DfC, 2020b). At the time of writing, the decision over the NIHE's future status arguably remains the most significant policy driver that could determine the future scale and scope of the HA sector in Northern Ireland. Nevertheless, the level of social housing in public ownership represented an area of policy divergence from Great Britain (Pawson and Mullins, 2010; Birrell et al, 2016) and the NIHE's existence is the main socio-historical reason why HAs account for a much lower share of the social housing market in Northern Ireland when compared proportionately to their counterparts in England. The next section provides a brief overview of the Northern Ireland HA sector's profile in 2020, which is relevant to much of the rest of this study.

2.4 HA Sector Profile in Northern Ireland 2020

The number of HAs reduced from 30 in March 2011 to 19 in March 2020 (excludes NICHA). Nine HAs each had over 1,000 units, accounting for almost ninety per cent of

the overall stock, with the two largest HAs accounting for fifty-two per cent (see table 2.1). The largest and smallest HAs had 12,924 and 27 units, respectively. Unlike England, no HAs had been created through LSVTs from the public sector. Shared-ownership activity in Northern Ireland rested largely within a single specialist association - NICHA. The majority of HAs provided traditional general needs housing, six specialised in housing for older people and people with physical and mental disabilities, and one specialised in rural housing. Thirteen operated across the region whereas the other seven were community- or scheme-based. Several operated group structures and six had private development subsidiaries (Shanks and Mullins, 2016a). Statistics on the sector's corporate governance arrangements are included in Chapter 5.

Table 2.1: HAs with 1,000+ social units in 2018/19

Registered Housing Association	Total stock (self-contained and bed spaces)	% of total sector stock	Cumulative % of total sector stock
Radius	12,924	29%	29%
Choice	10,310	23%	52%
Apex	5,517	12%	64%
Clanmil	5,015	11%	75%
Habinteg	2,414	5%	80%
South Ulster	1,227	3%	83%
Connswater	1109	2%	85%
Triangle	1043	2%	87%
NB	1004	2%	89%

Source: Department for Communities (2019a)

Alternative Forms of Finance and Nascent Market Diversification

Since the GFC, several of Northern Ireland's larger HAs have sought alternative options to traditional bank finance, through THFC, the EIB, and private bond placements. In 2016, both Choice HA and Apex HA received EIB loan approval for £150 million and £130 million, respectively. However, uncertainty after the Brexit referendum in 2016 has affected the EIB's appetite to strike new investment deals¹² curtailing access to the "*cheapest long-term funding that one can get*" (House of Lords, 2019:10). By March 2019, five HAs had raised a total of £164 million in bond finance through THFC (THFC Annual Report, 2019). Moreover, in 2015, Apex received an A+ rating by Standard and Poor's although it was downgraded on two subsequent occasions to an A- due to Brexit uncertainty and increased levels of debt arising from its ambitious development plans. In 2019, Moody's assigned a long-term issuer rating of A1 Stable to Radius HA (Social Housing, 2019), which became the first HA in Northern Ireland to secure a private bond placement with international investors worth £105 million.

By 2020, several HAs had diversified their product range and started to provide private market housing options to deliver mixed tenure communities and to cross-subsidise core activities. For example, the launch of Affordable Homes Loan Fund (AHLF) in 2014 made £19 million of interest-free loan funding available to HAs. A local application of the Get Britain Building initiative set up by the UK government to provide loan and equity funding for housebuilders, the AHLF utilised Financial Transaction Capital to

¹² "In 2015, the EIB lent €7.8 billion to 47 projects in the UK; in 2016 it lent €7 billion to 54 projects. This contrasts with €1.8 billion lent in 2017 to 12 projects and €932 million in 2018 to 10 projects. This represents a decline in EIB lending of approximately 88 percent in three years" (House of Lords, 2019:14).

deliver up to 600 affordable homes - on a shared equity basis - by 2020. Initially, Apex, Clannmil and Oaklee (now Choice) had proposals accepted to participate in this new shared ownership scheme for Northern Ireland, branded 'FairShare'. However, by end of March 2020, only 166 new homes had been delivered under this fund.

Also, in 2018, Choice Housing Association launched Maple and May Ltd and Maple and May (Homes) Ltd; two private subsidiary companies established to invest in private rental homes and homes for sale. Several of the larger HAs had also started to deliver mixed-tenure, mixed use developments, by integrating shared ownership homes and homes for outright sale into social housing developments and working with private sector partners to deliver commercial, office, retail, leisure, and community space (DfC/NIFHA, 2018). Overall, the proportion of the sector's stock (net book value) in Northern Ireland funded by HAG stood at sixty per cent at the end of 2018/19 compared to just twenty-four per cent for England (see table 2.2).

Table 2.2: Comparison of HA Metrics in England and NI

	England	Northern Ireland
Total assets	£164bn	£4.038bn
Total net debt	£76.9bn	£1.153bn
Net book value (value of HAG)	24%	60%
Gearing	51%	29.5%
Debt per unit	£28,138	£21,679
Effective interest rate	4.7%	4.9%
Total social units owned/managed	2,733,419	44,599

Source: Author's own (based on 2019 Sector Accounts of England and NI).

Diversification into market housing remained nascent and small-scale compared to England (Birrell et al, 2016). Unlike the Global Accounts for English HAs, the 2019 sector accounts in Northern Ireland did not provide a percentage figure for turnover derived from market activities. Whilst there have undoubtedly been moves in this direction, the absence of a developer contribution mechanism impeded more widespread adoption of mixed-tenure developments. Market diversification strategies may also have been hindered by the structural context in Northern Ireland where one organisation has dominated shared equity rather than the sector as a whole being encouraged to promote a broader range of housing options (Shanks and Mullins, 2016b).

Over the last decade (2010-2020), political support for social housing has remained high in Northern Ireland compared to England. The draft Programme for Government (PfG) 2016-2021 contained a commitment to build 9,600¹³ new social homes and 3,750 affordable homes over the five-year period (Greene and Porter, 2018). Moreover, the ‘New Decade New Approach’ deal that ended three-years of political stalemate stated that housing would be a ‘specific priority’ in the next Programme for Government. Net capital investment for housing in the Northern Ireland budget had increased steadily in the second half of this Phase (see table 2.3). In 2018/19, the *gross* capital budget reached £182 million of which £149.5 million (80%) was for social housing development, £34.8 million (19%) for shared ownership and £1.3 million (1%) for housing led regeneration. Unlike England, therefore, Northern Ireland’s entire capital provision is spent on new affordable housing supply (Perry, 2020).

¹³ The Outcomes Delivery Plan 2018/19 reduced the target for new social housing to 7,600 or 1,520 per year to reflect the level of capital money available to DfC (UKHR, 2020).

Table 2.3: Net housing capital investment in Northern Ireland

	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
NI Housing Executive	-32.9	-38.6	-17.8	89.9	96.5	97.5	106.9	124.3
Housing associations	121.7	112.6	113.6					
Total	88.8	74	95.8	89.9	96.5	97.5	106.9	124.3

Source: Department for Communities (2019a)

2.5 Conclusion

This chapter has charted the evolution of the contemporary HA sectors in England and Northern Ireland to underscore socio-historical and housing policy differences between the two jurisdictions. Although most HAs in England and Northern Ireland have their roots in the second half of the twentieth century, the two sectors emerged from different contexts. A ‘rediscovery of poverty’, an alternative to large-scale slum clearance, and a political desire to reinvigorate non-state rented housing in the 1960s all gave rise to the modern-day HA sector in England. In Northern Ireland, the sector’s origins were a corollary of widespread discrimination in public housing in the 1960s and gaps in provision whenever the NIHE was created in the early 1970s. De-municipalisation of council-controlled housing occurred much earlier in Northern Ireland than it did in England - albeit to a large public sector quango. This key socio-historical difference explains why HAs have a minority share of the social housing market in Northern Ireland compared to the sector’s majority share in England.

There have been some tentative moves towards the market by Northern Ireland’s larger HAs, but not to the same extent as in England. For example, no measures have

been introduced in Northern Ireland to allow private developers to bid for capital grant nor to allow for-profit companies to operate in the sector like in England. Instead, HAs in Northern Ireland remain the monopoly providers of social new build. Shifts to fixed-term tenancies and affordable rent models in England were not introduced in Northern Ireland nor were government-imposed rent reductions. No new social housing in Northern Ireland had been yielded via developer contributions, unlike the English HA sector where Section 106 agreements delivered approximately half of the new affordable supply.

Moreover, more government expenditure as a percentage share was spent on social and affordable housing in Northern Ireland compared to England. By 2020, a third of new affordable homes in the English HA sector were delivered without any grant. Where grant was available it accounted for only eleven per cent of HAs' development costs. This paled in comparison to Northern Ireland where all new social housing was underpinned by capital grant, which accounted for circa fifty per cent of development costs. Low levels of grant funding in England made HAs more reliant on non-core market activities to cross-subsidise new supply. Such activities accounted for twenty-five per cent of the sector's annual turnover. In Northern Ireland, income from commercial activities represented only a negligible percentage of the sector's turnover, so much so that no figure was attributed to it in the sector's Global Accounts.

Overall, the evidence shows that HAs in Northern Ireland operate in a more benign policy environment than do HAs in England. They benefit from greater levels of political support and state funding, are less subjected to market competition, and are less exposed to the vagaries of the private market than their English counterparts. Thus

extant explanations of change in the English HA sector should not be used a priori to interpret change in the Northern Ireland sector.

The next chapter examines some of the theoretical concepts that informed the study's theory building approach to explaining organisational change in the Northern Ireland HA sector.

Chapter Three: Hybridity, Institutional Logics and Paradox Theory

3.1 Introduction

"An essential feature of theory building is comparison of the emergent concepts, theory, or hypotheses with the extant literature. This involves asking what is this similar to, what does it contradict, and why".

(Eisenhardt, 1989:544)

Given the socio-historical and housing policy differences between the HA sectors in England and Northern Ireland, this study adopts a theory building approach. The principle behind theory building is for the research to commence with no prior allegiance to any specific theoretical framework. However, Saunders et al (2019) contend that grounded theorists can draw on extant theory and concepts before and after their research project. In this study, primacy is given to 'theoretical sensitivity', whereby concepts are generated from the data. Only after this process has been completed, will the emergent concepts then be linked to extant theories to enhance their validity.

The purpose of this chapter, therefore, is to introduce the three theoretical perspectives that informed the analysis of this study's emergent concepts. As outlined in Chapter 1, this thesis contributes to the international scholarship on housing hybridity and institutional logics. Thus, section 3.2 examines the various definitions of 'hybridity' and its different conceptualisations. The decision to draw on the institutional logics perspective (ILP) and paradox theory was informed by my MA thesis, which analysed ten different theoretical frameworks for studying HA change through a corporate governance lens (Shanks, 2017). In section 3.3, a short background to institutional theory is provided from within which the ILP emerged. It then discusses the key tenets

of the ILP and argues that logic co-existence remains under researched in housing studies. As paradox theory has not previously been applied to housing studies research, section 3.4 explores the origins of this theoretical perspective and then examines the typology that paradox scholars often use to conceptualise organisational tensions. In section 3.5, responses to organisational change processes are considered from these three perspectives. In conclusion, section 3.6 outlines my pre-analysis thinking on how hybridity, the ILP and paradox theory could be used to inform the study's theory building approach.

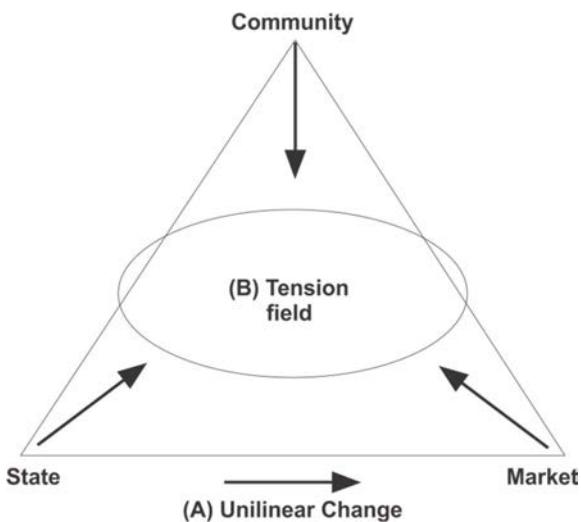
3.2 Organisational Hybridity

Hybrid organisations contain a blend of “*sectoral, legal, structural and/or mission-related elements*” (Smith, 2010:220). Some studies focus on organisations that exist at the intersections of the public and private spheres (Kickert, 2001; Ruys, 2005), although non-profit organisations typically comprise state, market, and societal characteristics (Aiken, 2010; Blessing, 2012). Gibb et al (2016) suggest that hybridity is an outcome of organisations’ strategic responses to plural stakeholder demands, external risks and uncertainties, and path dependencies. Another consideration that extends the definition of hybridity beyond the usual mix of sectoral, legal, structural, and mission-related elements is that of organisational partnerships and strategic alliances (Borys and Jemison, 1989; Gillett, 2018; Mullins and Acheson, 2014). Nguyen et al (2012) simplify these various definitions of hybridity by distinguishing between: ‘intra-organisational hybridity’, which takes place within a single organisational structure; ‘inter-organisational hybridity’, which occurs when organisations collaborate but adhere to different sectoral rules and norms; and

'programmatic hybridity', which occurs when organisations collaborate and partner with other organisations to achieve common goals.

Academic opinion is divided on whether hybridity is a static position or dynamic process. These divergent viewpoints are exemplified in housing debates about stock transfer and the Right to Buy in England. For example, some studies characterise stock transfer from LAs to HAs as a form of privatisation, expressed as a unilinear shift from state to market (Mooney & Poole, 2005; Smyth, 2013b; Walker, 2000). Others regard this characterisation as 'misleading' due to the fact that transfer organisations are not-for-profit bodies (Pawson, 2006). Non-profit organisations must continually adapt to state, market, and community influences (Malpass and Mullins, 2002; Pawson and Fancy, 2003; Mullins and Pawson, 2010a; see Murie, 2018 for privatisation versus hybridisation debate on the Right to Buy). These two contrasting perspectives of hybridity - as a shift between two static positions (privatisation) or a dynamic process (hybridisation) involving continuous engagement with state, market and community forces - are illustrated in figure 3.1, in which Mullins and Jones (2015) pose the contested tension field (b) as an alternative to the unilinear change interpretation (a) towards privatisation.

Figure 3.1: Two Different Views of Organisational Hybridity



Source: Mullins and Jones (2015:262)

These different interpretations of hybridity pose a definitional dilemma, captured by Blessing (2012:193) when she asked: “*is hybrid identity best defined loosely to reflect ambiguity and fluidity? Or should researchers pursue a tighter definition, classifying sub-types and mapping their attributes?*” As there remains no single agreed definition of hybridity or consensus on what models work best (Gilmour and Milligan, 2012; Smith, 2010), a theory of hybridity relevant to the non-profit sector is ‘well overdue’ (Skelcher and Smith, 2015). The following paragraphs consider some of the initial attempts at hybridity’s theoretical construction.

Three main conceptualisations of hybridity can be identified in the non-profit literature. First, Billis’ (2010) ‘prime sector’ approach argues that hybridity is more than a just a blend of different sectoral characteristics. He contends that core structural elements and sectoral principles form ‘the rules of the game’ within the public, private and third

sectors. Each set of structural elements and sectoral principles are distinctly different as outlined in table 3.1.

Table 3.1: Ideal Type Sectors and Accountability

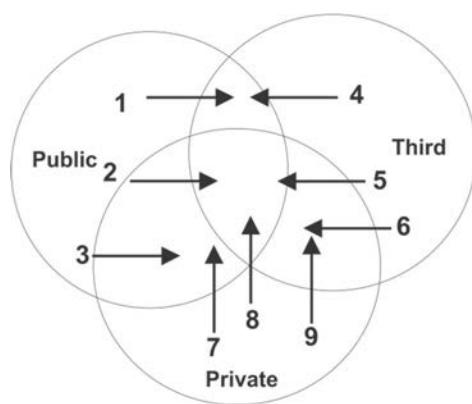
Core elements	Private sector principles	Public sector principles	Third sector principles
Ownership	Shareholders	Citizens	Members
Governance	Share ownership size	Public elections	Private elections
Operational priorities	Market forces and individual choice	Public service and collective choice	Commitment about distinctive mission
Distinctive human resources	Paid employees in managerially controlled <i>Firm</i>	Paid public servants in legally backed <i>Bureau</i>	Members and volunteers in <i>Association</i>
Distinctive other resources	Sales, fees	Taxes	Dues, donations & legacies

Source: Billis (2010:55)

Billis hypothesises that the principles that hybrid organisations adhere to for legitimacy purposes have their ‘roots’ in one of the above three ‘ideal type’ sectors. Collectively, the three sectors account for nine hybrid zones (figure 3.2). Another important component of the ‘prime sector’ approach is that it distinguishes between different degrees of organisational hybridity and different types of hybrid third sector organisations. These include *shallow* (e.g. organisations taking on paid staff for the first time), *entrenched* (e.g. organisations in receipt of public and/or private sector resources), *organic* (e.g. organisations that move from shallow to entrenched forms) and *enacted* (e.g. organisations founded as hybrids, typically by other institutions) hybrid archetypes. Mullins and Pawson (2010a) drew on this approach in their comparison of Dutch and English HAs. They found that HAs in the Dutch sector reflected a ‘private/third’ hybrid zone as they projected social entrepreneurial identities to repel opprobrium of being ‘for-profits in disguise’ organisations. On the other hand, HAs in the English sector resembled a ‘public/private/third’ hybrid zone which helped

them to defend against claims that they were becoming more like ‘agents of public policy’. Nevertheless, this taken for granted ‘prime sector’ approach is not without criticism and it is suggested that it may be less instructive for studying organisations that incorporated two or more logics at the time of their creation or for studying recently established organisations (Rhodes and Donnelly-Cox, 2014).

Figure 3.2: The Three Sectors and their Hybrid Zones



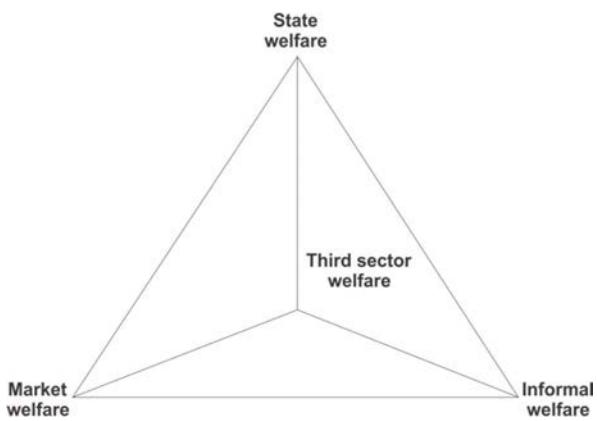
1. Public/Third	4. Third/Public	7. Private Public
2. Public/Private/Third	5. Third/Public/Private	8. Private/Public/Third
3. Public/Private	6. Third/Private	9. Private/Third

Source: Billis (2010:57)

Second, a ‘separate sector’ or ‘hybridised third sector’ approach has been advanced by scholars who consider hybridity to be “*a permanent and inevitable characteristic of the third sector*” (Brandsen et al, 2005:749). This notion differs from Billis’ approach, which charts shifts in hybridity over time - away from the original ‘prime sector’. Rather, this interpretation conceives all third sector organisations as innately hybrid in nature,

where divergent goals and sectoral values are simultaneously embraced (Evers, 2005). Buckingham's (2010) study of UK third sector homelessness organisations extends the idea of the 'separate sector'. Her three dimensional 'tension field' model recognises the third sector as a distinct sector but also contends that hybridity is a ubiquitous feature across all sectors in the welfare mix - rather than something that is just unique to the third sector. This argument resonates with Blessing and Mullins' (2020) study of private investment in affordable rental housing in the United States, where commercial investors responded to hybrid state and civic tensions by providing societally beneficial investment as an adjunct to their profit-orientation. Buckingham's work also differed from Billis' analysis in that it proposed additional degrees of hybridity, namely through the informal (family and friends) network sector (figure 3.3). Under this 'separate sector' or 'hybridised third sector approach', hybrid organisations are regarded as 'arenas of contradiction' where tensions, conflicts of interest and multiple stakeholder claims play out (Pache and Santos, 2013; Rhodes and Donnelly-Cox, 2014). This notion is encapsulated by Blessing (2012:205) who argues that "*social entrepreneurship is not a super-blend, but a balancing act*", which requires trade-offs and compromises.

Figure 3.3: The Hybridised Third Sector: Buckingham's Welfare Pyramid



Source: Buckingham (2010:10)

Third, the ‘fit-for-purpose’ conceptualisation of hybridity suggests that organisations occupy points along a continuum that has non-profit and for-profit organisational forms as its two extremes (Billis, 2010). These two extremes become blurred whenever non-profit and for-profit organisations behave in similar ways and/or operate in the same domains. Dees and Anderson (2003) refer to this as ‘sector-bending’. This interpretation is distinct from the ‘prime sector’ and ‘hybridised third sector’ approaches. It conceives hybridity as a form of ‘strategic’ (Gibb et al, 2016; Hustinx and De Waele, 2015), ‘adaptive’ (Minkoff, 2002) or ‘coping’ (Evers, 2005) response, as actors adopt organisational forms that pragmatically align with their specific business needs. For example, Morrison (2016) reported how HAs in England established unregistered subsidiaries and joint venture companies to undertake commercial activities. As these entities were not constrained by charity rules, they were able to generate financial returns and tax efficiencies for their charitable parent

companies. Proponents of this interpretation place less emphasis on sectoral logics and instead focus on the organisational form through which hybrids achieve their corporate objectives (Rhodes and Donnelly-Cox, 2014).

Skelcher (2012) states that the concept of hybridity “*has little theoretical or empirical purchase*” beyond the general notion that it comprises different spheres of activity. Mullins et al (2012:406) also suggest that hybridity’s application to empirical settings is unlikely to further knowledge unless the concept can “*clarify and adequately theorise tensions that would otherwise have been opaque*”. This contention is reinforced by Gibb et al (2016:454) who contend that on its own hybridity may not “*identify the tensions and ambiguities that might flow from hybrid social housing organisations*”. One way to help clarify and theorise tensions is to draw on multiple theoretical perspectives (Cornforth, 2004). One perspective that is often used in conjunction with hybridity is the ILP (Battilana and Dorado, 2010; Hustinx and De Waele, 2015; Jay, 2013; Morrison, 2016; Mullins, 2006; Pache and Santos, 2013; Johansen et al, 2015; Schröer and Jäger, 2015). Thus, the next section focuses on this perspective, including a brief overview of how it evolved from within institutional theory.

3.3 Institutional Logics

Institutional theory initially conceived organisational form and meaning as an adaptive structure, derived from both the cognitive beliefs of organisational actors and the external cultural environment (Selznick, 1957). However, this perspective changed after the birth of neo-institutional theory in the late 1970s, which regarded organisations as instantiations of external *myths*, shaped by culture, language, routines, and symbols (Alvesson and Spicer, 2019; DiMaggio and Powell, 1983). It was assumed that the

adoption of - and adherence to - external myths and ceremonial rules would help organisations gain legitimacy, secure resources, and enhance their survival prospects (Lawrence et al, 2009; Meyer and Rowan, 1977; Zucker, 1987). Whenever these taken-for-granted myths and rules created societal expectations for conformity within an institutional field, ‘isomorphism’ occurred (Dimaggio and Powell, 1983).

Scott (2001) argues that institutional homogeneity and legitimacy can be achieved through three distinct but interrelated pillars. First, the ‘regulative pillar’ emphasises regulatory processes that restrict, normalise, and shape actors’ behaviour. Under this pillar, legitimacy is achieved principally through coercive powers, particularly by the state in its role “*as rule maker, referee, and enforcer*” (p54). Second, the ‘normative pillar’ conceives institutions as comprised of ‘habitualised’ behaviour, shaped by internalised values and norms. Values are the preferred or desirable legitimisation standards against which participants’ behaviour is compared and evaluated. Norms on the other hand, prescribe, define and legitimate the appropriate means to pursue and achieve the valued ends. Third, the ‘cultural-cognitive pillar’ suggests that emblems, signs, discourses, and gestures all objectively shape meaning attached to strategic purpose and goals. Elements of each pillar are embedded in four specific types of carriers: symbolic systems, relational systems, routines, and artifacts. Scott (2001:48) encapsulates these ideas in his ‘omnibus conception’ of institutions as:

“Social structures that have attained a high degree of resilience...composed of cultured-cognitive, normative, and regulative elements that, together with associated activities and resources, provide stability and meaning to social life...transmitted by various types of carriers, including symbolic systems, relational systems, routines and artifacts...at multiple levels of jurisdiction, from the world system to localised interpersonal relationships....(and which) connote stability but are subject to change processes both incremental and discontinuous”.

Whenever an organisation's success is dependent on it becoming isomorphic with external myths and rules, "*institutionalisation has set in*" (Selznick, 1957:7). In such cases, organisations may encounter two generic problems. First, adherence to myths and rules may be incompatible with an organisation's technical activities, strategic performance, and/or pursuit of efficiency. Second, the promulgation of 'rationalised myths' by different parts of the external environment may conflict and contradict one another (Meyer and Rowan, 1977). These theoretical quandaries feed into a more recent branch of institutional theory, namely, the ILP.

Developed within institutional theory, the ILP has offered a new approach to organisational analysis since the 1990s; one that accounts for heterogeneity as well as homogeneity (Scott et al, 2000; Thornton and Ocasio, 1999). Inspired by Friedland and Alford's (1991) seminal essay '*Bringing Society Back In*', the ILP emphasises the role of culture in institutions, switching the focus from a single logic to one where multiple logics orient organisational strategy. Seven societal orders form the bedrock of the ILP, including: the state, the market, the corporation, the community, the professions, the family, and religion (Thornton et al, 2012). Each societal order or 'logic' contains "*a set of material practices and symbolic constructions*" (Friedland and Alford, 1991:248), which "*define the norms, values, and beliefs that structure the cognition of actors in organisations and provide a collective understanding of how strategic interests and decisions are formulated*" (Thornton, 2002:82). In other words, logics precondition actors' choices and become the 'rules of the game' through which organisational structures, behaviours, and goals are guided and constrained (Scott, 2001).

The ILP draws heavily on historic logic succession events to reveal cultural transformation in organisations (Thornton et al, 2005). For example, studies have analysed historical shifts in logics in the higher education publishing industry (Thornton and Ocasio, 1999), the California thrift industry (Haveman and Rao, 2006), the mutual funds industry in Boston and New York (Lounsbury, 2007), and the French cuisine industry (Rao et al, 2003). These studies all focused on the displacement or substitution of an original logic.

Likewise, since 2006, housing scholars have drawn on the ILP to highlight logic succession events in the English non-profit housing sector. For example, Morrison reported on how changes to state regulation and public sector funding cuts transformed the business models of English HAs. Such changes encouraged some associations to undertake commercial activities in order to bolster their cash-flows and cross-subsidise core social purpose activities. In some cases, this was achieved by diversifying into private rental markets (Morrison, 2016) and in others by selling high value social housing assets ('the family silver') on the open market (Morrison, 2017). Similarly, Sacranie's (2012) study on community investment in a large English HA revealed compelling evidence of an incremental post-merger logics shift in which the *social purpose logics* of local responsiveness, tenant empowerment, and resident accountability became displaced by more dominant *corporate logics* that prioritised organisational efficiency, structural rationalisation, financial performance, and centralised consumer practices. Furthermore, Manzi and Morrison (2018) concluded that market logic determinants (e.g. finance expertise and risk management) had become the overriding concern amongst senior executives in London's largest group of HAs (the G15), propelled by state economic regulation and the effect of

neoliberalism in housing policy. The common theme that underpins these studies is the transitional replacement of an original social logic by a more dominant commercial logic, even if the original logic survives in a diminished form.

However, there is another body of scholarship within the ILP which acknowledges that actor cognition and behaviour can be simultaneously guided by multiple, co-existing logics (Jarzabkowski et al, 2009; Marquis and Lounsbury 2007; Meyer & Hammerschmid, 2006; Reay and Hinings, 2009). In other words, logic plurality does not necessarily lead to an automatic logic succession process. The notion of logic co-existence was reflected in Mullins' (2006) seminal study of English HAs where he stated:

"The future development of the sector could involve displacement of one logic by the other, continued co-existence of the two logics or fragmentation of the field. A fourth possibility is that existing logics will be transformed by private sector market entry" (Mullins, 2006:6).

However, logic co-existence remains under researched in housing studies. Furthermore, it has also become increasingly difficult to separate social and commercial logics in practice, particularly in relation to tactics, funding activities, stakeholder influences and outcomes (table 3.2). One example of this was encountered during the empirical phase of this study but did not meet the criteria for inclusion in the analysis chapters. In one of the case organisations, a personal alarm service greatly assisted vulnerable tenants (dementia sufferers, tenants with long-term disabilities, tenants at risk of falling etc). However, after cuts to government funding and the potential withdrawal of this important service, the HA was approached by families of service users who wanted to pay for the service. As a result, the service was rebranded and used by both tenants in receipt of government support and by

private paying customers. This example blurs the line between social and commercial logics.

Table 3.2: Elements of Social and Commercial Logics

Logics	Social	Commercial
Desired outcome	Social value (public interest)	Economic value (profit)
Primary driver	Values-based mission	Market drivers
Tactic	Collaborative/competitive	Competitive
Source of legitimacy	Public sector regulators; tenant satisfaction	Market position
Funding source	HAG; private finance	Inter-company loans; private finance; returns on investment
Stakeholders	Tenants, regulators, private lenders, credit rating agencies	Residents, customers, regulators, private lenders, credit rating agencies

Source: Author's own (adaptation of Fitzgerald and Shepherd, 2018).

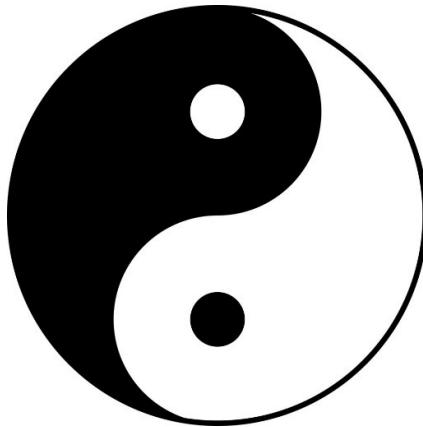
In conclusion, the ILP - like hybridity theory - does not clarify or theorise the types of tensions that arise from the juxtaposition of social and commercial logics. Cloutier and Langley (2013) suggest that the ILP can be linked with other theoretical frameworks to address any theoretical blind spots. Therefore, section 3.4 introduces paradox theory as a framework that can both conceptualise logic co-existence and assist with the conceptualisation of tensions that stem from plural logics.

3.4 Paradox Theory

Rooted in philosophy, the concept of paradox is characterised by the interdependencies that exist between opposites. An example of this in eastern philosophy is the Taoist yin yang symbol and its two distinct principles which function together in harmony as part of a larger whole (figure 3.4). Western philosophy also accentuates the contradictory nature of paradox. This is reflected by its Greek

etymology ‘para-doxa’, which means ‘contrary opinion’. The key differentiation is that while eastern approaches have sought to accept, integrate, and transcend contradictions through holistic (Spencer-Rodgers et al, 2010; Zhang et al, 2015) or middle-way (Chen, 2008) thinking, western approaches have tended to downplay attempts at reconciliation (Fang, 2012). Instead, ancient Greek philosophers have tended to use analytic thinking and rhetorical devices to discover truth and reasoning (Schad et al, 2016). One famous example is the self-referential statement: “I am lying”. Known as the ‘Liar Paradox’, this statement comprises two contradictory propositions that appear to be both simultaneously true and false (Lewis, 2000; Poole and Van De Ven, 1989).

Figure 3.4: Yin Yang Symbol



In Chinese philosophy, the t'ai-chi tu symbol, more commonly referred to as yin yang, represents seemingly opposing forces or principles. Both opposites are encircled into a larger universal whole. Identical but opposed, neither is absolute. As signified by their mutually constituted, interlocking form, the principles operate together synergistically and interdependently in a dynamic accord. They both give rise to one another.

Moreover, Rothenberg (1979) discovered that fifty-four creative geniuses spanning art, science, literature, and other fields, had the capacity to conceive contradictory propositions and hold both to be true at the same time (e.g. Mozart was considered a

master of composing harmonious and disharmonious melodies, and Einstein's theory of relativity postulated objects as being in motion and at rest simultaneously). He coined the term 'Janusian Thinking' - based on the ancient Roman god Janus (figure 3.5) - as a process of "*actively conceiving two or more opposite or antithetical ideas, images, or concepts simultaneously*" (p.55). Such thinking, he argued, is highly complex, psychologically uncomfortable, and fraught with tension. Accordingly, humans naturally seek to address the mental discomfort that arises from antithetical concepts or ideas by rationalising inconsistencies or discord. Such was acknowledged by Festinger's (1957:260) theory of cognitive dissonance, where he argued that "*the human organism tries to establish internal harmony, consistency, or congruity among his opinions, attitudes, knowledge, and values*" when faced with contradictory cognitive propositions. Nevertheless, while attempts can be made to rationalise contradictory cognitive phenomena to lessen their acuteness, paradoxes cannot simply be evaded or resolved (Poole and Van De Ven, 1989; Handy, 1994).

Figure 3.5: Janus the Roman God



In ancient Roman mythology and religion, Janus was the God of beginnings and endings. As the guardian of doorways and gateways, his two faces - which were pointed in opposite directions - meant that he could simultaneously see forwards and backwards, inside and outside; characteristics that helped obviate evil from entering the home. January – the month that marks the beginning of the new calendar year is named in his honour.

Since the 1980s, paradox has become an exciting branch of organisation studies and strategic management (Cunha and Putnam, 2019). It is regarded as an inherent feature of organisational effectiveness (Cameron, 1986) and offers insights into organisational tensions, particularly when organisations undergo change, exemplify complexity, or have ambiguous goals (Lüscher and Lewis, 2008; Lewis and Smith, 2014). Paradox theory has been applied to an extensive range of complex organisational phenomena, including corporate governance (Demb and Neubauer, 1992; Sundaramurthy and Lewis, 2003; Mason and Doherty, 2015), organisational change (Lüscher & Lewis, 2008; Vince and Broussine, 1996), organisational hybridity (Battilana and Dorado 2010; Jay, 2013) and organisational identity (Fiol, 2002; Kozica et al, 2015). Although it is now at the cutting-edge of management and organisational research, it has not yet been systematically applied to housing studies.

Since its introduction to organisation studies, paradox theory has challenged the idea that organisational actors must choose between competing organisational demands in an either/or scenario. Instead, paradox theorists contend that both/and alternatives (or logics) can be pursued simultaneously (Cameron, 1986; Smith and Berg, 1987; Cameron and Quinn, 1988; Poole and Van de Ven, 1989). However, conceptual ambiguity means that paradox often finds itself in a ‘cauldron’ of concepts which “*boil together in a savoury yet often confounding stew*” (Cunha and Putnam, 2019:99). Paradox differs from the terms and concepts in table 3.3 in that they are not problems that require intervention or resolution. Instead, *paradoxes* are underpinned by three fundamental characteristics: contradiction, interdependence, and persistence. This is reflected in one of the most cited definitions of paradox as “*contradictory yet interrelated elements that exist simultaneously and persist over time*” (Smith and

Lewis, 2011:382). Any attempts aimed at resolution can have inimical organisational consequences (Cunha and Putnam, 2019).

Table 3.3: Key Terms and Concepts

Terms and Concepts	Meaning
Ambivalence	Ambivalence is simply uncertainty over which of two or more attractive (or unattractive) alternatives should be chosen.
Conflict	A conflict is the perpetuation of one alternative at the expense of others.
Contradiction	Bipolar opposites that are mutually exclusive and interdependent such that the opposites define and potentially negate each other. Characterised by dynamic tension between opposites.
Dialectic	A dialectic is a pattern which always begins with a thesis followed by an antithesis and resolved by a synthesis.
Dilemma	A dilemma is an either-or-situation, for example, where one alternative must be selected over other attractive alternatives.
Dualism	The existence of opposite poles, dichotomies, binary relationships that are able to create tensions, but can be separated.
Duality	Interdependence of opposites in a both/and relationship that is not mutually exclusive or antagonistic.
Inconsistency	An inconsistency is merely an aberration or discontinuity from past patterns.
Irony	An irony exists when an unexpected or contradictory outcome arises from a single alternative.
Tension	Stress, anxiety, discomfort, or tightness in making choices, responding to, and moving forward in organisational situations
Paradox	Contradictory yet interrelated elements that exist simultaneously and persist over time

Sources: Cameron (1986:545) & Putnam et al (2016:69-72) & Smith and Lewis (2011:382)

Organisational tensions that stem from contradictions have been conceptualised by the seminal works of Lewis (2000) and Smith and Lewis (2011) as *organising, belonging, performing* and *learning* paradoxes. These paradoxes are regarded as ubiquitous features of organisational life (table 3.4).

Organising paradoxes relate to tensions that stem from conflicting organisational cultures, practices, processes, structures, and legal form. They tend to operate at the macro-level and are common during episodes of organisational change (Lewis, 2000). Different organisational cultures may arise whenever contradictory logics and organisational objectives are combined. This sometimes creates recruitment challenges for hybrid employers who can either recruit staff whose principal expertise lies in one sector, or alternatively, they can employ staff from a mix of sectoral backgrounds (Battilana et al, 2012). Staff with similar sectoral backgrounds reduces the potential for organisational conflict yet increases the risk of mission drift as they gravitate to the norms associated with their principal background. On the other hand, staff from a range of sectoral backgrounds can assist their hybrid employers to balance logic multiplicity. However, cultural tensions can lead to conflict as organisational actors champion different values and goals (Golden-Biddle and Rao, 1997; Tracey and Phillips, 2007).

At the meso-level, belonging paradoxes relate to tensions between *self* and *other* as organisational actors strive for both self-expression and collective affiliation (Lewis, 2000). Belonging paradoxes are complicated by organisational change, complexity, staff diversity, and conflicting organisational goals. Smith and Berg (1987:15) stated that it is impossible for groups not to comprise certain types of tensions because opposing actions, emotions, and thoughts permeate and coexist within groups. Any attempt to unravel these oppositional features leads to ‘*stuckness*’, because the balance and cohesiveness of the group depends on individual member involvement and when one side of the conflict is rejected or subjugated, member participation is threatened. Smith and Berg cautioned against the resolution of tensions, arguing that

any attempts to do so stem from a flawed understanding of the significance that conflict plays in the life of a group. HA boards must therefore simultaneously take account of the individual differences that are reflected in its composition in such a way that integrates and achieves connectedness yet allows board members to preserve critical judgement and difference. This notion can also be extended to the organisational group parent and its individual group company members. The challenge for HA boards is: "*how do actors become integral members of a group and retain their individuality?*" (Lewis, 2000:769).

At the micro-level, performing paradoxes derive from the plural stakeholder demands placed on organisations, which often lead to conflicting organisational goals, metrics, and strategies (Smith and Lewis, 2011). As particular stakeholders stress the importance of their demands over others, there is a risk that goals and performance metrics become incongruous with the organisation's overall mission (Smith et al, 2013). Performing paradoxes are also likely to occur during instances of organisational restructure and often emerge from ambiguous demands and mixed messages (Lüscher and Lewis, 2008). In a study of a FTSE 100 company that was undergoing an organisational restructure, Jarzabkowski et al (2012) found that performance paradoxes intensified when managers had no criterion to guide them and staff struggled to execute goals associated with their new positions. Thus, an absence of - or any ambiguity that surrounds - performance criteria, makes the measurement of contradictory goals particularly challenging.

Embedded within the above paradoxes are learning paradoxes. Paradoxes of learning arise from juxtaposed time horizons (Lewis, 2000). For instance, while it is relatively

straightforward to measure financial objectives in the short-term, social purpose objectives frequently require evaluation over the longer-term. These dual time horizons can result in inconsistent practices when assessing strategic performance. Ambidexterity research also focuses on learning paradoxes. March's (1991) article argues that 'exploitation-exploration' tensions are essential to an organisation's competitive advantage, but they require different competences. 'Exploitation' involves things like control, efficiency, implementation, risk-aversion, routinization, and selection whereas 'exploration' involves discovery, experimentation, innovation, openness, and risk-taking (March, 1991; Farjoun, 2010). Such tensions orient the organisation towards different objectives, which often results in competing resource demands (Cao et al, 2009; Raisch and Birkinshaw, 2008). In order to prosper in this scenario, organisations must simultaneously balance current knowledge and capabilities alongside the search for new knowledge and innovation (Raisch et al, 2009). When attention is paid to 'explore' and 'exploit' activities simultaneously, it can lead to 'sustainable' and 'superior' company performance (O'Reilly and Tushman, 2008). According to Levinthal and March (1993:105), organisational success is contingent on being able to "*engage in enough exploitation to ensure the organisation's current viability and to engage in enough exploration to ensure future viability*".

Table 3.4: Typology of Organisational Paradoxes

Paradox Type	Level of Operation	Source of Origin	Accentuation Factors
Organising	Macro	Conflicts in cultures, practices, processes, structures and legal form	Organisational change, conflicting norms, values and objectives
Belonging	Meso	Conflicts between self and other or between the individual and collective	Organisational change, complexity, staff diversity, contradictory goals, actions, emotions, and thoughts
Performing	Micro	Conflicts between plural stakeholder demands, goals, metrics & strategies	Organisational restructure, ambiguous demands and mixed messages
Learning	Embedded within and across above levels	Conflicts from juxtaposed time horizons (e.g. short-term v long-term), and attempts to renew and innovate	Renewed or transformed organisational systems

Source: Author's own

However, not all tensions within organisations are paradoxical (Lüscher and Lewis, 2008). In some instances, trade-offs may be required, particularly in organisations with limited resources (Cao et al, 2009; Teasdale, 2010). Concerns have also been expressed that the *organising*, *belonging*, *performing*, *learning* typology is treated by paradox scholars as an *a priori* classificatory system that gives rise to *exclusion* (i.e. it ignores other types of paradoxes) and *isolation* (i.e. its overlooks their interrelationships). Cunha and Putnam (2019) argue that it is often used as a final blueprint to interpret research findings rather than a springboard for paradox generation. This is an important point and one that justifies the study's grounded research design described in Chapter 4. Section 3.5 examines the conceptual tools within hybridity, institutional logics and paradox theory that help explain organisational

responses to logic plurality. Although the conceptual tools are considered from each of the different theoretical perspectives, there is a great deal of conceptual and terminological resemblance between them. In fact, hybridity and institutional logics are often used in tandem to explain organisational change processes.

3.5 Responses to Plural Logics

As above, institutional theorists accept that multiple logics can orient organisational strategy. On the one hand, some studies suggest that logic plurality may threaten the existence of social enterprises and even be a contributor to their high failure rate (Fitzgerald and Shepherd, 2018; Tracey et al, 2011). On the other hand, it has been suggested that plural logics can coexist in harmony (Binder, 2007; Besharov and Smith, 2014), engender innovation (Hargrave and Van De Ven, 2009; Jay, 2013) and enhance organisational sustainability (Kraatz and Block, 2008).

How individuals respond to logics is contingent on the *availability* of information and knowledge whenever decisions about logic adherence are being considered; the *accessibility* of information and knowledge that is derived from cultural and situational embeddedness; and the *activation* and enactment of available information and knowledge in social interactions (Thornton et al, 2012). Typically, the external environment defines and restricts what actions and strategies organisations may have at their disposal. The most apparent response is to seek eradication or suppression of any demands that diverge from or conflict with the dominant logic (Kraatz and Block, 2008). Alternatively, loose coupling or compartmentalisation of structures, functions, and identities may be employed so that each logic relates to its corresponding institutional order (Hirsch and Bermiss 2009).

Thornton et al's (2012:164) typology of change in field-level institutional logics posits several 'transformational change' processes such as logic *blending* and logic *segregation* in addition to logic *replacement* (table 3.5). Blending occurs when logics are transformed through combinations of different logics and segregation occurs when logics are separated from their previously shared origin. Four less radical 'developmental change' processes can also occur, namely *assimilation*, *elaboration*, *expansion* and *contraction* - all of which enable the symbolic representations and practices of the original logic to remain largely intact.

Table 3.5: Typology of Change in Field-Level Institutional Logics

Forms of Change	Definition
<i>Transformational Change</i>	
Replacement	One institutional logic replaces another
Blending	Combining dimensions of diverse logics
Segregation	Separation of logics from a common origin
<i>Developmental Change</i>	
Assimilation	Incorporation of external dimensions
Elaboration	Endogenous reinforcement
Expansion	Shift from one field to another
Contraction	Decrease in logic's scope

Source: Thornton et al (2012:16)

Similarly, Skelcher and Smiths' (2015) classification of hybrid types provides a useful typology that sheds conceptual light on the effect of plural logics on organisational form (table 3.6). They hypothesise that different logic permutations are generative of different hybrid forms, which vary from the compartmentalisation of logics within the

same organisation (segmented); compartmentalisation of logics into separate but related organisations (segregated); adoption of some secondary logic practices and symbols by the core logic (assimilated); synergistic melding of plural logics into a new contextually specific logic (blended); or dysfunction that stems from irreconcilable tensions between plural logics (blocked).

Table 3.6: Theoretical non-profit hybrid types

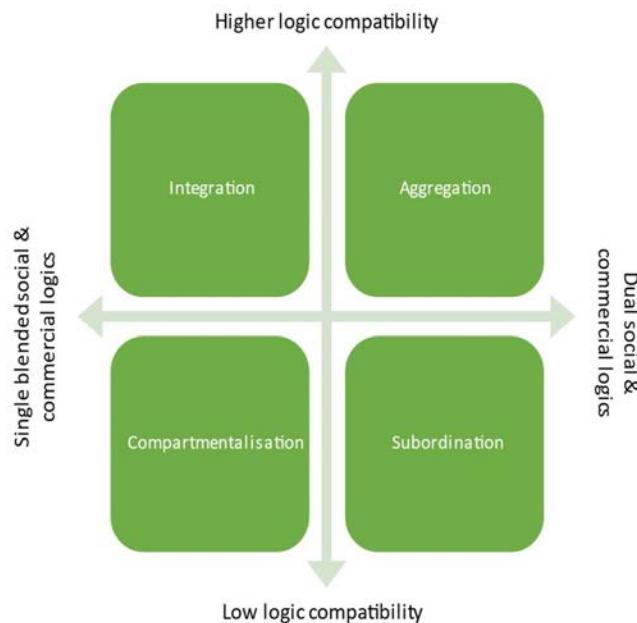
Hybrid type	Characteristics	Example	Relevant institutional logics
Segmented	Functions oriented to different logics are compartmentalised within the organisation	A non-profit service agency funded by donations runs a small for-profit activity recycling clothing to fund one-off innovative projects; this forms one unit within the organisational structure	Compartmentalising the market logic of small-scale revenue generation in the wider context of the professional logic of expert decision-makers
Segregated	Functions oriented to different logics are compartmentalised into separate but associated organisations	A membership non-profit values inclusiveness and openness in decision-making, its board meetings being open to all members; its affiliated foundation has an exclusive board of philanthropists meeting in private whose mission is to generate large donations for the non-profit	Compartmentalising the corporate logic of fundraising from high worth individuals from the democracy logic of the non-profit's members
Assimilated	The core logic adopts some of the practices and symbols of a new logic	A non-profit has adapted its communications to speak the language of performance targets in order to gain legitimacy with external funders, but retains a strong paternalistic approach to staff management	Elements of market logic assimilated into family logic, but family logic retains dominance
Blended	Synergistic incorporation of elements of existing logics into new and contextually specific logic	A non-profit with government, philanthropic, and earned income provides training for the disadvantaged through a restaurant	A new social enterprise logic emerges from elements of state, community, and corporate logics
Blocked	Organisational dysfunction arising from inability to resolve tensions between competing logics	A nonprofit founded by a small group of individuals retains a strong norm of informal, collective decision-making, yet is required through its contracts with government to adopt a conventional corporate structure with hierarchical roles	Irresolvable contradiction between democracy logic of the founders and state logic of the funders

Source: Skelcher and Smith (2015:440)

Fitzgerald and Shepherd (2018) proposed various structural forms that non-profit organisations can adopt whenever they simultaneously operate in a commercial world. They presented “*a typology that suggests four ways a non-profit might structure a social enterprise and in what circumstances they might occur*” (p.483). As structural responses may differ over time, non-profits and their for-profit subsidiaries can position themselves in any of the four quadrants or they can span multiple quadrants simultaneously (figure 3.6). Essentially, this typology focuses on whether organisations seek to combine or separate the social and commercial logics in social enterprises. Dual logics are more likely to be accepted if they are compatible and can therefore be accommodated through *integration* or *aggregation* responses. Integration happens when congruent social and commercial logics combine into an amalgamated logic, whereas aggregation occurs when both logics are retained and simultaneously managed.

Conversely, if logics are regarded as incompatible, alternative *compartmentalisation* or *subordination* structural responses can be used. Compartmentalisation is used to separate the dual logics into separate organisational structures to avoid clashes between the two, whereas subordination accepts that one logic plays a minor role against its more dominant counterpart.

Figure 3.6: Structural options for incorporating a commercial logic within a third sector organisation



Source: Fitzgerald & Shepherd 2018 (adapted from Besharov & Smith, 2014; Pratt & Foreman, 2000).

Bruneel et al's (2016) study of a Belgian work-integration social enterprise demonstrated how important it was for hybrid corporate governance models to manage plural logics. The board of this for-profit social enterprise was faced with dual social employment and commercial market logics. However, its board composition reflected only the social logic and lacked any knowledge or familiarity with the commercial logic. As a result of this dysfunctional setup, the social enterprise failed to effectively manage the social-commercial tension, leading to the enterprise's bankruptcy. The authors concluded that social and commercial logics should be adequately reflected in board composition if tensions are to be adequately addressed.

Finally, paradox theorists argue that attempts should not be made to eliminate or

resolve paradoxes, but to manage them (Handy, 1994). Successful management rests in acknowledging that the two dimensions of any contradiction or logic may have equally desirable qualities. Predicated on simultaneity, paradox management requires creative approaches that capture the extremes of each oppositional dimension (Eisenhardt, 2000). Accordingly, paradox scholars draw on a repertoire of strategies to manage organisational contradictions and tensions (table 3.7).

Table 3.7: Repertoire of Responses to Organisational Paradoxes

Defensive responses	
Splitting	A response that involves separating contradictory elements either temporally (dealing with one, then the other) or spatially (compartmentalising elements into different area or groups)
Projection	A response that involves transferring paradoxical elements or tensions to a scapegoat
Repression	A response that involves denial, i.e. blocking awareness of paradoxes and subsequent tension
Regression	A response that involves returning to past understandings or actions
Reaction Formation	A response that involves focusing on only one element by excessively engaging in practices aligned with that element and opposing the other element
Ambivalence	A response that involves quick but marginal compromises
Strategic or Active responses	
Acceptance	A response that involves understanding contradiction, tension and ambiguity as natural conditions of work
Confrontation	A response that involves bringing tension to the fore and critically discussing it
Manipulation	Active attempt to alter the content of the institutional demands
Transcendence	A response that involves altering or reframing thinking to see elements of the paradox as necessary and complementary (both/and thinking)

Sources: Lewis (2000) & Jarzabkowski et al (2013)

In one of the most cited typologies, Poole and Van De Ven (1989:562) propose four generic approaches for managing paradoxes or contradictory logics: (1) *accept the paradox and use it constructively*; (2) *clarify levels of analysis*; (3) *temporally separate the two levels*; and (4) *introduce new terms to resolve the paradox*. These four

approaches were schematically abbreviated by the authors as: ‘opposition’, ‘spatial separation’, ‘temporal separation’ and ‘synthesis’, respectively. Under opposition, organisational actors maintain separation between each pole of the paradox and learn to embrace and live with the tension. ‘Spatial separation’ seeks to accommodate tensions by specifying the levels of analysis at which poles operate (e.g. macro-micro; societal-individual etc) and by providing clarity on any interdependencies that exist between them. Structural separation into discrete social or physical loci can also help to minimise conflict. However, it can lead to challenges: for example, if one pole is isolated and synergies between tensions become negated, or if one pole dominates, thus giving rise to power imbalances and self-interested behaviour (Asif, 2017; Schad et al, 2016). ‘Temporal separation’ takes cognisance of time and assumes that each pole has traction at different junctures. Although one pole can influence the other through its preceding action, opposing tensions operate from within the same loci and are sequentially managed. Under this approach, only one pole is afforded primacy at any given time. While spatial and temporal separation strategies restrict interaction between opposing poles (Andriopoulos and Lewis, 2009; Lewis and Smith, 2014), suppression of one pole inevitably leads to its recrudescence. While opposition, spatial, and temporal approaches strive to keep contradictory assumptions intact, ‘synthesis’ seeks new frames of reference which aim to eliminate any underlying oppositional tendencies. However, the challenge with integrative approaches is that “*at the heart of any theory that solves a paradox is another, different paradox, waiting to be discovered*” (Poole and Van De Ven, 1989:576).

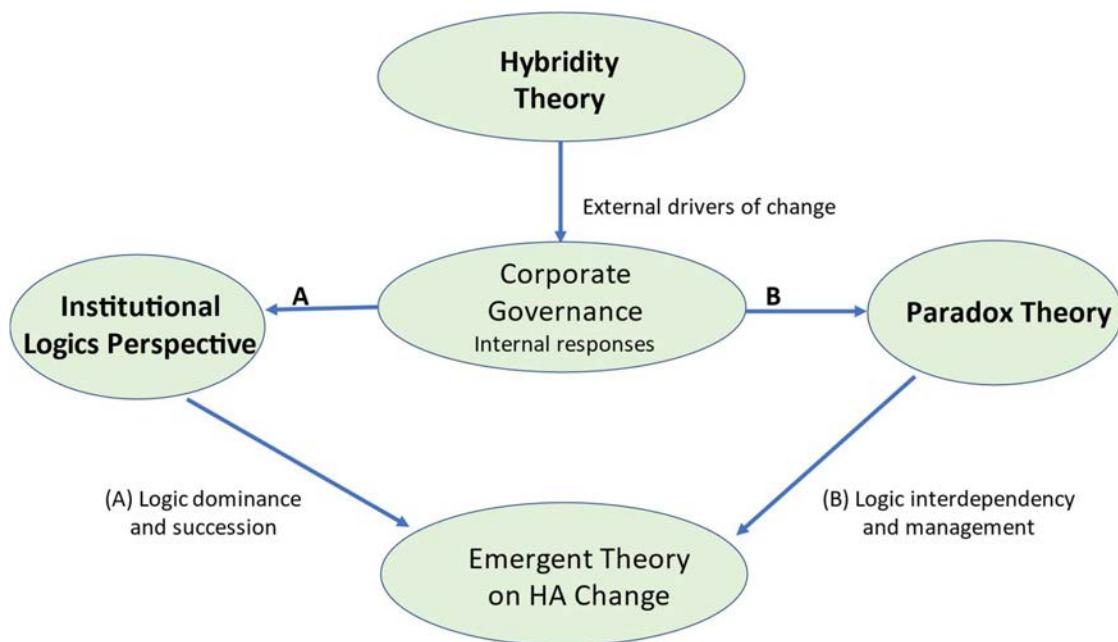
Generally, the paradox literature conceives responses in positive (strategic) or negative (defensive) terms. Responses elicit constructive (virtuous) or destructive

(vicious) self-perpetuating cycles that drive organisational success or portend organisational decline (Lewis, 2000). Strategic responses create opportunities to propagate virtuous cycles by engaging both poles of the paradox simultaneously and are thus more conducive to organisational sustainability (Cameron, 1986; Smith et al, 2010; Smith et al, 2017). These cycles promote sustainability by supporting learning and innovation; by fostering organisational agility and resilience; and by cultivating human potential (Smith and Lewis, 2011). Conversely, defensive responses lead to downward vicious cycles whereby actors overemphasise one pole of a tension which in turn intensifies the need for its opposite. In this case, 'schismogenesis' can occur as actors reinforce one logic or one horn of the tension until organisational systems and processes become dysfunctional (Cameron, 1986; Lewis and Smith, 2014). Similarly, Smith and Lewis's (2011) 'dynamic equilibrium model' posits a model whereby self-correcting adjustments are made to pulls in the opposite direction in order to maintain a balanced state. Paradoxical thinking is required for organisations to self-correct and jettison vicious reinforcing cycles. A paradoxical mindset can be applied in escalation situations to better understand tension dynamics, thereby aiding individuals and organisations to counteract the effects of vicious cycles (Sleesman, 2019).

Finally, as per the study's theory building approach, no commitment was pledged to any specific response strategy at the early stage. Only when the data had been analysed were the study's emergent concepts compared to the extant concepts outlined above. Figure 3.7 provides an illustration of how it was envisaged that each of the three theoretical perspectives would possibly relate to the study, pending analysis of the data in the later chapters. Hybridity could help to explain the *structural* influences on board decision-making and organisational change, with corporate

governance actors – as *agents* – either choosing to prioritise one logic above others (ILP) or choosing to manage both social and commercial logics simultaneously (paradox theory). In other words, my thinking was that the ILP or paradox approach would be used to conceptualise change processes in the Northern Ireland HA sector, depending on which perspective corresponded best with the study's emergent concepts. However, Chapter 9 reflects on this theory building approach in more detail and sets out the final and emergent way in which hybridity, the ILP and paradox theory all informed the analysis.

Figure 3.7: Explanations of Plural Logics: Succession versus Co-existence (Either A or B)



Source: Author's own

3.6 Conclusion

In conclusion, this chapter has examined the three main theoretical frameworks that underpin this study's approach to theory building. Between them, these three theories offer conceptual tools that can help to explain the main values, priorities and influences that shape board decision-making in the Northern Ireland HA sector (research objective 2); the key tensions that stem from the co-enactment of social and commercial logics, focusing specifically on diversification into private housing markets in Northern Ireland's two largest HAs (research objective 3); and the ways in which the boards of Northern Ireland's two largest HAs manage tensions related to dual social and commercial logics (research objective 4). As the three theoretical perspectives take account of both sectoral influences and internal board responses, the next chapter incorporates both structure and agency in its research philosophy and design. As Mullins and Acheson (2014:1612) state, hybridity is "*a cumulative change process involving a complex interweaving of structure and agency*". Chapter 4 will also provide a detailed overview of the research methods and how they were operationalised as well as the different data analysis tools used.

Chapter Four: Methodology and Methods

4.1 Introduction

The purpose of this chapter is to provide an overview of the study's methodological approach. Section 4.2 commences with a brief discussion of the key philosophical questions that underpin all research studies and then reflects on the assumptions that oriented this study's choice of research strategies, data collection methods, and data analysis procedures. In section 4.3, the theory building approach is presented. Section 4.4 outlines the research design, followed by a more detailed account of the four-stage data collection process in section 4.5. Section 4.6 introduces the qualitative and quantitative data analysis tools used, before considering the methodological principles of reliability, validity, and generalisability in section 4.7. Section 4.8 reflects on the ethical guidelines that guided the research from its inception to completion, including gaining access to research participants, informed consent, and confidentiality. Finally, section 4.9 summarises the main methodological points, before the thesis progresses to the findings and analysis chapters.

4.2 Positivism, Interpretivism and Critical Realism

Research philosophy refers "*to a system of beliefs and assumptions about the development of knowledge*" (Saunders et al, 2019:130). All researchers approach their subject area with implicit or explicit presuppositions about the nature of the social world and how it should be studied. Ontology, therefore, is the starting point of research and pertains to the philosophical study of reality. Burrell and Morgan (1979:1) state that all social scientists are confronted with a fundamental ontological question:

"Whether the 'reality' to be investigated is external to the individual - imposing itself on individual consciousness from without - or the product of individual consciousness; whether 'reality' is of an 'objective' nature, or the product of individual cognition; whether 'reality' is a given 'out there' in the world, or the product of one's mind".

Related to ontology is a second set of epistemological assumptions, which are logically affected - but not necessarily determined - by one's ontological position (Marsh and Furlough, 2002). Epistemology is concerned about the nature of the social world and knowledge itself. In other words, how can social scientists distinguish between forms of knowledge that are regarded as legitimate and 'true' from forms that are regarded as 'false'. Epistemology also concerns how knowledge is communicated to others and whether it is something that can be acquired in a real or tactile sense, or whether it is a more subjective or transcendental form based on personal experience and insight (Burrell and Morgan, 1979). Essentially, ontological and epistemological positions orient the choice of research strategies, data collection methods, and data analysis procedures adopted by researchers. According to Marsh and Furlough (2002:17), these positions "*are like a skin not a sweater: they cannot be put on and taken off whenever the researcher sees fit*".

In one of the MA research modules in my first year (1+3 studentship), Professor Mark Saunders encouraged students to complete the 'Heightening Awareness of your Research Philosophy' survey (Saunders et al, 2019:161). This reflexive tool sparked my interest in critical realism. It prompted me to think about ontology, epistemology, axiology, structure and agency, the purpose of my research, and the significance of my data through this philosophical lens. Before considering critical realism in more detail and its relevance to this study, the next paragraph examines the two main

philosophical approaches that lie at the heart of social scientific research, namely positivism and interpretivism.

Positivism relates to the philosophy of the natural sciences. It seeks universal law-like generalisations, which are deduced from discrete, observable, and quantifiable events (Lawson, 2006). Observation of ‘constant conjunctions’ or ‘empirical regularities’ leads to meaningful and credible data, which can then be used “*to explain and predict behaviour and events in organisations*” (Saunders et al, 2019:145). Positivist researchers try to remain objective and neutral in the research process, reflecting a desire for value-free data collection and analysis. At the other end of the philosophical spectrum, interpretivism¹⁴ contends that human beings and social phenomena cannot be studied in the same way as the physical and natural sciences. Interpretivists reject positivistic, law-like generalisations and instead emphasise the primacy of culture, language, and history (Crotty, 1998). They experience the social world not as ‘neutral, disembodied observers’ but through subjective perceptions, beliefs, and values (Walliman, 2017). Under this approach, multiple interpretations and perspectives can be attributed to the same phenomenon, and because it focuses on meaning-making, interpretivists prioritise the integral role that researchers’ beliefs and values play in the research process.

Although the interpretivist school of thought continues to dominate housing studies (see Clapham, 2012; Jacobs and Manzi, 2000; Jacobs et al, 2004; Kemeny, 2002;

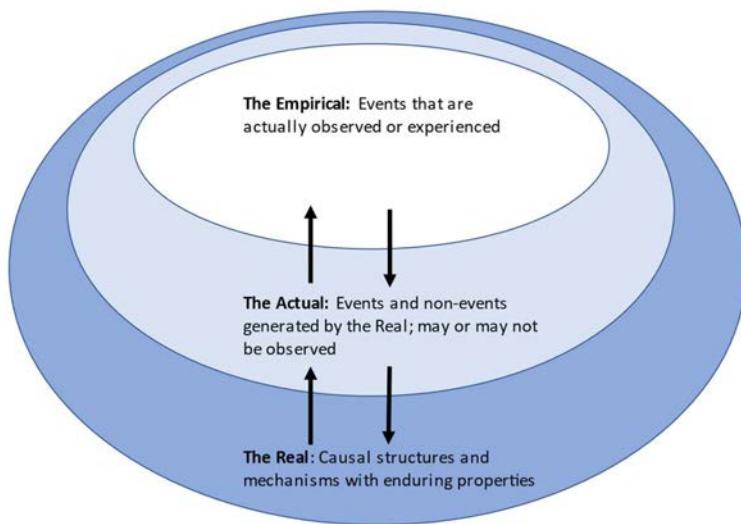
¹⁴ Interpretivism is an umbrella term that covers an array of approaches to social inquiry. These include social constructionism, relativism, idealism, and constructivism (Grix, 2010; Walliman, 2017). Different strands of interpretivism place different emphases on how this is achieved in practice, including: hermeneuticists who focus on the study of texts, images, stories and symbols; phenomenologists who focus on the lived experiences as told and experienced by research subjects; and symbolic interactionists who analyse the meaning that emerges from social interactions between people (Saunders et al, 2019).

Somerville and Bengtsson, 2002), several scholars have studied housing phenomena through a critical realist lens, including homelessness (Bramley and Fitzpatrick, 2018; Fitzpatrick, 2005; Hastings, 2020), housing and health (Allen, 2000), comparative housing systems (Lawson, 2006) and the privatisation of council housing (Smyth, 2013b). A post-positivist philosophy that emerged from the works of Roy Bhaskar in the 1970s, critical realism marries ontological realism and epistemological relativism. A key ontological concern here relates to conflation; this is when structure is reduced to action, or action to structure, or when both are merged (Leca and Naccache, 2006). Archer's (1995) morphogenetic approach holds both perspectives to be related, but irreducible to one another. Moreover, Bhaskar (1989) argues that to conflate ontological and epistemological perspectives is to commit 'epistemic fallacy' (e.g. when ontological questions about the nature of the social world are answered in terms of epistemological knowledge of the world). Thus, critical realists attempt to overcome this concern by acknowledging the ontological status of both structure and agency.

Critical realists use a stratified or 'depth' ontology to help explain events, which comprises three domains: the 'real', the 'actual' and the 'empirical'. The 'real' domain is constituted of causal structures, powers, and mechanisms which produce and explain events. The 'actual' domain is where events and non-events caused by the 'real' occur in space and time and they may or may not be observed. The 'empirical' domain is comprised of events that researchers observe and/or experience (figure 4.1). Generative mechanisms reproduce and/or transform social relations and corporate agency and can arise from any of the three domains (Reed, 2005). However, they cannot be identified through observable events or demi regularities (i.e. partial patterns of events) (Bhaskar, 2008; Danermark et al, 2002). This does not necessarily mean

that ‘emergent properties’ are always determined by interactions between lower-level properties (Cruickshank, 2002). For example, in the natural world, water has emergent properties not possessed by its separate molecular components, hydrogen and oxygen. Furthermore, in the social world, organisations can accomplish things that cannot be achieved by individuals alone. This means that properties of the overall social system are contingent on but not reducible to the individual parts that constitute it (Vincent and O’Mahoney, 2018). According to Bramley and Fitzpatrick (2018:99), “*the world is structured, differentiated, and stratified, with no one strata assumed to be logically prior to any other with regard to social causation*”. Therefore, critical realism enables deeper understandings of how contingent causal factors interrelate over space and time to create particular social phenomena. Finally, critical realists acknowledge that language is not neutral and value-free. Rather, they accept that values and beliefs are ‘objects’ of scientific study and that researchers’ implicit assumptions and values influence ‘facts’ (Gorski, 2013; Hastings, 2020). Accordingly, researchers need to be cognisant of the ways in which they shape and influence social action whenever they provide explanations of the generative mechanisms that give rise to events (Collier, 1994; Kempster and Parry, 2014; Wikgren, 2005).

Figure 4.1: Stratified or ‘Depth’ Ontology of Critical Realism



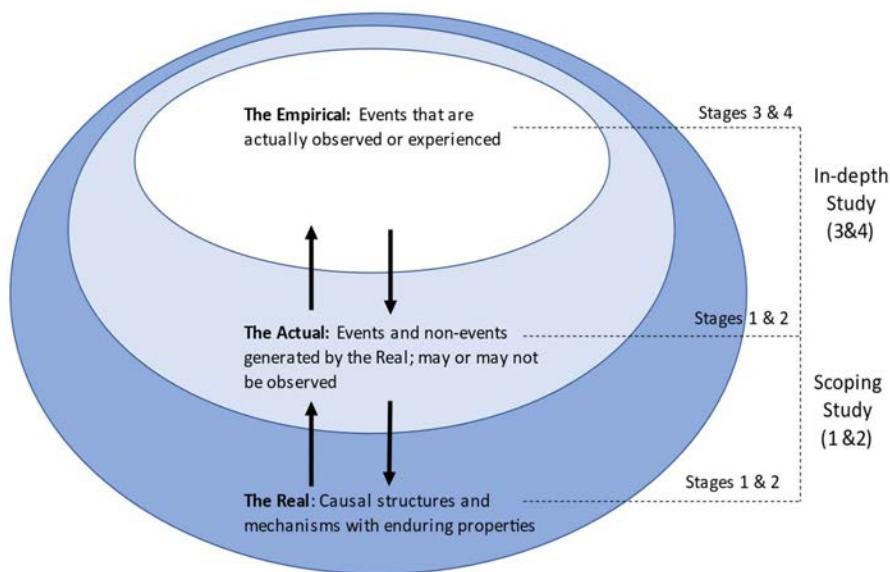
Source: adapted from Saunders et al (2019:148)

4.3 Retroduction and Theory Building

In this study, critical realism is used to provide an *explanation* of the underlying causal drivers of organisational change in the Northern Ireland HA sector and to enhance *understanding* of some of the organisational tensions that confronted Northern Ireland’s two largest HAs whenever they diversified into private housing markets. Theoretical development is an important part of this process. Both ‘retroduction’ (Bhaskar, 1998; Collier, 1994) and ‘building theory from cases’ (Eisenhardt, 1989; Eisenhardt and Graebner, 2007) have been adopted as the modes of inference to assist with the process of explanation and understanding. Retroduction helps to explain the underlying structures and generative mechanisms that cause and influence change. Putative causal powers are ascribed by reasoning backwards from the

phenomena being studied, to ask: “*what, if it existed, would account for this phenomenon?*” (Reed, 2005:1631). This transcendental question means that explanation of the causally efficacious mechanisms that constrain and empower human agency is possible unlike the predictive and descriptive accounts of positivist and interpretivist philosophical approaches. In this study, the researcher reasoned back to connect stages 3 and 4 of the research (i.e. the domain of the empirical) with stages 1 and 2 (i.e. the domains of the actual and real). This is illustrated in figure 4.2, with the detail of the individual research stages presented in section 4.5.

Figure 4.2: Research Stages Mapped Against Critical Realism’s Stratified Ontology



Source: adaptation of Saunders et al (2019:148)

Retroduction requires a commitment to theoretical pluralism, particularly at the outset of research investigations (O'Mahoney and Vincent, 2014). Because the causal processes behind organisational tensions are not directly observable, the researcher drew on interpretive forms of analysis, conceptual abstraction, theory building, and immanent critique of hybridity theory to postulate links between each of three ontological layers. It is important to highlight, however, that causal explanations are fallible and contestable, as truth can never be explained perfectly or completely (Onwuegbuzie et al, 2009; Somerville, 2012). Moreover, the credibility of causal explanations is not based on their correspondence with an objective reality, but whether or not they correspond with the theoretical frameworks that form the analysis (Bhaskar, 1989; Modell, 2009).

Building theory from cases is an approach to theory development “*that involves using one or more cases to create theoretical constructs, propositions and/or midrange theory from case-based, empirical evidence*” (Eisenhardt and Graebner, 2007:25). Moreover, theory-building research commences without any allegiance to predetermined hypotheses, presuppositions, or a priori constructs (Scapens and Roberts, 1993). Case research typically employs extensive use of qualitative research methods, including observations and interviews. Data collection and data analysis processes often overlap, which enable researchers to flexibly adapt their methodologies as themes emerge (see Critical Incident Technique in section 4.4). Furthermore, multiple case studies provide greater analytic power and a stronger foundation for theory building than single case studies.

Yin (2014) states that theoretical sampling is used to select cases based on similarities (literal replication) or differences (theoretical replication), although multi-case

researchers tend to be more interested in the latter (Stewart, 2012). Brandsen et al (2005) advise researchers not to study easily identifiable cases, but to select cases where tension between logics is expected to be most acute. Finally, Eisenhardt and Graebner (2007) remind researchers that superior theory is characterised by ‘parsimony, robustness and generalisability’, which can be achieved by identifying conceptual patterns within and across cases, and via a recursive cycle of relating case data, emergent theory, and extant literature. The next section provides a more detailed account of the study’s blended research design based on the principles of retrodiction and theory building.

4.4 Research Design

In developing the research strategy, it was important that both an explanatory and descriptive approach to the study’s findings and conclusions remained pivotal. As no single research strategy is inherently better than others (Saunders et al, 2019), several research designs used by critical realist organisational scholars were considered, namely ethnography (Rees and Gatenby, 2014), grounded theory (Kempster and Parry, 2014), and case study research (Kessler and Bach, 2014). After much consideration, the ethnographic approach was rejected, principally due to the issue of ‘ongoing access’ and the risk of case withdrawal over the course of the PhD timeframe. According to Bryman (2016:623), access “*does not finish when you have made contact and gained an entrée to the group*”. Access needs to be continually negotiated and “*is likely to prove a problem in closed contexts such as organisations*”. Given the level of board and senior management turnover in the Northern Ireland HA sector in recent years and the sensitive and confidential nature of corporate governance business, it

was agreed that multiple cases would help to mitigate the risk of 'ongoing access' and/or case withdrawal.

Developed by Glaser and Strauss (1967), grounded theory is a strategy used to construct theory. They posit a systematic process in which data is categorised (open coding); links are then established between categories (axial coding); after which an integrative picture seeks to explain and conceptualise the phenomenon under study (selective coding). This approach had particular appeal as the researcher was keen to explore concepts generated by the research data, rather than to test concepts and/or hypotheses or accept a priori explanations of change from the English HA sector. According to Grix (2010), grounded theory can be used to explore human interactions and to develop theoretical explanations of such interactions in their social and cultural context. Normally, this approach adopts an inductive approach to theory building, based on a set of systematic principles and guidelines. However, Saunders et al (2019:205) contend that pure induction or deduction are difficult to achieve and therefore most organisational researchers adopt an element of abduction - otherwise referred to as retrodiction. Finally, as research strategies are not mutually exclusive (Saunders et al, 2019), the grounded realist approach is underpinned by a case study design.

Case study research is defined as "*an empirical inquiry that investigates a contemporary phenomenon in depth and within its real-life context, especially when the boundaries between the phenomenon and context are not clearly evident*" (Yin, 2014:16). Despite the increasingly prominent role of case study research in the social sciences (De Vaus, 2001), some scholars contend that case research "*in isolation, should never be the preferred design for any research that aims to be convincing or*

definitive" (Gorard, 2013:18). Others critique cases because findings cannot be generalised beyond their natural environments (Flyvbjerg, 2006). On the other hand, the strengths of case study research include its ability to provide in-depth and holistic accounts of the social phenomena under study (Stake, 1995) and its potential to generalise to theoretical propositions (Yin, 2014). Use of multiple methods and multiple sources of evidence are other important features and strengths of case study research (Collis and Hussey, 2014; Hakim, 2000). Table 4.1 summarises the key characteristics of the case study approach.

Table 4.1: Characteristics of the case study approach

One setting	rather than	Many instances
Depth of study	rather than	Breadth of study
The particular	rather than	The general
Relationships/processes	rather than	Outcomes and end-products
Holistic view	rather than	Isolated factors
Multiple sources of data	rather than	One research method

Source: Denscombe (2017:57)

Some scholars adopt a positivist view of case study research (Eisenhardt, 1989; Gerring, 2007; Yin, 2014), while others adopt an interpretivist position that considers thick description to be the primary goal (Scapens and Roberts, 1993; Stake, 1995). Critical realists, on the other hand, contend that case study research has particular appeal due to its ability to examine organisations in their natural environments and to establish generative mechanisms that emerge from interactions between structure and agency at various levels of analysis (Kessler and Bach, 2014). Ackroyd (2010) suggests that these generative mechanisms can only be inferred by observing the

behaviours and attitudes of organisational members and by analysing other forms of information (e.g. management records and reports).

Organisational case studies are a common research design used by housing scholars to chart shifts in organisational structures and cultures (see Gruis, 2008; Manzi and Morrison, 2018; Mullins, 2006; Morrison, 2016; Sacranie, 2012). However, according to Marsh (2018), a weakness of current research is that it is dominated by analyses of large HAs. He states that: *"indeed, a substantial part of it involves discussion of the experiences and approaches of the G15 London housing associations"* (p.14). Despite the in-depth insight offered into these large complex organisations, Marsh challenges housing scholars to pause and reflect on how representative these cases are of the wider HA sector. My 'ESRC Funding Application' submitted in February 2016 also recognised that much of the research was based on large English HAs and therefore proposed to undertake two in-depth case studies of HAs in Northern Ireland as part of its methodology.

Moreover, De Vaus (2001) rightly asserts that the final strategic case selection can be time consuming and require substantial groundwork. Once the initial scoping stage of this study was completed, an options paper was presented to the PhD supervisory team and external adviser in July 2019 to inform the case selection. Drawing on the preliminary analysis, this paper evaluated two possible options for case research based on focused (Hakim, 2000) or theoretical sampling¹⁵ (Glaser and Strauss, 1967). The first option proposed the study of two HAs - one large and one community-based - each of which had been considered exemplars of social-commercial and scale-

¹⁵ The case study options paper drew on statistical evidence from stage 2; it focused on scales that deviated by two points or more from the sector median. The Likert scales related to organisational values, influences and priorities.

accountability tensions, respectively. The second option proposed the study of three HAs, each of which had demonstrated *prima facie* evidence of social-commercial tensions. Under both options, HAs were considered because of their structural and strategic attributes, not because they were representative or typical of other HAs in the sector. In the end, it was felt that option two offered a more coherent thematic approach in that it focused exclusively on one set of tensions (i.e. social-commercial), which would enhance the study's external validity. Coupled with a consistent set of data collection methods, option two also offered greater potential for cross-case analysis, thus aiding the study's approach to theoretical development (Eisenhardt, 1989). Furthermore, three case organisations posed less risk in terms of participant withdrawal and each was conveniently located in Belfast. However, a later decision was made not to pursue with one of the three HAs (see Chapter 9). The final case study subject was broadened slightly from a focus on HA diversification into the private rented sector to diversification into private housing markets to reflect the strategic objectives of the case organisations. The two case studies that were eventually selected accounted for fifty-two per cent of the HA sector's overall stock and provided the most significant examples of commercial diversification in the sector.

In terms of time dimension, it was decided that the case research should focus on both retrospective and prospective strategic decisions and discussions. There was also discussion with my supervisors on whether a structured or unstructured approach to board observations should be used. It was difficult to answer these questions prior to starting the fieldwork and therefore a modified version of the CIT was adopted. Flanagan's (1954) technique lays out a sequential and systematic process on how to collect and analyse data. He defined CIT as:

"Any observable human activity that is sufficiently complete in itself to permit inferences and predictions to be made about the person performing the act. To be 'critical', an incident must occur in a situation where the purpose or intent of the act seems fairly clear to the observer and where its consequences are sufficiently definite to leave little doubt concerning its effects" (p.327).

Moreover, with full access granted to both case organisations, CIT enabled the researcher to follow the actors and action through different board and committee meetings and different sets of board/committee papers. Decisions and board discussions were selected based on their relevance to private market diversification, focusing specifically on key tensions and the structural and strategic methods used to manage tension. Chapters 6 and 7 provide detailed worked through examples of these tensions and response strategies. Since 1987, 'virtually all' CIT studies have used 'retrospective self-report' (Butterfield et al, 2005). This study mixed retrospective and prospective decisions, using Flanagan's five-step process which requires researchers to: (1) establish and state the general aims of the activity being studied; (2) specify the groups and types of situations to be observed/studied and their relevance to the general aim; (3) collection of data; (4) analysis of data; and (5) interpretation of data and dissemination of results. Flanagan states that the CIT, "*should be thought of as a flexible set of principles which must be modified and adapted to meet the specific situation at hand*" (p.335). Because CIT encompasses a set of systematic principles to guide data collection and analysis and presents ways in which this can be done (e.g. direct observation), there is some ambiguity about whether it is a methodology or a method, or indeed both (see Bradbury-Jones and Tranter, 2008). For this study, CIT is considered a methodology; in other words, a flexible approach used for collecting data on board discussions and decisions. The specific research methods are now explored in section 4.5.

4.5 Mixed Methods: Four-stage Data Collection Process

Within critical realism, Sayer (2000) distinguishes between intensive and extensive approaches to data collection. Intensive approaches draw largely on qualitative research designs to discover the generative mechanisms that give rise to the events observed by researchers. On the other hand, extensive approaches use quantitative research designs to search for regularities and/or statistical relationships between certain variables. However, the explanatory potential of extensive approaches is ‘minimal’ because “*statistical explanations are not explanations in terms of mechanisms at all, merely quantitative descriptions of formal (not substantial) associations*” (p.22). This means that the research methods available to critical realist researchers are ecumenical and flexible, primarily “*because it is not clear in the early stages of research what causal mechanisms there are, let alone how they work*” (Ackroyd and Karlsson, 2014:22).

Thornton et al (2012) suggest that the study of institutional logics might be better approached through an admixture of qualitative and quantitative research methods. In this study, the quantitative/qualitative divide (Brannen, 2005) is overcome by combining both intensive and extensive approaches to data collection. Stages 1 and 2 of the research formed part of the study’s scoping exercise to help identify meta-themes and the subject of inquiry for the in-depth research phase in stage 3. Finally, stage 4 comprised two focus groups with the boards and SMTs of each case organisation. These focus groups helped to validate the findings and the study’s theoretical framework, presented in Chapter 8, along with some interview questions in stage 3. Table 4.2 presents an aggregated overview of the fieldwork participants. The

full range of methods that were employed throughout the study are now described in detail.

Table 4.2: Fieldwork Logistics – March 2019 to April 2020

Total number of research participants (interviews and focus groups)	95
Total number of interviews	35
Total number of focus groups/validation seminars	4
Total number of CE survey responses	20
Total number of board/committee observations	18
Total number of strategic documents reviewed	15
Total sets of board papers scrutinised	18
Format of interviews, focus groups & observations	Stage 1 interviews: 11 face-to-face; 2 by phone Stage 1 focus groups: both face-to-face Stage 3 interviews: 21 face-to-face; 1 by phone Stage 3 observations: 16 face-to-face; 1 by teleconference; 1 by Zoom Stage 4 attendance at board feedback events (Zoom)

Source: Author's own

4.5.1 Stage 1: Stakeholder Interviews

Stage 1 sought to establish the key influences on board decision-making through a series of exploratory interviews. Exploratory interviews are used “as a way of probing relatively unexplored topics and as a route to the discovery of new ideas or theories” (Denscombe, 2017:34). ‘Elite interviews’ (Harvey, 2011) were conducted with senior government and public sector housing officials, partners in private law firms, representatives from private lending institutions, senior executives of third sector housing charities, including the CE of the trade body for HAs. In total, thirteen

interviews were conducted from a list of twenty-five candidates: four each from the public and third sectors and five from the private sector (after a late response confirming participation). Participants' quotations are coded according to their sectoral background in Chapter 5 (PU = public sector; PR = private sector; and TH = third sector). Flexible semi-structured topic guides (Grix, 2010) were designed with open-ended questions to help establish the key contextual influences on board decision-making. Similar open and closing questions were asked of all interviewees, although the main part of the interview was tailored to each participant's specialism (see appendix 4.1 for a sample topic guide). On average, interviews lasted approximately 1 hour, the longest being 1 hour 30 minutes and the shortest just 18 minutes. Eleven were conducted face-to-face and two by telephone. Eleven interviews were digitally recorded (totalling 10 hours and 29 minutes) and transcribed (totalling 58,197 words or 97 pages). In the two cases where permission was not granted to record, handwritten notes were taken. All interviews took place between March and May 2019.

Dr John McPeake, external adviser to the PhD, recommended that the scoping study be complemented by a focus group of incumbent HA chairpersons, which was convened at the NIFHA office. Discussion at this session centred on the key influences that led to recent governance changes in the Northern Ireland HA sector, the main drivers that influenced HA decision-making, the key risks faced by boards, changes to board membership and board member expertise, and transparency and accountability (see appendix 4.2 for topic guide). Bryman (2016) suggests that focus groups can be problematic when participants fail to attend on the day. However, only one of the five confirmed participants was unable to attend on the day of the meeting. Bryman also contends that smaller groups are helpful when the topic is complex and/or controversial

and when it is likely that participants will have a lot to say on the topic. This proved to be correct and I was able to capture an extremely rich source of data on the aforementioned topics. Again, this was an exploratory sample rather than a representative sample of chairpersons; of the four chairs that participated, three were from larger HAs in the sector and one from a smaller community-based HA. The meeting was held in May 2019, lasted just short of 2 hours, and was digitally recorded and transcribed.

Finally, in November 2019, another focus group was held with eight members of the Housing Policy Panel (HPP). In 2017, the Independent Tenants' Organisation for Northern Ireland - Supporting Communities - established a HPP comprised of tenants/residents living in social housing (estates) in Northern Ireland. The HPP acts as a consultative body for the DfC on housing policy related matters. Views were sought from members on board diversity within the HA sector, the appetite for tenants to be involved in formal governance structures and on the ways in which social landlords provided accountability. The meeting lasted 2 hours. Hand-written notes were taken during the meeting (see appendix 4.3 for a summary record of the stage 1 data collection process).

4.5.2 Stage 2: Chief Executive (CE) Surveys

At the outset of the study, a lot of discussion reflected on the merits and demerits of reissuing two surveys that my principal supervisor and I had designed and used for a study on HA governance in 2015. There was also some discussion about the potential advantages and disadvantages of employing the Delphi Panel methodology (Hsu and Sandford, 2007). One draft version of the research design included this as an option.

However, because of the stratified complexity of the research, coupled with time limitations, the final methodology opted for a one-off CE survey (rather than multiple rounds as per the Delphi technique). Qualtrics software was used to design the survey, which comprised four sections and a total of twenty-six questions. Schrauf and Navarro (2005:2) state that it is often better to “*simply use an existing scale as it stands*”, therefore the majority of scaled questions replicated those from Delphi studies undertaken by my supervisor (Mullins et al, 2003). These tried and tested questions sought aggregated data on organisational values, influences, and priorities and were complemented by some questions that sought to glean statistical data on each HA. Qualtrics enabled the survey to be displayed and completed using desktop computers, laptops, and mobile phones, which proved more cost and time effective than other survey methods (Wright, 2005).

According to Robertson (2008:184) “*piloting should reveal any existing ambiguities and/or difficulties with either specific questions or the interviewer's instructions. It will also give you an indication of just how long it takes to complete the questionnaire*”. A pilot exercise was conducted with housing and research specialists in advance of the survey’s wider dissemination. This exercise established that the survey took approximately 20 minutes to complete and it resulted in some slight amendments to the covering letter and question wording, although it was also commended for its professional look and clear instructions (see appendix 4.4). Administered by NIFHA to all CEs in the sector, the survey included a covering email and a copy of the PhD project outline. Thus, no sampling strategy was required. After some follow up phone calls and an email from the PhD external adviser, 20 CEs completed the survey between May and July 2019 (securing a 100% response rate). Results from stages 1

and 2 were then analysed and a scoping paper¹⁶ produced and circulated to stage 1 and stage 2 participants along with a number of discussion topics (see appendix 4.5). The theme of private housing market diversification emerged from some detailed discussions with HA CEs, which was then pursued through stage 3 of the data collection process.

4.5.3 Stage 3: Case Studies

Prior to direct engagement with both case organisations, the researcher perused publicly available information on each HA's website and searched for press articles on recent development activities. An email request was then sent to the two CEs for relevant case literature. Some of the information requested was commercially sensitive and only released after non-disclosure agreements (NDAs) had been signed between the case organisations, the researcher, and the University of Birmingham (UoB). In practice, this meant that there was some overlap between the strategic documentation review and the first round of interviews with senior management teams (SMTs). According to Saunders et al (2019), documents are secondary sources that can be used to analyse critical incidents and decision-making processes or to evaluate organisational strategies. In this study, the documentation review initially helped me to familiarise myself with each HA's strategic positioning, and to partially inform the topic guides for interviews with SMTs. As the case research progressed, these data sources were used to triangulate and corroborate the reliability of other collected data (see section 4.7). Some of the reviewed documentation included: corporate strategies, business plans, annual reports, auditors' reports, development strategies, risk

¹⁶ The Scoping Paper analysed the stage 1 stakeholder interviews and stage 2 descriptive statistical data, which are presented in Chapter 5.

registers, tenant involvement strategies, external governance reviews, and specialist advice.

According to Leblanc (2004), greater use of qualitative research - including board observations and interviews with directors - is needed to advance knowledge of corporate governance. He argues "*how, when and why boards act, or fail to act, is best determined by observing boards in action, in real time, and by engaging in depth interviews and intense dialogue with directors themselves*" (p.437). Hence, the case research commenced with a round of semi-structured interviews with SMTs and ended with a second round of interviews with board members. As above, topic guides for SMTs were partially informed by the strategic documentation reviews, while board member topic guides were informed by observations and tailored to each members' board role and specific expertise. Topic guides served as a checklist, however, the wording and order of questions were often changed according to how the conversation flowed (see appendix 4.6 for a sample board member topic guide). 'Strategic decisions' provided tangible reference points for discussion, although sometimes unplanned questions were added to follow up on points made by interviewees. Also, at the end of each interview, senior executives and board members were asked to characterise social and commercial logics within their organisations. This was a pre-emptive question in advance of the study's theoretical construction, with responses analysed alongside and reinforcing the feedback from the stage 4 validation seminars in Chapter 8.

Interviews with SMTs were straightforward to organise, all of which took place at the head offices of each HA. Board member interviews were more difficult to organise and, in one HA, it was only possible to interview four members against a target of six. Venue

locations ranged from HAs' head offices, board members' place of employment, cafes, and the final one took place by telephone at the onset of the coronavirus lockdown period. Background questions on participants' current and previous roles and what motivated them to volunteer for a HA board role were used to kickstart the interview. These questions were designed to 'break the ice' and create a relaxed atmosphere so that participants would be more forthright and candid when questioned on specific organisational tensions. The main body of questions were worded to glean board members' own opinions. There was no attempt to ask board members to speak on behalf of their HA or on behalf of the board, nor did they purport to. In total, twenty-two interviews were conducted across the two HAs, with an equal number of executive and non-executive participants. Thirteen of the total interviews related to Radius HA (RHA) (6 executives and 7 non-executives) and nine related to Choice HA (CHA) (5 executives and 4 non-executives). All but one of the interviews were digitally recorded, giving a total recording time of 23 hours and 25 minutes. Recordings were professionally transcribed, totalling 241,189 words or 731 pages (see appendices 4.7 and 4.8 for summary records of the SMT and board member interviews).

Non-participant observation is used extensively in case study research to "*observe events, activities, and interactions with the aim of gaining a direct understanding of a phenomenon in its natural context*" (Liu and Maitlis, 2010:609). It is commonly used to study NHS primary care trust, foundation trust, and self-governing boards in England (Sheaff et al, 2015; Freeman et al, 2016). In this study, observations ended when theoretical saturation had occurred, and further observations added little more to my understanding of logic tension and logic management. However, one of the inherent challenges of this method is the so-called 'observer effect', which occurs when the

researcher's presence affects the behaviours of those being observed (see section 4.7.1 for more on the observer effect and the measures taken to counteract its likelihood of producing unreliable data). Moreover, researcher bias can occur when researchers subjectively interpret events. As unconscious bias can be difficult to guard against, the researcher held Zoom sessions with the CE of CHA and the Director of Development (DD) in RHA after the case data had been collected and analysed. These sessions were used to validate the researcher's interpretation of the observed and self-reported data prior to the stage 4 validation seminars and resulted in some changes (see Chapter 9). Over the eight-month observation period, eighteen meetings were observed across the two case organisations (in between the two rounds of SMT and board member interviews). This included twelve board meetings, five sub-committee meetings and one board strategy morning. Seven of the meetings related to RHA (case 1) and eleven to CHA (case 2). This difference was more to do with how the two HAs structured their activities rather than issues of restricted access or flaws in the methodology. As above, I was able to track some strategic discussions and decisions from their inception at development committee stage through to formal board ratification using the CIT methodology. All but two of the observed meetings took place in their natural boardroom setting. As a result of the coronavirus pandemic, which occurred as the case research entered its final few weeks, the final two observations took place by teleconference and Zoom.

Board/committee papers were read in detail in advance of each meeting, which enabled the identification of agenda items that pertained to private housing market diversification. During these meetings, descriptive notes recorded information about these 'strategic' discussions, including the nuanced contributions made by - and

dynamic interactions between - individual board members. A more complete account of the observation notes was produced promptly after each meeting and then subsequently triangulated with the official minutes when they were published shortly after the meetings. All eighteen observations took place between September 2019 and April 2020.

4.5.4 Stage 4: Case Focus Groups

The final leg of the four-stage methodology comprised two focus groups or 'validation seminars' with the boards and SMTs of RHA and CHA. In both cases, sessions were conducted via Zoom in late April 2021. Prior to each session, the CEOs of RHA and CHA had commented on and approved the case reports. Therefore, the purpose of these sessions was not to seek approval of the detailed case findings and theory, but rather to focus on their validation. The session with CHA formed part of the association's board strategy morning. A twenty-minute presentation was delivered to the twenty-eight executives and non-executives in attendance, followed by some comments from the organisation's Honorary President and CE. Due to the limited time available for discussion, this session focused on seeking validation of the study's emergent theoretical framework (Chapter 8 - along with some interview questions from stage 3). In terms of RHA, the validation seminar was a standalone event. A thirty-minute presentation was delivered to the eighteen executives and non-executives in attendance, followed by a discussion with the CE, chair, six board members, and a former chair¹⁷. As this session was not aligned to any existing board business, there was ample time to discuss the research findings (stages 1-3) and the study's emergent

¹⁷ The former chair had been chair during the research period and was invited by RHA to attend the validation seminar.

framework. These sessions with RHA and CHA helped to address Kempster and Parry's (2014:108) argument that grounded theorists fail to use the knowledge of research subjects to validate "*the plausibility and practical adequacy of emerging theory*". In conclusion, table 4.3 maps the research methods against each of the study's research objectives. Section 4.6 then examines how the data was analysed.

Table 4.3: Research Objectives and Methods

Research Objectives	Research Methods				
	Documentary /secondary analysis	Semi-structured Interviews	Focus groups	Online surveys	Non-participant observation
Literature review					
1. To chart the evolution of the HA sectors in England and Northern Ireland to foreground socio-historical and housing policy differences, integral to the study's grounded research design.	X				
Scoping study					
2. To analyse the main values, priorities and influences that shape board decision-making in the Northern Ireland HA sector.		X	X		
3. To examine drivers of organisational change in Northern Ireland's two largest HAs and identify key tensions that stem from the co-enactment of both social and commercial logics.				X	
In-depth case research					
4. To explore how the boards of Northern Ireland's two largest HAs manage tensions that stem from their pursuit of social and commercial logics.	X	X			X
Analysis & Theory Building					
5. To advance knowledge of organisational change drivers, tensions, and responses by building a theoretical framework, through which hybrid HA functioning can be understood.			X		

Source: Author's own

4.6 Data Analysis

This section presents the approach to data analysis for all stages of the research. In terms of structure, it is easier to deal first with the qualitative analysis for stages 1 and 3, before moving on to discuss the quantitative techniques used to analyse the stage 2 CE survey. As stage 4 comprised validation of the study's emergent framework, no systematic approach to data analysis was required.

Qualitative researchers often conceive data collection and data analysis as simultaneous and interrelated processes (Corbin and Strauss, 1990). However, Bryman and Burgess (1994) argue that qualitative researchers often exaggerate the extent to which data analysis forms a separate process in quantitative research. For example, survey question construction requires consideration of the types of analysis that can be conducted with the data. However, it is true that quantitative data analysis tends to be a more discrete process, compared to the constant interplay between data collection and analysis in qualitative research. This means qualitative data analysis can be a complicated process, particularly as data sets are invariably "*voluminous, unstructured and unwieldy*" (Bryman and Burgess, 1994:216).

Grounded analysis is a common framework frequently used by qualitative researchers to structure and analyse large data sets and provide research audit trails (Guba and Lincoln, 1981). Although usually considered an inductive approach, grounded analysis in this study was retroductive in that the stage 1 and 2 scoping data was analysed and used to inform the case study selection and design. Whenever the in-depth case data was analysed, it was then validated through board focus group sessions and linked back to the sectoral data in stages 1 and 2. Corbin and Strauss (1990) state that

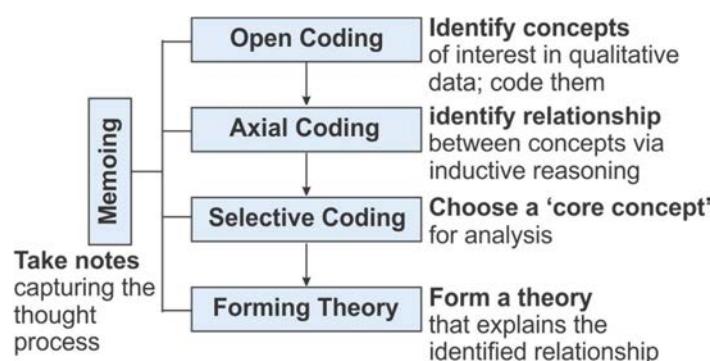
collecting additional data before analysing previous datasets can: (1) make theoretical sampling difficult if not impossible to achieve; and (2) researchers may feel overwhelmed when faced with large datasets to analyse. Another fundamental principle of grounded analysis is the method of ‘constant comparison’. This is a process whereby collected data is checked for similarities and differences against analytic codes to ensure consistency. Two key features aided the process of constant comparison, namely ‘analysing within-case data’ followed by ‘searching for cross-case patterns’. Once the data had been analysed for both RHA and CHA, categories from each were juxtaposed to search for conceptual similarities and differences and to enhance the reliability and accuracy of the emergent concepts on tensions and tension management. The next paragraph explains in more detail how the data was coded and analysed.

In stage 1, Charmaz’s (2014) two-phase approach to data coding was adopted. The ‘initial coding’ phase identified eighteen influences on board decision-making, which were then synthesised and integrated into three ‘focused’ categories: state, market and societal influences (Chapter 5). For the more voluminous case data in stage 3, Glaser and Strauss’ (1967) three-stage approach to grounded analysis was adopted (see figure 4.3 below). This resulted in the identification of seven ‘first order’ tensions (Chapter 6) which were categorised into three axial themes. The final selective coding stage takes place in Chapter 8 where the tensions are compared with paradox theory’s extant typology of organisational tensions, namely organising, belonging, performing, and learning paradoxes.

Qualitative data from stage 1 was analysed manually whereas Nvivo software was used to aid the case data in stage 3. Nvivo offered several advantages over the manual

process, including its ability to handle and store large volumes of data in one location. It also prompted detailed analysis of all data sources on a line-by-line basis. First, the data was coded within each case using *nodes*, which are defined as “*a collection of references about a specific theme, place, person or other area of interest*” (Bryman, 2016:605). Nodes from the ‘open coding’ stage were then refined and hierarchically integrated into ‘axial’ codes. Whenever I compared the data to paradox theory’s typology, these were then used as the ‘selective codes’. The main downside to the software analysis was that it took time to become proficient in its use, although the coronavirus lockdown period in 2020 presented an opportunity to learn this new skill. It should be noted, however, that this approach is not a quick and easy method for conducting analysis (Bryman and Burgess, 1994). Software packages do not actually do the analysis and “*they cannot perform the creative and intellectual task of devising categories*” (Mason, 1994:108). I still needed to identify the codes and establish connections between them as the software did not process the data like SPSS did for the stage 2 CE survey data (see below).

Figure 4.3: Three-stage approach to Grounded Analysis



Source: Dillon (2012)

Finally, in terms of quantitative data analysis, Likert scales used in stage 2 CE survey were analysed using two different statistical tests. First developed in the 1932 by Rensis Likert, the five-point bipolar scale was used to provide ordinal-level measurements of an individual's attitude (Neuman, 2014; Singh, 2007). Since then, they have become one of the most frequently used formats for measuring attitudes. Respondents are typically asked to indicate their level of agreement with a series of statements that use a multiple-item measure. Response variables are generally referred to as *items* rather than *questions*, which measure respondents' perceptions about certain issues (Bryman, 2016). In this study, the scales measured CEs' views on organisational values, influences and strategic priorities.

The quantitative analysis was all performed using SSPSS software, although the figures were produced in Microsoft Excel. Quantitative data types can be divided into two groups: categorical and numerical. Categorical data cannot be measured numerically, but rather it is classified into specific descriptive categories or rank ordered (Saunders et al, 2019). Likert scales produce ordinal variables and some scholars assume that these ordinal categories constitute interval-level measurement (Blaikie, 2003). One reason for analysing ordinal data as numerical is that parametric statistical tests are more powerful (i.e. more likely to find a difference if one exists) and easier to interpret than nonparametric tests (Allen and Seaman, 2007). Nevertheless, the treatment of ordinal data as interval scales is a controversial practice (Knapp, 1990). This is because the mean and standard deviation are inappropriate parameters for ordinal data sets. In other words, the distance or "*intervals between values cannot be presumed equal*" (Jamieson, 2004:1217). For example, when values are presumed equal, the 'difference' between a rating of 'neither important nor unimportant and

'important' is the same as the difference between 'important and very important'. However, there is no way to measure or verify this. Therefore, it was agreed that the CE scaled responses should be treated as ordinal data. In doing so, the survey's scales were analysed using nonparametric procedures based on median (interquartile range). BiPolar scales contained 7 values ranging from 1 which indicated a strong preference for the item on the left-hand side of the scale, 7 for the item on the right and 4 indicated no preference. Likert scales assigned values from 1 (very unimportant) to 5 (very important), with a score of 3 indicating neither important nor unimportant. Other general questions summarised 'descriptive' statistics (e.g. number and type of properties) as frequency (percentage) and were presented using pie charts and tables. A second statistical test - the Mann-Whitney U test - was performed to compare CE responses between developing and non-developing HAs with $P<0.05$ taken to indicate significant differences between the two. Section 4.7 now reflects on the robustness and academic rigour of the study's approach to data collection and data analysis assessed against three key methodological concepts: reliability, validity, and generalisability.

4.7 Reliability, Validity and Generalisability

Reliability, validity and generalisability are important methodological concepts conventionally used in quantitative research. Some scholars contend, however, that these concepts are less important when undertaking qualitative case study research (Ryan et al, 2002). Denscombe (2017) argues that it is virtually impossible for other researchers to produce identical data and even identical conclusions because it is difficult to replicate social settings and the intimate involvement researchers have in the data collection and analysis process. Nevertheless, consideration is given to each

of the three concepts, firstly, for the qualitative research gathered in stages 1 and 3 and, secondly, for the CE survey in stage 2.

4.7.1 Qualitative Rigour

Qualitative research is often criticised for its lack of reliability (Baker, 1994). Reliability in this context is concerned with the accuracy and consistency of the data collection methods and data analysis procedures. Research is considered reliable when researchers can replicate research designs at a different point in time and/or in a different context and achieve the same findings (Saunders et al, 2019). Some commentators contend that no method is fool proof and therefore the researcher's objective should be to maximise reliability (De Vaus, 2001). Moreover, reliability can be undermined by researcher bias, primarily because interpretive research is often affected by a researcher's positionality (Thomas, 2017). According to Denscombe (2017), there are two positions that qualitative researchers can adopt in respect of objectivity and their own involvement in the research process. At one end of the spectrum, "*the researcher's identity, values and beliefs play a role in the production and analysis of qualitative data and therefore researchers should be on their guard to distance themselves from their normal, everyday beliefs and to suspend judgements on social issues for the duration of their research*" (p.300). With this position, researchers attempt to detach themselves from the research process so that their investigations are not clouded by personal biases. At the other end, "*the researcher's identity, values and beliefs play a role in the production and analysis of qualitative data and therefore researchers should come clean about the way their research agenda has been shaped by personal experiences and social backgrounds*" (p.300). This position requires a more reflexive account of the researcher's influence on the research

to the extent that many qualitative researchers now readily accept that some “*biographical details about the researcher warrant inclusion as part of the analysis*” (p.301). In this study, I adopted the former position to prevent personal biases, insofar as possible, from prejudicing the results. However, as bias may be unconscious, my positionality in terms of biographical and professional background is outlined in section 1.4 (Chapter 1). In many ways, this shapes my worldview and my identity as a researcher.

Direct observation “*permits a lack of artificiality which is all too rare with other techniques*” (Robson and McCartan, 2016:320). However, the presence of the researcher can affect the dynamics of organisational behaviour (Irvine and Gaffikin, 2006) and how groups operate (De Vaus, 2001). This can make objective and accurate analysis of any social phenomena difficult. For example, a series of experiments conducted in the 1920s and 1930s at Western Electric’s Hawthorne Works in Chicago sought to determine the effect of alterations in light intensity (and other variables) on workers’ productivity during their shifts. In the 1950s, Landsberger (1958) coined the term ‘Hawthorne Effect’ when he realised that short term increases in productivity had occurred not because of the study’s experimental variables, but because increased attention from supervisors had had a positive effect on employee motivation. The Hawthorne Effect was later defined as “*the tendency for people to behave differently when they know they are being studied*” (Davis and Shackleton, 1975:55). It is otherwise referred to as the ‘researcher effect’, ‘observer effect’, or ‘reactivity’. Since these original experiments, various studies have cast major doubts about the existence of the Hawthorne Effect. Kompier (2006) even states that “*there is no proof of a Hawthorne effect in the original data*”. On the contrary, Monahan and Fisher (2010)

stress that 'observer effects' and staged performances can generate valuable insights into social and/or cultural phenomena and should not be regarded as a weakness. In other words, observations do not constitute results themselves but need to be interpreted. Self-censorship is another way in which the observer effect can manifest itself. Although some board members in one of the case organisations stated that they were too busy to meet over a two-month period, a more cynical view might suggest an element of self-censorship or an unwillingness to have their views 'scrutinised' by the researcher. Nevertheless, I managed to interview those board members who had greater involvement in the two private subsidiary companies. With three of the four interviewed board members from CHA having private sector backgrounds, non-response error cannot be ruled out. That is where non-participants from different backgrounds might have had different viewpoints in relation to those who did participate. However, CHA's 28 executive and non-executive members who attended the stage 4 seminar, agreed that the study offered a plausible theoretical explanation of the CHA's approach to private housing market diversification.

Two well-established practices help to counteract the 'observer effect', namely *minimal interaction* and *habituation*. In terms of the former, the adoption of unobtrusive data collection methods meant that I did not participate in any of the discussions or interact with any of the members during meetings in stage 3. In terms of habituation, Saunders et al (2019:398) suggest that research subjects need to "*become familiar with the process of observation so that they take it for granted and behave normally*". The eight-month observation period was deemed sufficient for this purpose. Moreover, case participants set the board/committee agendas, which focused on matters that were of importance to the organisation and not the researcher. Finally, it is believed that the

level of seniority and professionalism of those observed mitigated against the observer effect and my presence in the boardroom.

In terms of the qualitative data analysis, the study's reliability was enhanced by transcribing interviews in full (Silverman, 2005), which were then analysed along with the observation notes and documentary evidence. The adoption of systematic grounded analysis principles using Nvivo software and the direct quotations in chapters 5, 6 and 7 are intended to assuage well-documented criticisms about the reliability of observational data and how it is analysed (Teasdale, 2010).

Validity relates to the 'appropriateness' of the research in terms of whether the research questions are appropriate to achieve the desired outcome; whether the methodology and choice of methods are appropriate to address the research questions; whether the approach to data analysis is appropriate; and whether the results and conclusions are appropriate to the research sample and context (Leung, 2015). It also refers to a process whereby interpretations of the data are validated by other forms of data and/or by the research participants (Corbin and Strauss, 1990). Two validation techniques used in this study helped to establish the veracity of the data, namely: *triangulation* and *participant validation* (Saunders et al, 2019). In terms of triangulation, the researcher used multiple data collection methods and multiple sources of evidence to verify the trustworthiness of the data (Blaikie, 1991). Despite these triangulation routines, Hakim (2000:45) argues that qualitative researchers do not have established protocols "*that put subjective misunderstandings to a stiff enough test*". Therefore, participant validation was used in the form of a scoping paper for stages 1 and 2 of the research and in the form of focus group validation seminars in

stage 4. These validation techniques helped corroborate the factual accuracy of the study's findings and the credibility of its theoretical interpretation and explanation.

In terms of generalisability, case study research is often criticised on the basis that its findings are not statistically generalisable nor transferable from one context to another (Gerring, 2007). However, although individual case studies are unique and inherently context specific, they can also be microcosms of much broader social phenomena. Therefore, the goal of case research is often to provide theoretical rather than statistical explanations. Yin (2014:21) emphasises this point explicitly when he states:

"The short answer is that case studies, like experiments, are generalisable to theoretical propositions and not to populations or universes. In this sense, the case study, like the experiment, does not represent a 'sample', and the investigator's goal is to expand and generalise theories (analytic generalisation) and not to enumerate frequencies (statistical generalisation)".

Analytic generalisation is also referred to as the business of 'particularisation' (Stake, 1995), 'external validity' (Calder et al, 1982; 'comparability' (Tsang, 2013), 'rationalistic generalisation' (Bengtsson and Hertting, 2014) or 'transferability' from one context to another (Lincoln and Guba, 1985). Bengtsson and Hertting (2014) posit a logic of generalisation which they label 'thinly rationalistic social mechanisms'. These ideal-type mechanisms are derived from empirical observations in single case studies and are then used as a 'generalising bridge' to other social contexts. Existing theory is then used to examine these other contexts, which can invite modifications to the theory, further refinement, or even rejection (Ryan et al, 2002; Stake, 1995). Theoretical sampling enhanced this study's external validity. Cases were strategically selected due to their potential for analytic rather than statistical analysis. In other words, they were chosen because they had begun to diversify into private housing markets. Moreover,

cross-case analysis of the strategic tensions and responses by RHA and CHA provided robust and cogent external validity, more so than if just one HA had been studied.

4.7.2 Quantitative Rigour

Bearman-Brown and Saunders (2007) state that when data can be collected from every member of the research population, it eliminates any need to consider sampling issues. It also removes the challenges posed by reliability, validity, generalisability, representativeness, and researcher bias. They acknowledge that this approach is not easy but encourage researchers to consider whether using every case in the population is more worthwhile than a sample of cases. In this respect, the CE survey set out to gather data from every CE in the Northern Ireland HA sector. This census approach removed the need for a sampling strategy. Additionally, multiple-indicator scales can be prone to response sets, otherwise referred to as response bias. This occurs when respondents “*answer a large number of items in the same way (usually agreeing) out of laziness or a psychological predisposition*” (Neuman, 2014:233). Bryman, (2016) suggests that the two most common forms of response sets are those known as ‘acquiescence’ and the ‘social desirability effect’. With acquiescence, respondents tend to consistently agree or disagree with the scaled items and with social desirability bias, respondents tend to answer questions related to their perception of what might be considered more socially desirable. Several measures were taken to offset the potential for response bias. First, the Likert and BiPolar scales were limited to five and seven response categories, respectively. Nunnally (1978:521) reported that reliability “*tends to level off at about seven, and after about 11 steps, there is little gain...from increasing the number*”. Second, the Qualtrics software produced an overall ‘expert review’ score of ‘fair’ meaning that the survey was intuitive

and relatively easy to complete. Third, the survey adopted tried and tested Likert questions that had been used in several Delphi studies of UK and Irish HAs. Fourth, the survey's functionality, design and instructional information were all improved after a pilot exercise with numerous research specialists and housing professionals. Survey responses showed no indication of response bias. The next section considers the ethical guidelines that guided the research, including access to research participants and cases, informed consent, anonymity, and confidentiality.

4.8 Research Ethics and Confidentiality

4.8.1 Access, Informed Consent and Anonymity

Research ethics relate to the moral guidelines that guide the research from its inception to completion (ESRC, 2015). Two separate ethical review applications were made to the UoB's Ethics Committee in February 2019 (ERN19-0269) and August 2019 (ERN19-1419). The first related to stages 1 and 2 of the study and the latter to stages 3 and 4. There were no familial or close relationships with any research subjects at any point in the entire study. However, some of the research participants were known in a professional capacity and several had been interviewed as part of earlier studies. One of the challenges in conducting research on corporate governance is the difficulty of negotiating access to the 'black box' of the boardroom (Leblanc, 2004; Pettigrew and McNulty, 1995; Zahra and Pearce, 1989). According to Saunders et al (2019) organisational researchers are more likely to gain access if they use existing contacts. As part of the ESRC funding application, the Chair of NIFHA, Dr John McPeake, agreed to act as an external adviser to the study. Dr McPeake was instrumental in securing participation in the Chairpersons' focus group, the CE survey, and in

smoothing access to the case study organisations. This eliminated the need for any recruitment advertisements.

Saunders et al's (2019) typology of access can be applied to this study, characterised as 'traditional access' (stage 1), internet-mediated access (stage 2) and multi-organisation access (stages 3 and 4). In terms of consent, all participants were provided with a 'project outline and key aims' summary (appendix 4.9). Each participant also received a Participant Information Sheet (PIS) (appendix 4.10) which *inter alia* addressed the reasons for and benefits of participation and provided assurances around anonymity and confidentiality. After reading the PIS, participants were then asked to sign a consent form prior to participating in the research (appendix 4.11). The same protocol was adopted for the CE survey, although the consent guidelines were embedded in the electronic survey (appendix 4.4). Participants were assured that any comments made during the interview would not be attributable to them in research outputs but instead "*the data will be allocated codes to enable thematic analysis*". Furthermore, participants had the opportunity to withdraw their contribution up to twelve weeks after stage 1 and four weeks after stage 2 had been completed, after which the scoping paper was produced. In terms of stage 3, participants could withdraw their contribution up to eight weeks after it had taken place. In the event of this request being exercised, participants were advised that they did not have to provide a reason for the request and that all data would be permanently deleted. In practice, however, no participants requested to withdraw data. Consent for the board observations was negotiated through the two CEs and granted by the Chairs of both organisations. Case organisations also had the right to withdraw from the study although it was made clear that no one person should hold a veto. If RHA or CHA

wanted to withdraw from the study, it was requested that this be formally ratified by the board in the same way that access was granted. This offered a level of protection against any personnel changes during the course of the study. No financial compensation was offered to incentivise participation. However, there were some reciprocal benefits of participation, including opportunities for participants to think through and discuss the origins - and effective management - of organisational tensions.

4.8.2 Confidentiality and Data Storage

Confidentiality and anonymity are important concepts in research ethics. Although sometimes interrelated, the former "*relates to the protection of information supplied by research participants*" whereas "*anonymity involves protecting the identity of an individual or organisation by concealing their names or other identifying information*" (Bell and Bryman, 2007:69). In this study, anonymity covered all individual research participants. Both HA CEs agreed that the organisational identities of their group parent and subsidiary organisations could be used in the thesis and any academic outputs related to the thesis.

Corbin and Strauss (1990) state that researchers should make explicit to participants that all data will be stored confidentially, that identifying information will be removed from observation notes and interview transcriptions, and that all digital recordings will be deleted once the interviews are transcribed. One of the main risks of this study in terms of research ethics was that the researcher had access to commercially sensitive information and the ethical concern here related to the way in which this data was stored and managed. For both RHA and CHA, an NDA was drawn up and signed by

the UoB, the researcher, and each of the two HAs. This offered an additional source of protection for the two HAs against any misuse of commercially sensitive data.

Board documentation received in advance of meetings tended to be password protected by the HAs themselves. Hardcopies of confidential board material were shredded immediately after they had been read. Digital interview recordings, consent forms, and notes were held securely using university password protected software: 'Research Data Store'. Once recordings were transcribed, they were deleted and replaced with the typed verbatim. These remain held on the university system to be stored for at least 10 years for verification and audit purposes in accordance with UoB's research guidance. This approach to data management and storage protected the confidentiality of commercially sensitive data, the anonymity of the research participants, and ensured that no harm was caused to anyone involved in the research. Notwithstanding these ethical concerns, engagement with RHA and CHA was conducted in a spirit of collaboration and collegiality with no major issues.

4.9 Conclusion

The aim of this chapter was to clarify the methodological approach that was adopted to fulfil the study's research aim and objectives. Academic justification was offered for the research framework, including its philosophical assumptions, grounded methodology, CIT case study research design, and mixed methods. Consideration was given to the range of qualitative and quantitative methods used throughout the four-stage data collection process and how they related to each of the study's research objectives. Ultimately, the mixed methods approach enabled multiple perspectives to be captured across multiple levels of analysis, using multiple forms of evidence. Next,

the approach to data analysis was recounted, including use of manual grounded analysis procedures and computer assisted software to make this unwieldy process more transparent. Attention was paid to the concepts of reliability, validity, and generalisability to demonstrate the study's academic rigour. The most delicate aspect of this study was undoubtedly the management of commercially sensitive information, which was handled through carefully negotiated NDAs. Where relevant, chapter subsections also acknowledged the drawbacks and limitations of the chosen methodology. The next chapter reports and analyses the findings from stages 1 and 2.

Chapter Five: HA Values, Priorities and Influences

5.1 Introduction

This chapter builds on the sector analysis in Chapter 2 by providing empirical data on the drivers of change and organisational decision-making in the Northern Ireland HA sector. As highlighted in the previous chapter, this thesis has adopted a grounded methodology to take account of Northern Ireland's distinctive housing policy and political context. Therefore, section 5.2 commences with some important contextual information about the sector and its corporate governance arrangements. Section 5.3 then assesses the views of thirteen sector stakeholders, four HA Chairpersons, twenty CEs, and a panel of eight tenants and residents on the values, priorities, and influences that shape board decision-making. In conclusion, section 5.4 summarises the evidence, which is then used to inform the case subject (i.e. private housing market diversification) and strategic case selection in stage 3 of the research (Chapters 6 and 7). All data reported in this chapter were collected between March and November 2019.

5.2 Sector Background and Corporate Governance Arrangements

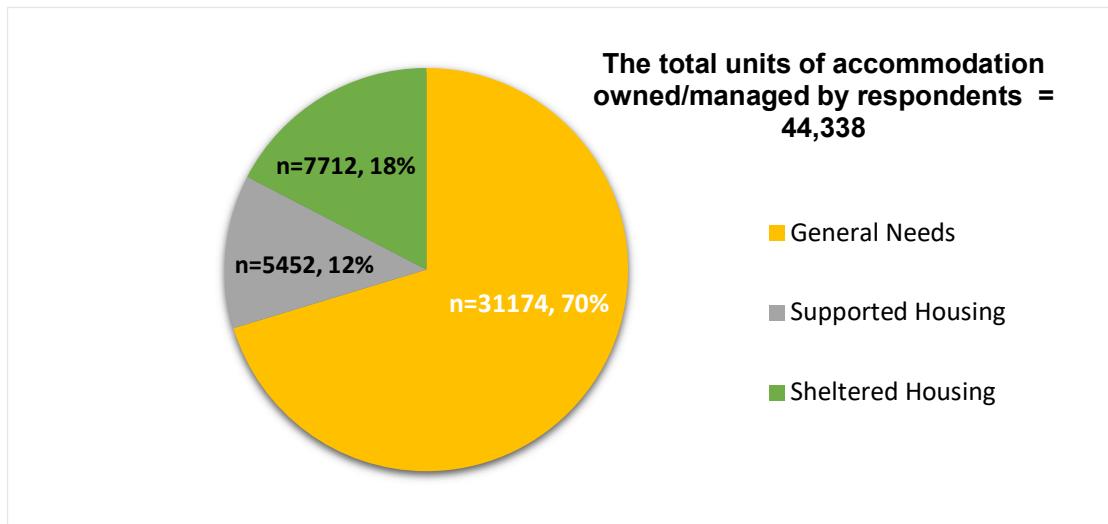
5.2.1 Contextual Background

For the reporting period 2018-2019, nineteen registered HAs in Northern Ireland collectively owned and managed 44,338 units of social housing accommodation¹⁸, the majority (70%) of which were general needs housing (figure 5.1). Thirteen HAs (65%)

¹⁸ This figure does not include Co-Ownership, which is a unique organisation operating a DIYSO (Do-It-Yourself) form of shared ownership where purchasers identify their home on the open market and apply to Co-Ownership. Currently, Co-Ownership has over 8,000 co-owners.

operated across the region, four (20%) identified as community-based, two (10%) as scheme-based, and one (5%) as community/scheme-based.

Figure 5.1: Social Housing Units owned and managed by Registered HAs in 2018-2019



Source: Author's own

Nine HAs each had over 1,000 units. The two largest accounted for over half of the sector's stock and the four largest for three-quarters of the overall stock. There were fourteen developing and six non-developing HAs, although four of the fourteen had not actively participated in the 2018-19 social housing development programme (SHDP). The four largest HAs accounted for eighty-three per cent (83%) of new social housing starts. In relation to the concentration of development activity in the largest four HAs, one stakeholder said:

"For the greater good of the sector and to meet social housing need, my hope is that the smaller and medium sized HAs will gradually ramp up development. It would be healthy for the share of the development programme that lies with the big four HAs to begin to gradually reduce. Now small and medium sized HAs have increasingly professional and focused boards that want to drive growth. I think that is a healthy and good thing" (TH1).

Five HAs (25%) reported that they had merged with other HAs since 2010. Although the housing regulator in Northern Ireland encouraged the initial wave of mergers following governance failings in the sector from 2009-2014, some sector stakeholders and HA chairs revealed that since 2014 mergers had been instigated by HAs themselves. Reasons included a desire to bolster private borrowing and explore new funding opportunities; achieve economies of scale; hire in-house expertise to satisfy regulatory and audit requirements; enhance the scale and complexity of new development; modernise information technology systems; improve customer service delivery; have the capacity to contract specialist consultancy services to advise on business operations; and to reduce the risk of consumer and/or contractor litigation. One HA chair and a third sector stakeholder also cited personal ego, a desire to be the biggest and best, and early retirement as reasons for HA instigated mergers:

"It (merger activity) is not driven by a government policy position. I think it's very hard to argue that it's driven by market factors. Too many times it is happening for expediency, for opportunity and complementary personalities, rather than anything more strategic" (Chairs' Focus Group).

"CEs had their eye on early retirement. Whatever the boards would say, it was a terrible reason for those HAs to merge. The packages (former CE name) and (former CE name) got were ridiculous. I was waiting for it to go on Stephen Nolan [BBC], but thankfully it didn't for the sake of the sector. There was a legitimate public interest in those (retirement packages) being shared. It was indefensible" (TH1).

Stakeholder views differed on the main drivers behind mergers. On the one hand, three participants in the Chairs' focus group - two who had been directly involved in mergers and one in the formation of an organisational group structure between two registered HAs - highlighted the community benefits of consolidation. One stated:

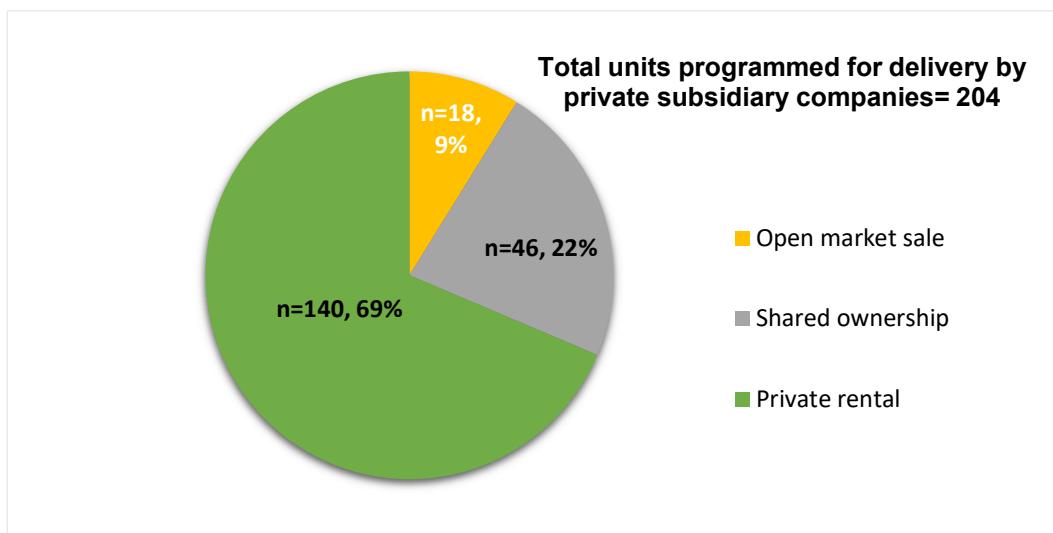
"We are doing a community investment strategy which either organisation might not have had the capacity to do alone. We are rolling out training and support and giving advice on welfare reform and working with local schools and communities. All of that is expensive to do. There's five people in that area now and we maybe had one person before" (Chairs' Focus Group).

On the other hand, one third sector stakeholder felt that the drivers behind mergers were more market orientated:

"It would be interesting to explore with those bigger HAs, what drove them to merge in the first place? My sense of it, is that it was probably about access to money and being able to get better deals with lending...a desire to make themselves more attractive commercially...I don't think the drivers were, 'if we were bigger in size we could provide a better service to our existing tenants'" (TH2).

Five HAs (25%) operated a group structure and one community-based HA was a group member. While the majority of HAs with 1,000+ properties in England are engaged in commercial activities (HCA, 2019), only four with more than 1,000 in Northern Ireland had private subsidiary companies set up to undertake commercial activities and only three of the four had active plans. One CE reported that the HA's private subsidiary company had 18 units planned for open market sale and 46 for shared ownership in 2018-19. Two other HAs reported a combined total of 140 units programmed for private rental (figure 5.2). Compared to their English counterparts, HA diversification into private housing markets in Northern Ireland is small-scale.

Figure 5.2: Units programmed for delivery by HAs' private subsidiaries in 2018-19



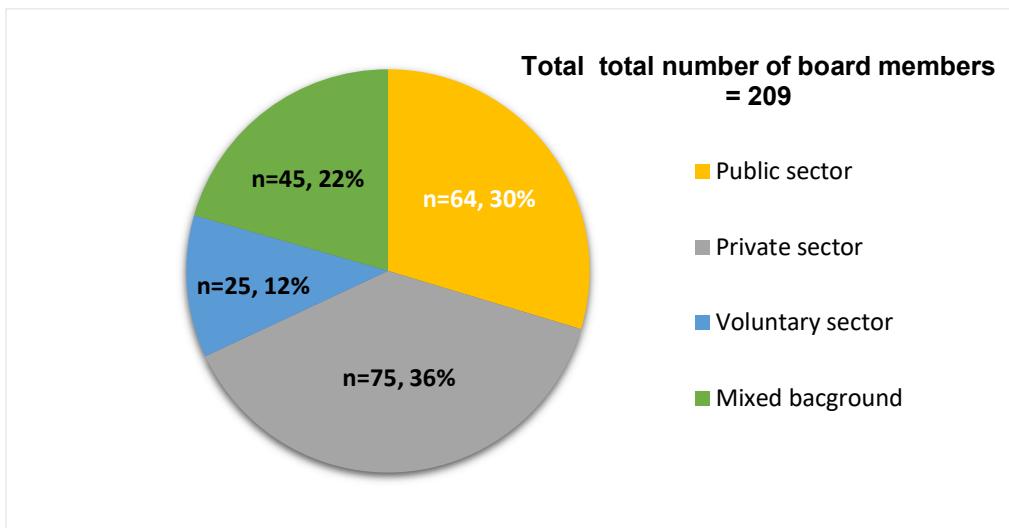
Source: Author's own

5.2.2 Corporate Governance Arrangements

Stakeholders reported significant improvements to corporate governance practices in the sector in the five years to 2019. Boards comprised an average of eleven members. In total, two hundred and nine board members served across the sector's nineteen HAs (excludes NICHA). Thirty-six per cent (36%) of board members had private sector backgrounds, thirty per cent (30%) had a public sector background, twenty-two per cent (22%) had a mixed sectoral background, and twelve per cent (12%) had a voluntary sector background (figure 5.3). According to one stakeholder, external pressure from regulators and funders had resulted in the recruitment of more board members with private sector backgrounds. However, the respondent cautioned against drawing conclusions about shifts in organisational culture based on sectoral background alone:

*"There's pressure to demonstrate to regulators and funders that you've got more private sector and commercial expertise. Sometimes that means you don't have as many people who understand housing management or social care etc. But then again, you've got to be careful not to oversimplify that. Our chairman's background is pretty much commercial and yet he has a strong social conscience. He is involved in the ** Church and that Christian faith shapes his attitude and strong sense of social purpose" (TH1).*

Figure 5.3: Principal sectoral background of board members across NI's nineteen HAs



Source: Author's own

Proportionally, tenant board members accounted for a marginal percentage of overall board positions (3%), with only seven serving across six HAs. One stakeholder described tenant directorships as "*out of favour*" (PR1) and another reported that HAs placed more emphasis on professional expertise due to the increased demands and technical knowledge required of board members. Members of the Housing Policy Panel (HPP)¹⁹ reported a lack of alacrity amongst tenants and residents to join HA

¹⁹ In 2017, the Independent Tenants' Organisation for Northern Ireland, Empowering Communities, established a Housing Policy Panel comprised of tenants/residents living in social housing (estates) in Northern Ireland. The Panel acts as a consultative body for the DfC on social housing policy related matters.

boards for various reasons. These included: boards being “middle-class operations”, “a fear of technology”, “a reluctance to shoulder responsibility”, “a lack of confidence”, “tenant vulnerability”, “a need for training and education”, and “the time commitment involved”. Some HPP members stated that tenants had more influence on sub-groups/committees or by getting involved in grassroots initiatives rather than serving on the main boards of HAs. However, one suggested that the *“lived experience of being a social housing tenant”* should be reflected in HA board compositions as *“this helps to keep the board grounded”*. One third sector stakeholder stated:

“Tenant board membership is such an important skill. If you don’t have that skill and all you have around the table is bankers, they have no idea that £120 per week is too much rent. That’s where the real lived experience is invaluable. There’s a hierarchy of expertise and a sense that tenants don’t have the expertise to be around the board table. That’s not true. They have a different expertise, but how do you dispel that idea that one type of expertise is of greater value than the other” (TH2).

One HPP member voiced their desire for HA boards to hold meetings in communities across Northern Ireland *“to see what’s happening on the ground instead of sitting in boardrooms and making decisions”*. More generally, HPP members were in agreement that tenant involvement activities had improved across the sector since the introduction of the Tenant Participation Strategy 2015-2020. This was also acknowledged by one third sector stakeholder whose organisation worked closely with tenants and residents across Northern Ireland:

“For the last 5-6 months, we have taken the HPP around different HAs and they have presented what they do in terms of community engagement. That has been eye opening, particularly for NIHE tenants. They see that HAs are doing as much as, if not more in some cases, than the NIHE” (TH3).

However, while HAs have made significant improvements to tenant engagement since the publication of the DfCs' tenant participation strategy, there was a sense that the sector still has more work to do when it came to the involvement of tenants in more formal decision-making roles:

"One of the things the sector is still grappling with is the whole issue around the tenant voice and tenant influence in governance. I think HAs are still grappling with how to give tenants a meaningful input into the services they receive. How do they allow them to shape services? Obviously, all HAs have to demonstrate that they abide by the DfCs' tenant participation guidelines, but I think that is one area where we are still weak" (TH1).

CEs indicated that there had been a shift from informal to formal-based methods of board recruitment²⁰. Positions were openly advertised and informed by skills audits. Some HAs sourced new members through executive recruitment agencies and the *Business in the Community* coalition²¹. Some stakeholders lauded the calibre of new board members (recruited post 2015) but voiced concerns that non-payment had discouraged potential candidates. Several smaller HAs reported difficulties in recruiting new members and had multiple board vacancies. One private sector stakeholder opined that remuneration was needed to reflect the duties and responsibilities of board members:

"In time I think they will have to pay trustees of HAs because of the levels of risk and the commercial decisions they have to make. If you want the right people with the right skills and right experience, you are going to have to pay them" (PR1).

A sector study in 2015 found that almost half (45%) of board members were retired from paid employment. Fifty-seven per cent (57%) were aged 45-64, 32% aged 65+, and only three per cent (3%) younger than thirty-five (Shanks and Mullins, 2015).

²⁰ In 2015, informal methods of board recruitment predominated in the Northern Ireland HA sector

²¹ Business in the Community is a collective of over 260 members. It is the largest business-led coalition dedicated to corporate responsibility in Northern Ireland.

Stakeholders reported anecdotally that the profile of board members had changed significantly, with more younger members in paid employment. Changes to the age profile and employment status were reportedly precipitated by the implementation of the DfCs' nine-year maximum tenure limit. However, members at the Chairs' focus group advocated for a balance between board members in employment (who possess up-to-date knowledge and skills) and retired members (who are skilled and have greater availability).

"The age profile of boards has changed significantly. In the past, it was mainly retired people; some had great experience and their hearts were in the right place. What you've got now is an economy and world that is changing at an incredible speed and unfortunately some retired people are no longer able to perform the role. Board members don't do the role now just because they are retired and have time on their hands. What you've also got is a lot of large corporates with CSR policies. For example, I've got time to give to organisations, so I'm sitting on an autism charity board. My employer tracks all of that. Therefore, through me, they have given to charitable causes" (PR2).

Stakeholders reported that new board members tended to be more self-aware and better informed about corporate governance. Chairs also reported that extensive training programmes had been delivered to board members, informed by skills audits and self-identified training needs. Some CEs reported having strategic sessions prior to each board meeting and at Board Away Days.

"There are people coming onto boards who are much better informed now through initiatives such as the trustee network at CO3, Boardroom Apprentice by Strictly Boardroom and the good governance awards that NICVA's Developing Governance Group hold every year. There are private sector suppliers like us trying to raise awareness, along with NICVA's governance effort, and the work of the Charity Commission and NIFHA. People are starting to get it now much more than 10 years ago" (PR3).

However, despite extensive board training, one stakeholder expressed concern about the skills variance on boards in respect of financial management and about the tendency for board members to defer to those members with financial expertise:

"On nearly all boards, there is one finance person. Everyone defaults to that person and they might not be that strong on finance. We need to avoid thinking that we have one person with expertise in this discipline or that discipline. HAs might have borrowings of a couple of hundred million pounds and everyone is saying to the finance person: "Do you think that is alright?"' (PR2).

Moreover, a legal expert raised concerns about the sub-optimal awareness of the legal frameworks and ethical guidelines that relate to HA corporate governance, particularly around charity law and managing conflicts of interest when using trading subsidiary companies:

"In my experience, board members don't have a high level of knowledge about the fact that they are charity trustees and a member of an I&P society - now a Community Benefit Society. Some of them thought they were company directors. That's possibly where people get confused, especially if you recruit board members from the private sector and they don't get proper training or induction. Also, with commercial subsidiaries, conflicts of interest can arise but there is such a lack of awareness about how to manage them" (PR3).

Now that important contextual data on the Northern Ireland HA sector has been presented, section 5.3 assesses the key values, priorities and influences that shape and inform board decision-making in the sector.

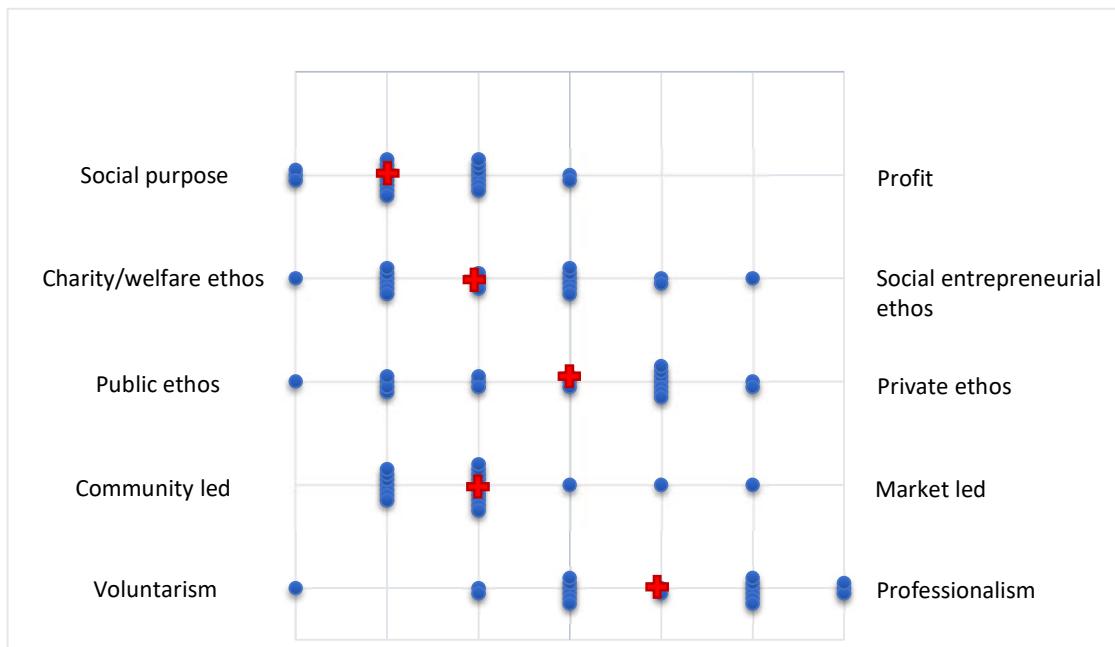
5.3 Values, Priorities, and Influences that Shape HA Board Decision-Making

5.3.1 Organisational Ethos

The CE survey adopted and adapted Likert scale questions from previous Delphi Panel studies of HA senior executives in England, Ireland, the Netherlands, and Australia. The types of ethos that CEs identified as being core to their organisations are summarised in figure 5.4. All twenty CEs indicated that social purpose was a greater

driver than profit and leant more towards a charity/welfare ethos than social entrepreneurial ethos. There were a range of responses in terms of the division between public and private ethos, with neither dominant. CEs also indicated that HAs were more community-led than market-led and that professionalism was more central to the core of HAs than voluntarism. Moreover, developing and non-developing HAs scored differently in the types of ethos they identified as important. For example, developing HAs scored higher on the *social purpose-profit* scale, indicating that they were slightly less driven by social purpose than non-developing HAs. Similarly, they scored higher on the *charity/welfare ethos-social entrepreneurial ethos* scale, indicating they were slightly less charity/welfare ethos driven (appendix 5.1).

Figure 5.4: Types of Ethos espoused by HAs in Northern Ireland

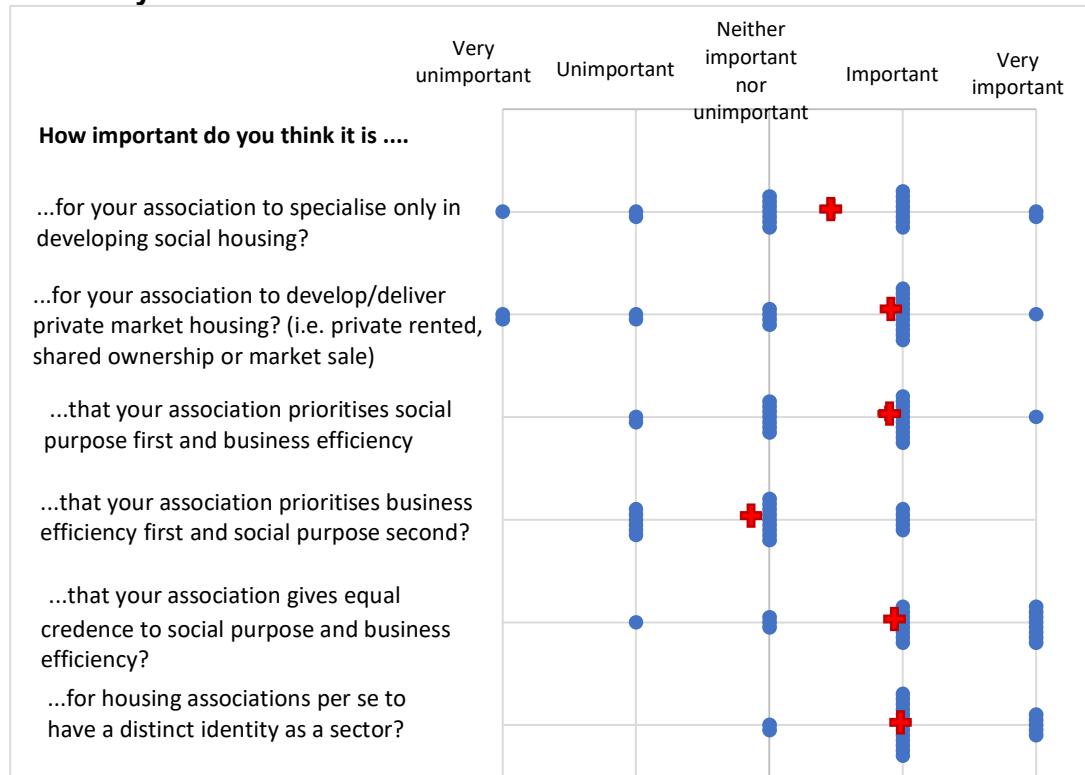


Source: Author's own. Red cross indicates median where 1 = strong preference for statement on left, 7 = strong preference for statement on right and 4 = balance between two statements. Blue dots represent each individual chief executive's response from population of twenty.

Stage 1 stakeholders reported significant variation across the sector in respect of organisational ethos, although all CEs in stage 2 indicated that social purpose was a greater core ethos than profit generation. Most CEs considered it important for their HAs to develop/deliver private market housing. One reported using the organisation's scale and viability to pursue mixed development (figure 5.5). CEs also varied in their responses to the level of importance they attached to *social purpose* and *business efficiency*. Most agreed that it was important for their organisations to prioritise social purpose over business efficiency. The reverse was true when the statement was inverted, reinforcing the data's reliability. This represents a significant shift in the opinions of senior executives when compared to an earlier study by Mullins et al (2003:130), which reported that “*panel members in NI rated ‘business efficiency’ higher*

than ‘social purpose’” in response to the same question. In two other statements, most CEs agreed that it was important for their organisations to give equal credence to both social purpose and business efficiency and for HAs to have a distinct identity as a sector. Surprisingly, there were no significant differences between developing and non-developing HAs for this scale (appendix 5.2).

Figure 5.5: Level of Importance Attached to Social Purpose and Business Efficiency



Source: Author's own. Red cross indicates median where 1 = very unimportant, 5 = very important and 3 = neither important nor unimportant. Blue dots represent each individual chief executive's response from a population of twenty

In response to an open survey question, two CEs referred to the interdependent nature of social purpose objectives and the need to generate surpluses/profits:

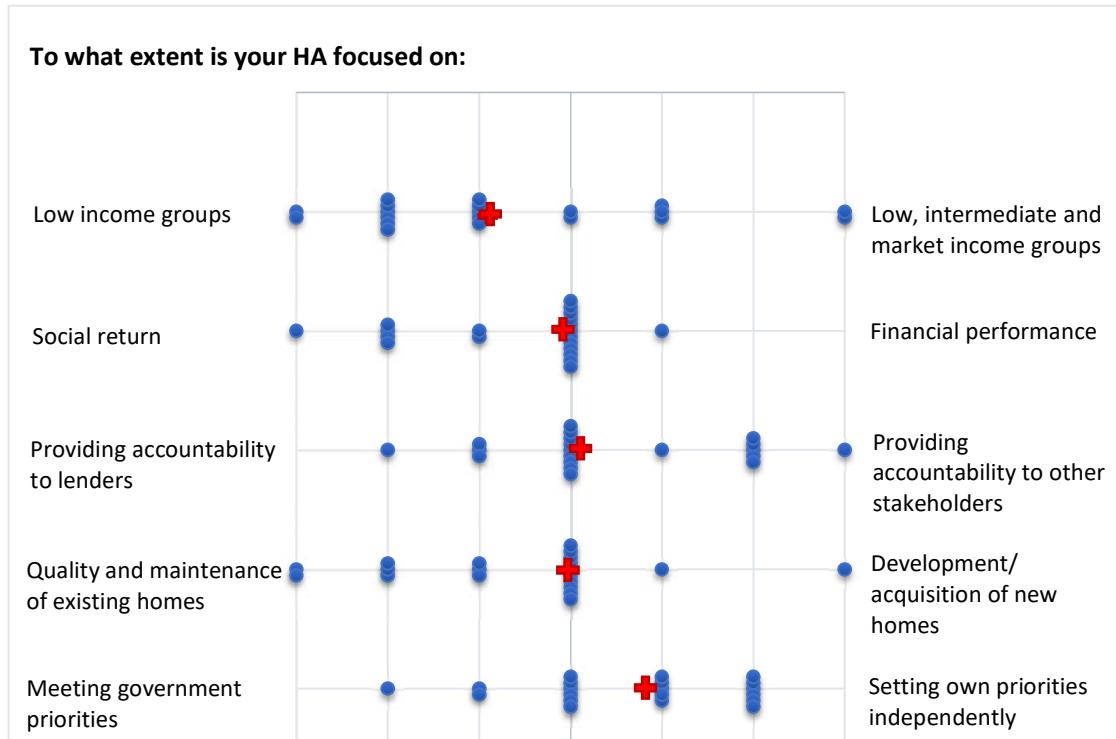
“Although I have placed my HA on a more charitable / community / social purpose scale, as an organisation we fully understand the need for sound business practices as this will generate the necessary revenue/surplus to allow the organisation to direct more resources to our charitable aims” (CE Survey Response June 2019).

“HAs have an obligation to maximise their finances for the benefit of communities. Making a profit or being professional should not be seen as opposites to social purpose” (CE Survey Response June 2019).

5.3.2 Strategic Priorities

In terms of strategic priorities, CEs stated that their organisations tended to focus more on ‘low-income groups only’ than on ‘low, intermediate and market income groups’, and on ‘setting their own priorities independently’ than on ‘meeting government priorities’. Most reported a balance between ‘social return’ and ‘financial performance’, between ‘providing accountability to lenders’ and providing accountability to other stakeholders’, and between the ‘quality and maintenance of existing homes’ versus the ‘development/acquisition of new homes’ (figure 5.6 and appendix 5.3).

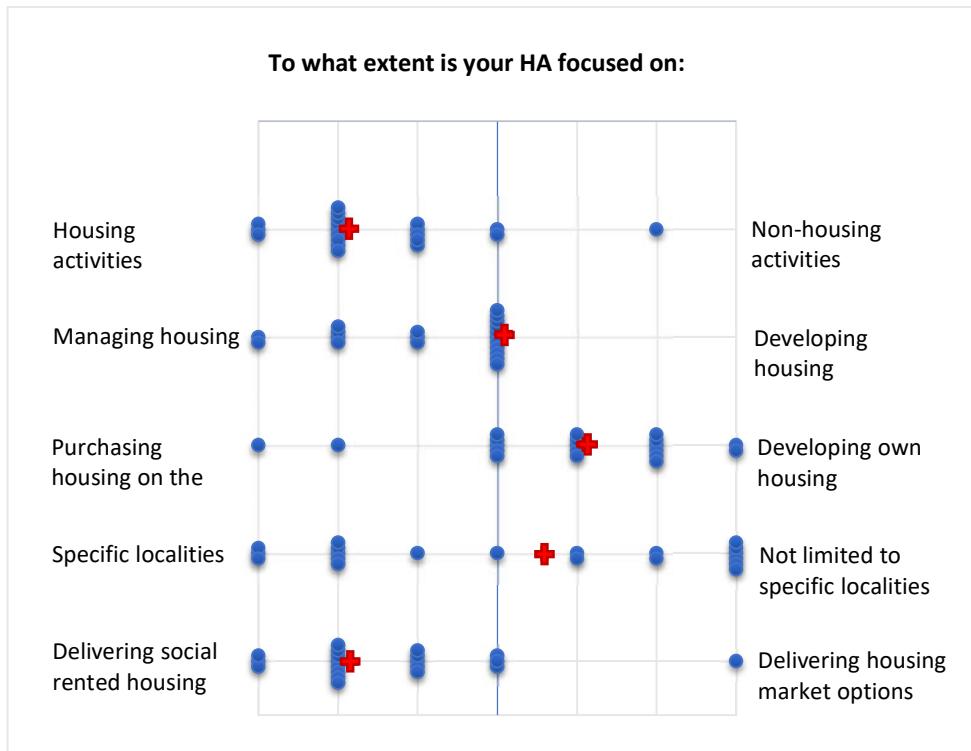
Figure 5.6: HAs' Strategic Priorities



Source: Author's own. Red cross indicates median where 1 = strong preference for statement on left, 7 = strong preference for statement on right and 4 = balance between two statements. Blue dots represent each individual chief executive's response from population of twenty.

While there was variation in terms of whether HAs focused on 'specific locations' or not, the overwhelming majority of HAs focused more on 'housing activities' than on 'non-housing activities'. Overall, CEs reported that their organisations tended to focus more on 'developing their own housing' rather than 'purchasing housing on the market', and on 'delivering social rented housing' rather than delivering housing market options'. Moreover, larger developing HAs sought a balance between 'managing housing' and 'developing housing' (figure 5.7).

Figure 5.7: Focus on HAs' Activities

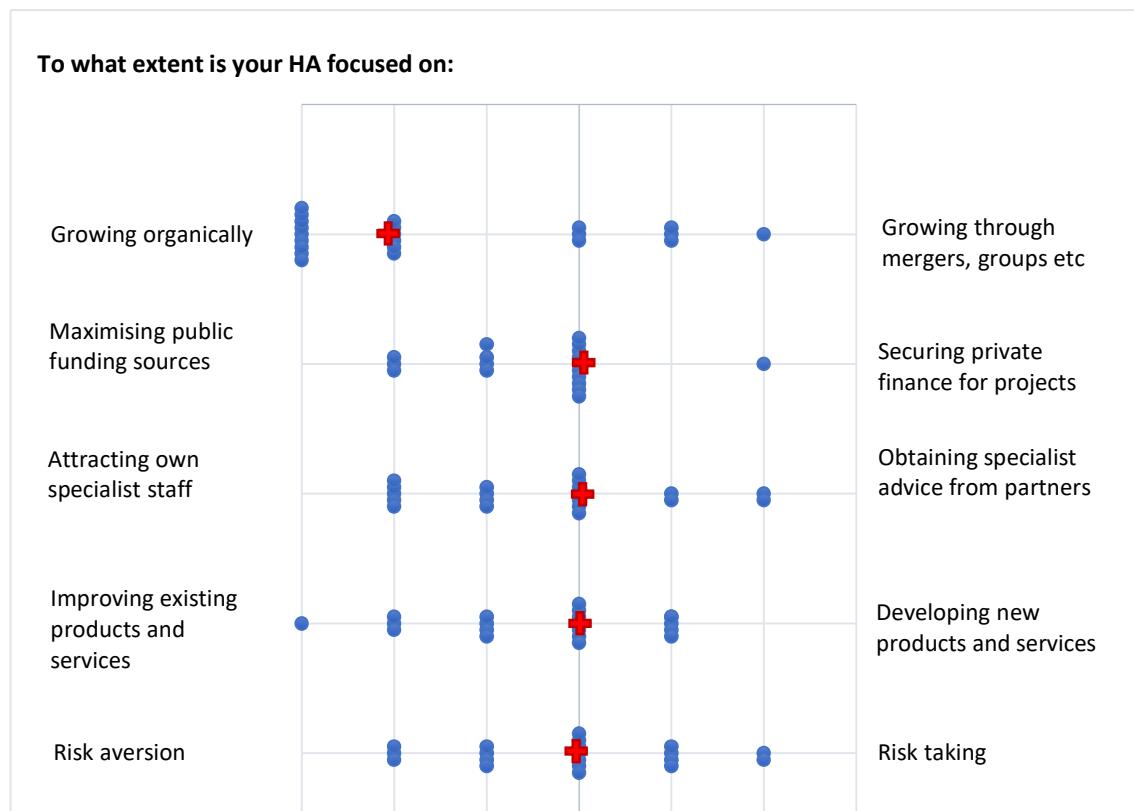


Source: Author's own. Red cross indicates median where 1 = strong preference for statement on left, 7 = strong preference for statement on right and 4 = balance between two statements. Blue dots represent each individual chief executive's response from population of twenty.

Most HAs focused on organic growth, though some were seeking to grow through mergers and group structures. The majority sought a strategic balance between 'maximising public funding sources' and 'securing private finance', between 'attracting their own specialist staff' and 'obtaining specialist advice from partners', and between 'improving existing products and services' versus 'developing new products and services'. There was a wide spread of responses concerning risk appetite, with the median response indicating that most HAs sought to strike a balance between 'risk aversion' and 'risk taking' (figure 5.8). Unsurprisingly, the Mann Whitney U test showed that developing HAs were more likely to adopt a risk-taking approach. Also, non-developing HAs were more likely to obtain specialist advice from partners than to

attract their own specialist staff, though the difference was non-significant (appendix 5.4).

Figure 5.8: Focus of HAs' Strategic Priorities and Risk Appetite



Source: Author's own. Red cross indicates median where 1 = strong preference for statement on left, 7 = strong preference for statement on right and 4 = balance between two statements. Blue dots represent each individual chief executive's response from population of twenty.

In addition to the CE survey responses, subsections 5.3.3 - 5.3.6 draw on the stage 1 stakeholder interviews to assess the influences that shape board decision-making in Northern Ireland's registered HAs. CEs' views on the level of importance they attach to these influences in terms of accountability is also presented in subsection 5.3.7.

5.3.3 Influences on HAs' Strategic Priorities

CEs regarded 'senior staff' and 'voluntary boards' to be the most important influences in setting their organisations' priorities. Likewise, they considered the macro economy, private lenders and credit agencies, and policies and programmes of the European Union to be important influences. CEs of non-developing HAs tended to report that these influences were less important (appendix 5.5). Central and local government, and non-departmental public bodies were considered less influential on organisational agenda setting, with the median response for these actors being neither important nor unimportant (figure 5.9).

Figure 5.9: External and Internal Influences on HAs' Priorities



Source: Author's own. Red cross indicates median where 1 = very unimportant, 5 = very important and 3 = neither important nor unimportant. Blue dots represent each individual chief executive's response from population of twenty.

As highlighted in Chapter 4, a two-stage grounded approach was used to analyse the stage 1 stakeholder interviews and the two focus groups with HA Chairpersons and the HPP. The initial 'open coding' stage generated eighteen codes (figure 5.10), which were then connected and clustered into three conceptual categories: (1) state influences; (2) market influences; and (3) societal influences. The next three subsections present the detailed findings that lie behind each of these three conceptual categories.

Figure 5.10: Key Influences on HA Board Decision-Making



Source: Author's own

5.3.4 State Influences

The principal state influence related to uncertainty around capital and revenue expenditure. In 2018-2019, the Northern Ireland Executive allocated £121 million of grant funding for new social housing development. One public sector stakeholder explained the intricacies of setting capital grant levels for new social housing development as follows:

“There is no compulsion on HAs to develop new social homes. They could just stop. Therefore, we must pitch our grant so that it achieves VFM for the taxpayer but is an enticement for HAs to develop. Is that subsidy in the right place to meet these competing demands? And I must admit we are constantly questioning whether we have it right. We compare well with Scotland and Wales. England is a completely different field of policy” (PU1).

Welfare reform (WR) was another area of public policy that caused concern amongst respondents, including its potential impact on the SHDP. Participants in the Chairs' focus group reported that WR uncertainty had resulted in some HAs being more cautious about borrowing private finance to fund new development activities. One ruminated about the potential strategic choices available to HAs in light of such uncertainty. These included the prospect of having to mothball development programmes and/or diversify into private housing markets to cross-subsidise funding/arrears shortfalls:

“With WR uncertainty, might HAs decide to manage their existing portfolios and draw back from development? Or like English HAs, focus on other types of affordable housing to cross-subsidise the social housing element? I can see some HAs saying ‘this is all too risky; we’ll stay put and look after our asset base and not do anymore development” (Chairs’ Focus Group).

Both private lenders and the housing regulator had sought assurances from HAs about their corporate finances and strategies for dealing with the WR changes in Northern

Ireland²². Given the experience of the bedroom tax in Britain, stakeholders feared that its implementation would have an even greater impact locally, due to the type and segregated nature of the region's housing stock. It also posed an ethical quandary: how would boards react to increased WR related arrears? According to one chairperson:

"What do we do as a board if people are quite vulnerable and not paying their rent? We are allocating them a house at a rent we need to charge to pay back our debts. Tenants aren't getting enough Housing Benefit. Where would we stand as a board if we had to evict someone [due to arrears from WR]? It would be a difficult choice as it goes against our social purpose. But it would be commercially justified and consistent with organisational policies and regulatory pressures on arrears targets" (Chairs' Focus Group).

Some stage 1 third sector respondents felt that HAs would have no option but to evict and that they would eventually introduce affordability checks to assess prospective tenants' ability to pay rent. Other stage 1 stakeholders voiced concern about the classification of HAs to the public sector. The collapse of political institutions in Northern Ireland from January 2017-2020 prevented local politicians from reversing the ONS's decision. A derogation from the UK Treasury was required to defer the sector's debt from being placed on the public sector balance sheet. Moreover, classification prohibited NICHA from accessing Financial Transaction Capital (FTC) funding, which jeopardised its ability to support low-income first time-buyers onto the property ladder. A public sector stakeholder outlined the impact of the ONS's decision²³:

²² At the time the research, mitigation payments to offset the effects of WR were due to expire in early 2020. However, as the research progressed these payments were extended.

²³ This research was conducted between March and November 2019. Following passage of the Housing (Amendment) Act (Northern Ireland) 2020, the ONS concluded that HAs were private, market producers and were once again reclassified to the private non-financial corporation sub-sector for national accounting purposes (ONS, 2020).

"Next year for the first time, Co-Ownership's affordable housing programme will be funded through Departmental Capital. That's money which could be spent on new social housing development" (PU1).

Moreover, some stage 1 participants raised concerns about the uncertainty and long-term viability of Supporting People funded projects. Despite a vociferous lobbying campaign by the voluntary and community sectors²⁴ to protect this funding stream, the same public official stated:

"The flatlining of Supporting People in relative terms, represents a massive prioritisation of the budget even though it still leaves HAs in a difficult place trying to fund supported accommodation and floating support services....my guess would be that the £72.8m which is in the programme budget...is as good as it gets for a while" (PU1).

Moreover, the implementation of social housing allocation reform proposals - issued for public consultation by the DfC in September 2017 - was another source of concern. Some participants in the Chairs' focus group felt that the Housing Selection Scheme (HSS) reinforced social housing segregation in Northern Ireland and criticised the way in which 'intimidation points' created perverse incentives for applicants to '*points chase*' and '*queue jump*'. Chairs felt that the allocations process for new social housing developments needed to be more flexible to help create balanced and sustainable communities. One commented:

"The HSS, in my opinion, reinforces the sectarian geographies of Northern Ireland and results in concentrations of social issues. It was good in the past in terms of making sure there was fairness. But we need a selection process that allows better management of new development allocations to build sustainable communities by doing management transfers and so on. I'm not saying that there aren't people who get intimidated, but there are abuses of the system" (Chairs' Focus Group).

²⁴ Let's Keep on Supporting People is a coalition of charities and voluntary and community organisations in Northern Ireland, established to campaign for the protection of the most vulnerable in society, through an adequately funded and dedicated housing support programme.

However, given the historical link between social housing allocations and civil rights in Northern Ireland, one public sector stakeholder cautioned against any deviation from the HSS, which assesses applicants on the basis of objective housing need:

"I have heard HAs saying quite publicly, 'why do we have to take people off the waiting list?'. They want to be more selective. Do they then decide who is deserving and undeserving? Is it based on ability to pay? Is it based on their definition of a desirable tenant? The system is not perfect, and it needs tweaked and reformed. But there is that common fundamental value to it; to stray away from that, you'd have to be very careful about what you are doing" (PU2).

Moreover, one third sector stakeholder felt that HAs were not adequately supported by elected representatives and public officials when Catholic and Protestant families were intimidated (BBC, 2015; Guardian, 2017) from *Together: Building a United Community* (T:BUC) funded shared housing developments:

"The sector does have a genuine commitment to try and build a more shared and integrated society. You see that in the work that is done in terms of T:BUC. That would be a big driver for HA boards. But they aren't going to stake their whole futures on it because there is a sense that when push comes to shove, HAs won't get the backing from political representatives or senior civil servants" (TH1).

Frustrations were also expressed about the planning system, with stakeholders reporting delays in the planning application process and the adoption of local development plans. As highlighted in Chapter 2, there remains no active mechanism in place to secure social and affordable housing through the planning system in Northern Ireland. Finally, the future fate and (re)configuration of the NIHE was commonly cited as an area of public policy that has the potential to radically transform and the HA landscape. One public sector stakeholder described its potential effect as follows:

"If I was a HA and doing a SWOT analysis you could see the NIHE being allowed to build again as a threat. Would the NIHE as a big player reduce HAs' ability to borrow? Would it mean competition for HAG? Would the subsidy pot stay the same and would HAs get less, or would they share the pot but reduce the rate of HAG? Would it mean competition for sites and customers?" (PU2).

5.3.5 Market Influences

Brexit uncertainty featured prominently as an influence on board decision-making. Participants in the Chairs' focus group stated that it was increasingly difficult for HAs to plan due to the uncertainty around material, labour and borrowing costs, currencies, and inflation rates. One drew attention to a Bank of England report (BoE, 2018) on EU withdrawal scenarios. The report predicted that house prices would fall by fourteen per cent in a disruptive withdrawal or by thirty per cent in a disorderly withdrawal. Under the same scenarios, the report forecasted an inflation rate of 4.25% or 6.5% and an unemployment rate of either 5.75% or 7.5%. Moreover, another chair stated that it was difficult to plan strategically in the care sector as it had higher numbers of foreign national staff.

Limited land availability and rising land costs were additional market influences factored into board decision-making. For example, NIHE owned land previously accounted for more than one third of the SHDP. At the time of the research, it accounted for less than 150 units per year, with much of its land located in interface areas, or locations where there was no housing need, or where remediation costs made schemes unviable. One public sector stakeholder stated:

"HAs depended heavily on the NIHE's land supply in previous years. It does have land, but it is not in the right place. In some areas where the NIHE has land in areas of housing need, it is increasingly marginal with high remediation costs to bring it into use. In some places, there is local politics at play and that creates tensions. So, how do you encourage people to move to areas where you can develop affordable, good quality social housing, but it may not be their geographical preference?" (PU2).

Moreover, a private sector legal expert felt that the sector's conservative approach to site acquisition meant that it sometimes missed out on development opportunities:

"The deal fell apart in the end because there was just so much delay on the HA's part. I think they must have been over-cautious about it and they were doing all these checks and balances, making sure it was ok with the Department. He (vendor) got sick of waiting and moved on" (PR1).

Chapter 2 underscored how HAs in Northern Ireland are less subject to external market competition than their counterparts in England. Nevertheless, HAs sometimes competed for the same funding and development opportunities, with the NIHE's development prospectus for social new build favouring HAs with a track record of good performance in previous years. On at least one occasion the NIHE had to intervene when two HAs competed against one another for the same site:

"I think there is unhelpful competition. There are two HAs negotiating with different members of the same family that owns private land. The NIHE had to step in and say, 'the NIHE is going to nominate one HA to take forward this proposal'. Otherwise you could get a bidding war which would just push up the price and that is not good use of public funds" (PU2).

Despite commercial activities representing a marginal part of HAs' total business, some stakeholders were optimistic about the potential for diversified income streams to bolster capital grant funding and rental income and to support mixed tenure communities. However, several stakeholders expressed concern about commercial risk, particularly given the post-Brexit housing market collapse in the southeast of England:

"HAs in NI are trying to future proof themselves and their income streams against potential capital funding cuts. In England, HAs were building for private sale because grants were so low. Now the market has crashed with Brexit and they have houses they can't sell and end up with liquidity issues. We hardly get any questions back from our underwriters who also underwrite HAs in Great Britain. They are happy to lend HAs here more money because waiting lists are high, grant rates are good, and we don't have HAs building for sale" (PR2).

"We've got a number of mixed schemes now that have worked. People in the private sector said absolutely no way could we ever sell private housing with social housing, but we actually did it and found we can sell them. They were affordable houses, so we didn't make money on them; but it changed the tenure balance" (Chairs' Focus Group).

Stakeholders also highlighted some of the risks involved with commercial diversification. These included the structure and capitalisation of trading subsidiaries, the use of resources between group parents and trading subsidiaries, and the management of conflicts of interest. A private sector legal expert who had advised numerous charities on setting up trading subsidiaries stated:

"It's quite a tricky exercise to make a loan or an investment into a trading subsidiary. You are basically having to ensure that there is a return on that working capital within a reasonable period of time and you've got potential reputational damage if these things are not managed carefully" (PR3).

Finally, stakeholders considered private lending institutions to be important influences on board decision-making (as did CEs in figure 5.9). Access to private finance was not considered to be an issue (unlike threats to public funding streams), with larger HAs having the capacity to borrow from capital markets. In reference to the sector's credit worthiness, one private sector stakeholder stated:

"HAs are materially different from your household names in Northern Ireland and, as a result, the terms and rates they secure would be significantly lower than what the best private businesses would borrow from us. It is because we don't need to hold as much capital against their loans, the rate of default is a lot lower, and because they are stronger businesses" (PR2).

5.3.6 Societal Influences

In terms of societal factors, stakeholders considered poverty, deprivation, and high levels of housing need to be key influences on HA board decision-making. Others referred to high levels of anti-social behaviour in some communities and one public sector official highlighted tenant vulnerabilities as a key challenge, including physical

and mental health issues, addiction, and welfare dependency. Some HAs had introduced specific initiatives to help address these problems:

"You've got the likes of Clanmil HA and their money advisers. Obviously, there is a self-interested aspect in terms of income maximisation, but I think there is also a genuine social commitment to try and help tenants maximise their income. They also work with WomensTec to train tenants in construction skills. You've got Radius HA who has started to work with Bryson Future Skills. And you've got Newington HA that has given scholarships to university students. It's maybe small-scale, but as big charities and social enterprises in Northern Ireland, HAs have a moral obligation to help tackle poverty" (TH1).

Another third sector stakeholder lambasted the rent levels charged in some new social housing developments given poverty levels in Northern Ireland:

"The poorest people cannot afford to live in HA homes anymore. It is actually the slightly better off who can afford to live in HA properties. I have a real issue with this, because then where are their community objectives and original charitable objectives? You kind of wonder what is their charitable objective? Is it to help poor people?" (TH2).

One participant in the Chairs' focus group restated these concerns about rent affordability:

"My CE whose judgement I rely on, says that, yes, our rents are now getting to the point where some people can't afford to take one of our properties. If they take it, they will end up falling into debt" (Chairs' Focus Group).

Some chairs reported using their community investment programmes to educate and assist tenants to maintain tenancies, to develop their financial literacy, and to improve their employability prospects. A recent survey reported that over 25,000 people had benefitted from over four hundred community investment activities delivered by HAs and their partners in 2014-15. It was estimated that for every £60 of turnover, HAs and their partners spent £1 on additional community investment activities (e.g. on fun days, kids' events, health and well-being events, sports facilities etc) (NIHACT, 2016).

Nevertheless, concern was expressed about the lack of community infrastructure in some of the new social housing developments:

"If you visit (name of housing estate), there is no infrastructure, there are no shops, there are no schools. It is just houses in the middle of a field near the border. And it is going to be a housing management problem. It is like a 1950s, 60s housing estate with only social housing tenants and the rents are such that only social tenants can afford them" (PU3).

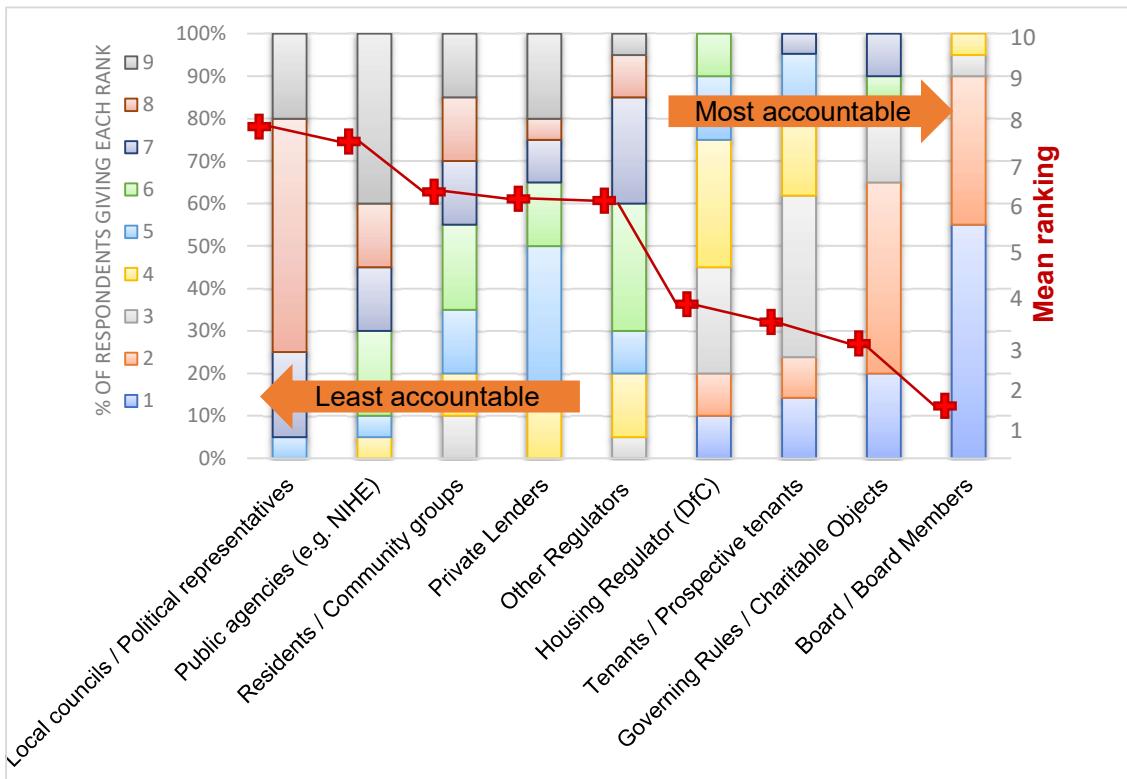
The chair of a community-based HA stated that micro-political influences and tensions had greatly impacted on the organisation's decision-making and that customer expectations had changed due to advances in digital technology and the widespread use of social media. Several stakeholders highlighted how technology had been used to complement traditional methods of tenant engagement, particularly after the Grenfell tower tragedy in 2017. Grenfell also reportedly acted as a catalyst for enhanced transparency and accountability, and improved health and safety measures across the sector, which shaped board priorities and investment decisions.

Now that the key state, market, and societal influences have been introduced, section 5.3.7 examines in more detail the views of CEs and sector stakeholders on the range of individuals and organisations that hold HAs to account.

5.3.7 Multiple Stakeholder Accountabilities

The CE survey asked respondents to rank various organisations/groups by level of accountability importance (figure 5.11). Overall, the average ranking was lowest (indicating greatest accountability) for board members, governing rules/charitable objects, tenants/prospective tenants, and the housing regulator. On the other hand, local councils and political representatives, public agencies, residents' groups, and private lenders were ranked highest (indicating least accountability).

Figure 5.11: Ranking of Organisations/Groups by Level of Accountability Importance



Source: Author's own

Although CEs considered elected representatives to be the group of least accountability importance, relationships with political representatives had improved since the well-publicised governance failings in the sector from 2009-2014. One CE stated:

"Relationships have improved a lot between the sector generally and individual HAs with all the key political parties. I think there is a recognition from most political representatives that the sector has made more of an effort to be accountable and to engage with them and the communities they serve" (CE Survey).

According to the Chairs' focus group, CEs frequently engaged with elected representatives and provided evidence to the Northern Ireland Assembly's committees

and inquiries (prior to its collapse in January 2017). Annual reports and financial statements were also made publicly available on the DfCs' and CCNI's websites. Moreover, debate had been taken place in Westminster during stage 1 of the research about whether the Freedom of Information Act should be extended to HAs in England - something that was introduced for Scottish HAs in November 2019. One third sector stakeholder felt that that both HAs and the housing regulator needed to improve the level and accessibility of information to tenants to fend off similar calls for the legislation to be extended to HAs in Northern Ireland:

"I think information sharing needs to be a lot better. For example, things like KPI tracking, Housemark data, tenant satisfaction surveys, if not full board minutes, then at least summaries of board minutes. All of that should be routinely available to tenants. However, my personal view - in terms of asserting our non-statutory nature and also to avoid waste and vexatious claims - would be for HAs not to be formally subjected to FOI. Instead they should act in a transparent and responsible manner so that it's not needed" (TH1).

In general, stakeholders agreed that the new regulatory framework had introduced a streamlined approach to social housing regulation (see Chapter 2). Since its introduction, the housing regulator had started to attend one board meeting of each HA per annum and recently developed a new performance report for the sector in conjunction with the HPP. Furthermore, private stakeholders drew attention to the legislation and array of regulatory bodies through which HA boards were held to account:

"HAs are caught in a kind of hybrid zone with lots of different regulators to satisfy. Whenever it comes to the practical implication of their work, and as a legal adviser to them, it can be quite tricky to satisfy all of those legal requirements, different regulators etc. There can be debates about what dominates in a particular scenario...It is quite tricky for board members to get their head around all of this" (PR3).

"There is a lot of legislation and there are a lot of different regulators....There is a lot of filing and keeping records up to date and a lot of tick box exercises. I feel it a lot more now because I am the company secretary of a HA. I just think there must be a way that this can be streamlined" (PR1).

Moreover, stakeholders considered the current shareholder model to be an ineffective form of tenant accountability. One private sector legal expert stated that (non-board member) shareholders had been disenfranchised to make governance practices more streamlined and easier to manage:

"If you were utilising the model well you would have a body of shareholders that were active and holding the board to account, but that tends not to be the case...In many cases, there has been a process of disenfranchising old shareholders to make it easier to govern the organisation....I must admit, that is a tactic I deploy quite often myself in advising charities...because that will make your governance so much easier and more practical....You are not having to keep going out for technical reasons to have things approved by a group of shareholders" (PR3).

Finally, stakeholders stated that the housing regulator had taken a greater interest in how HAs provided accountability to their tenants since the Grenfell tragedy. Others attested that the balance of power lay with boards and SMTs and even suggested that HA staff acted as a barrier to enhanced levels of tenant power, influence and control:

"We do need to look at more radical changes to our governance models. We need to find more formal and hard-edged ways to give tenants control...there is no doubt that the balance is very much in favour of boards and SMTs, and staff teams working with tenants. We have to find ways of redressing that power imbalance" (TH1).

"It reminds me of whenever we tried to develop the peer advice model in the prisons. We wanted to work with the prisoners and skill them up to deliver the service. The struggle we had to get that going was with the prison staff, because the power relationship was 'we are the staff, you are the prisoners, you do what we tell you'. They were so threatened by that. It wasn't the senior people who ran the prison service who were the problem; it was with the staff at an operational level, because it challenged the power relationship. I think there is a similar thing - maybe not as extreme - with senior staff and tenants on boards. There's a bit of a paternalistic thing: 'we are the landlord; you are the tenants'" (TH2).

5.4 Conclusion

The purpose of this chapter was to provide some contextual information about the HA sector in Northern Ireland and its corporate governance arrangements. It drew on both qualitative and quantitative data to assess the attitudes and perceptions of CEs, key sector stakeholders, HA chairpersons, and a panel of tenants and residents on the values, priorities, and influences that shape board decision-making. One of the key - but perhaps unsurprising - distinctions between the CE and stakeholder responses was that the former attached greater importance to internal influences (i.e. the role of boards and SMTs) in setting organisational priorities whereas the latter tended to focus on external influences (i.e. state, market, and societal). Charmaz's (2014) two-stage grounded approach to data coding was used for the stage 1 qualitative data, which revealed a non-exhaustive list of eighteen key external influences on board decision-making (figure 5.10).

Additionally, the stage 1 and 2 scoping data helped to inform and narrow the research focus for stage 3 of the study. In September 2019, a scoping paper was produced based on the results of this chapter and disseminated to all research participants. It sought feedback on five key questions (appendix 4.5), which led to discussions with several HA CEs, some of whom talked about the recent trend of diversification into private housing markets by a number of Northern Ireland's largest HAs. After much consideration and debate with the supervisory team, this theme then became the focus of stage 3, using Northern Ireland's two largest HAs as case studies. Chapters 6 and 7 now move to the in-depth phase of the research, focusing first on the key tensions that stemmed from RHA's and CHA's co-enactment of social and commercial logics (i.e. research objective 3).

Chapter Six: Diversification into Private Housing Markets: Context, Rationale and Key Tensions

6.1 Introduction

The purpose of this chapter is to identify some of key tensions that confronted the two case study organisations as they diversified into private housing markets. The CIT methodology specified the criteria for the identification and selection of tensions. Ultimately, it covered tensions that emerged from retrospective and prospective board decisions and discussions, as well as some hypothetical scenarios, all of which related directly or indirectly to private housing market diversification. The word 'tension' in the context of this chapter should not be construed as something dysfunctional, but rather alternative choices or competing demands that needed to be somehow addressed.

In terms of the study's stratified ontology, this chapter moves to the 'domain of the empirical' (stage 3), where the researcher has examined strategic case documentation, observed board and committee meetings, and conducted interviews with board members and SMT members in Northern Ireland's two largest HAs. All data were collected between October 2019 and April 2020. Section 6.2 commences with an overview of both case organisations and their financial profile. It reinforces the claim made in Chapter 2 that diversification into private housing markets in the Northern Ireland HA sector is nascent and small-scale. Section 6.3 examines the rationale advanced by both organisations for diversification, before moving onto section 6.4, which identifies and examines seven key tensions related to market diversification. As highlighted in Chapter 4, constant comparison takes place between the two cases to search for cross case patterns (Eisenhardt, 1989). Drawing on Glaser and Strauss's (1967) grounded analysis approach, the seven tensions are categorised under three

thematic headings: (1) organisational structure, identity, and funding, (2) corporate governance and risk, and (3) organisational culture and strategy. In conclusion, the chapter summarises the evidence, in advance of Chapter 7, which examines how the case organisations managed these social and commercial related tensions.

6.2 Overview of Case Study Organisations

In Chapter 5, interviews with legal experts drew attention to the array of regulatory bodies, strategies, and legislation through which HAs are held accountable. The two case organisations presented in this section were registered under the Co-operative and Community Benefit Societies Act (NI) 1969, the Housing (NI) Order 1992, and the Charities Act (NI) 2008. In 2019/20, regulatory judgements issued by the DfC assessed both organisations as meeting each of the three (i.e. governance, finance and consumer) regulatory standards. Both HAs were formed for the benefit of the community and according to their charitable objects, they had to carry on:

“The business of providing and managing housing, including social housing, and providing assistance to help house people and associated facilities, amenities and services [for poor people or for the relief of aged, disabled (whether physically or mentally) or chronically sick people]”

“Any other [charitable object] OR [object which is connected with or incidental to the provision of housing] that can be carried out from time to time by a registered society registered as a charitable HA under the Housing (Northern Ireland) Order 1992 and with the Commission”.

(NIFHA, 2020b)

6.2.1 Radius Housing Association

Radius Housing Association (RHA) was established as a registered HA in 2017 following a ‘merger of equals’ between two longstanding HAs with a combined history of over 80 years. RHA’s organisational literature identified it as a ‘profit-for-purpose’ HA. With fixed assets worth £859 million and an annual turnover of £88 million (Annual Accounts, 2020; table 6.1), RHA was one of Ireland’s largest social enterprises. It owned and managed more than 12,500 apartments and houses in 80 cities, towns and villages across Northern Ireland, spanning each of the region’s eleven LA boundaries. RHA’s regional presence was supported by a regional office network and over 1,000 staff. General needs and sheltered accommodation catered for families and single households, and for over 55s, respectively. In collaboration with a range of public and third sector partners, RHA provided specialist care and support for vulnerable client groups, and the organisation supported more than 21,000 households across the island of Ireland through its assistive technology business.

As a result of the merger, RHA’s corporate strategy stated that it was more resilient to the risks and uncertainty posed by its external environment. The combined strength of both legacy HAs helped offset external risk by: (1) providing a sustained development programme of social, affordable, and private homes on the basis of a stronger balance sheet; (2) delivering much needed community support services in the face of WR; and (3) investing in new technologies and systems to enhance customer accessibility. This chapter focuses on the first of these strands.

In terms of corporate mission, RHA aimed: “*to make a positive difference by providing homes, support and care for people, building neighbourhoods and empowering*

communities". Its vision was "to become the most effective and efficient provider of housing, care and support, delivering high-quality services beyond the expectations of all its customers, through harmonised, engaged and empowered staff" (Corporate Strategy 2018-2023). RHA's mission and vision was underpinned by three corporate values, which shaped the organisation's behaviour. They were defined as: "*maintain focus and embed trust*"; "*passionate about doing more*"; and "*together realising great ideas*".

Table 6.1: RHA Financial and Business Performance 2019/20

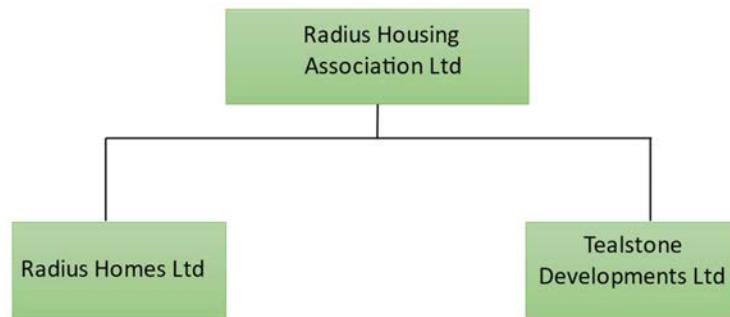
Fixed assets	£848 million
Turnover	£88 million
Capital and reserves	£141 million
Net surplus as % of turnover	14%
Operating costs as % of turnover	79%
Market sales activity as % of turnover	4%
Interest cover	257%
Liquidity ratio	73%
Gearing ratio	22%
Annual development & maintenance spend	£66m

Source: RHA Annual Statement of Accounts 2020; Moody's Rating Report, 2019.

RHA aspired to deliver between 20-25 per cent of the annual SHDP and in 2018/19 'completed' 363 social homes and 'started' another 136 across Northern Ireland. Over the life of its five-year corporate strategy, RHA had ambitions to deliver 1,840 new social homes and 160 new affordable and private homes. By 2020, RHA had delivered its first four mixed tenure developments, which comprised both social and market for sale housing. Market housing was termed 'affordable' and marketed in partnership with NICHA, with sales prices kept within the specialist partner's maximum purchase threshold (RHA Business Plan 2019/20).

In terms of organisational structure, RHA was the group parent company. This entity was used to deliver both social housing and market for sale housing. Radius Homes Limited (RHL) was a private subsidiary company, established to generate VAT efficiencies by providing property development services to the group. For example, in 2019/20, RHL contributed £150k in VAT efficiencies to RHA (Annual Statement of Accounts, 2020). Finally, Tealstone Developments Limited (TDL) was a dormant private development subsidiary, set up to undertake investment opportunities which lay outside RHA's charitable objects. Investments undertaken by TDL were expected to make a financial return, before being reimbursed to further RHA's charitable operations. Figure 6.1 provides an overview of the RHA group set-up.

Figure 6.1: Radius Housing Association Group Structure



Source: Author's own

6.2.2 Choice Housing Association

Choice Housing Association (CHA) was established as a registered HA in 2015, also as a result of a merger (see below). Like RHA, it too identified as a profit-for-purpose HA and was one of the largest social enterprises on the island of Ireland. CHA had fixed assets worth £996 million and an annual turnover of £75 million (Annual Accounts 2020; table 6.2). It operated across the eleven LA areas in Northern Ireland and had a portfolio of circa 11,000 homes, managed by approximately 350 staff. The portfolio comprised mainly general needs accommodation, followed by smaller proportions of sheltered housing for older people and supported living accommodation for tenants with complex needs. In collaboration with more than forty joint management partners, CHA provided supported housing to help vulnerable households live safely and independently in their homes. The association also worked with third sector charities to prevent homelessness, and with Further Education Colleges, universities and social enterprises to enhance tenant employability through accredited skills and employment training, and student scholarships. CHA also had its own in-house financial inclusion team which provided tenants with tenancy sustainment support.

CHA was the product of an agglomeration of historical mergers and small-scale public and private/charity sector stock transfers. Although two legacy HAs joined forces to create CHA, one of those legacy HAs had itself been subject to a merger just one year previously; so in effect, this was a merger between three different HAs. A post-merger shift in corporate strategy and culture was explicitly referenced in CHA's first corporate plan, which stated:

“The 2015-2020 corporate plan reflects a move towards a more effective and business-like approach that will lead the transformation of social, affordable and market-rented housing...This shift in strategy will require the diversification of products and services, as well as new and alternative models of finance” (Corporate Strategy, 2015-2020).

CHA’s overall mission was “*to enrich lives through great homes and services*” and it had a vision “*to be recognised as the leading HA group in Ireland*”. Its mission and vision were underpinned by four strategic objectives which centred on providing “*great homes*”, “*great services*”, “*value for money*” and “*digital transformation*”. Three organisational values shaped CHA’s corporate behaviour, which was “*customer-centred*”, “*trustworthy*”, and “*dynamic*” (Strategy to 2021).

In terms of development, CHA ‘completed’ 301 new social dwellings in Northern Ireland in 2018/19 and ‘started’ a further 399 (Annual Report and Financial Statements, 2019). Since the post-merger shift in strategy, CHA also aimed to deliver 100 private rented and 50 private for sale homes per annum through its two private subsidiary companies.

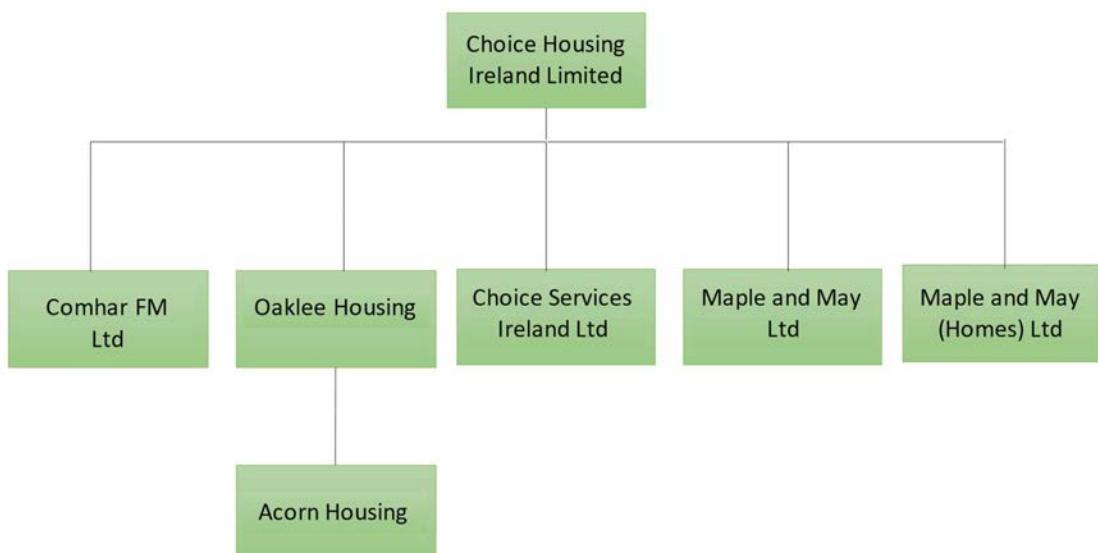
Table 6.2: CHA Financial and Business Performance 2019/20

Fixed assets	£996 million
Turnover	£75 million
Capital and reserves	£123 million
Net surplus as % of turnover	16%
Operating costs as % of turnover	73%
Private market rent/sales as % of turnover	1.94%
Interest cover	292 % (Parent) 339 % (Group)
Liquidity ratio	168 % (Parent) 126 % (Group)
Gearing ratio	33% (Parent) 46% (Group)
Annual development & maintenance spend	£53 million

Source: CHA Annual Statement of Accounts 2020

In terms of organisational structure, CHA was the group parent company. It was responsible for the management of circa 11,000 social homes and developed new social housing in Northern Ireland. Three non-registered private subsidiaries operated under CHA's control. Maple and May Ltd (MML) and Maple and May (Homes) Ltd (MMH) provided homes for private rent and private sale in Northern Ireland, respectively. Choice Services (Ireland) Limited operated across both jurisdictions in Ireland and provided maintenance services to the group. A further three subsidiaries operated in the Republic of Ireland. Oaklee Housing (OH) provided approximately 1,800 social homes. Acorn Housing was a Special Purpose Vehicle established by OH to finance the refurbishment of existing homes. Finally, Comhar Facilities Management Limited provided facilities management services to a social housing public private partnership project, which involved OH and Choice Services. Figure 6.2 provides an illustration of the CHA group set-up.

Figure 6.2: Choice Housing Association Group Structure



Source: Author's own

Now that some profile and financial information has been provided about the two case organisations, the next section briefly examines their decisions to diversify into private housing markets. This is followed by an examination of the key tensions in section 6.4.

6.3 Rationale for Private Housing Market Diversification

Before examining the rationale for private housing market diversification in RHA and CHA, it is important to define the term ‘HA Group’. In 2001, a joint Audit Commission and Housing Corporation report defined a ‘HA Group’ in the English HA context as:

“A formal association of separate organisations. Each organisation has to produce annual audited accounts; there will also be consolidated accounts for the group. One organisation is the ‘parent’, with ultimate legal control over the other ‘subsidiary’ organisations. The parent must be a registered social landlord” (AC/HC, 2001:3).

HAs in Northern Ireland were authorised to establish groups by the housing regulator and to use non-registered trading subsidiaries provided it was permitted by their Rules.

According to the DfC (2020c:3): “*this can be a useful way of undertaking activities for constitutional or business reasons*”. It was also a legal requirement for registered HAs to establish subsidiary companies when they engaged in non-primary purpose trading, which posed significant risks to their charitable assets. When undertaking trading of this kind, the Charity Commission stated that “*the trading subsidiary must be set up in such a way so as to protect the parent charity and its assets from the risks involved in trading*” (Charity Commission, 2017:17). Hence, RHA’s and CHA’s subsidiaries had distinct legal identities as illustrated by their respective group structures above.

Decisions to merge and pursue commercial diversification in both HAs were interrelated, but distinct. This section is interested in the specific rationale for commercial diversification as opposed to the merger rationale, which *inter alia* aimed

to support diversification. A post-merger SWOT²⁵ analysis listed opportunities for RHA to use its balance sheet strength to deliver ‘more private and affordable’ housing and to diversify into ‘new markets and services’. Market for sale homes were expected to become an intrinsic part of RHA’s development projects, equivalent to around twenty per cent of output (Business Plan 2019/20). When interviewed, RHA’s executives and non-executives unanimously agreed that the principal rationale for market housing provision was the creation of mixed tenure developments. Because of the relatively small size of housing developments in Northern Ireland, opportunities for cross-subsidy were considered limited. This was corroborated by peer HAs in England who informed RHA that cross-subsidy generation was difficult to achieve in small schemes. Specialist consultancy advice commissioned by RHA also indicated that private developments were unlikely to yield sizeable financial returns without genuine economies of scale. Furthermore, with HAG levels considerably higher than those in England, there was an incentive for the group board to maximise social housing development opportunities, albeit within a broader aim of developing mixed communities (e.g. in terms of tenure, income, religion and ethnicity). One executive stated:

“Our long-term aim is to diversify social housing so that we don’t have large swathes of social housing separate from private housing. Housing tenures need to be more integrated, more reflective of society, and people need to have more choice” (RSM2).

Moreover, the DfC required HAs to consult with local communities when undertaking new social housing developments. It was suggested that mixed tenure developments could help mollify the *‘unfair stigma that exists towards social housing’* (RSM1). This

²⁵ A strategic planning technique, which helps organisations to identify their strengths, weaknesses, opportunities and threats.

was based on the premise that mixed communities are less marginalised because they generally comprise households with different incomes, religions, and ethnic backgrounds. Also, two executive directors stated that private owners had an influence on some of the more challenging behaviours of social housing tenants; what they termed ‘peer regulation’ (RSM2 and RSM4).

RHA also had plans to deliver some market sales - beyond the affordable NICHA price threshold - through its subsidiary company, TDL. According to RHA’s business plan, market sales had “*the potential to deliver additional revenues*”, which could be used to “*subsidise community investment initiatives or additional social/affordable homes in areas of high land costs*” (Business Plan, 2019/2020). However, it was stressed that limited opportunities existed for HAs in the private sales market and that the “*vast majority of private delivery would still come via the private sector*” (RSM1).

In terms of CHA, the merger aimed to:

“*Enhance customer services; build capacity and capability; improve quality of life through community initiatives; demonstrate value for money; attract and develop high calibre board and staff members with private/commercial skills; seek new commercial opportunities; and to more effectively manage risks*”

(Corporate Strategy, 2015-2020).

Commercial diversification was therefore a central driver behind the merger and it remained an integral part of CHA’s most recent corporate strategy, which was committed to “*expanding [CHA’s] housing offer through private rented and affordable [for sale] provision*” (Corporate Strategy 2021). In an article for the trade magazine in 2018, the CE stated that diversifying the business model ‘made sense’ if CHA was to protect its social new build programme from public sector retrenchment and public policy uncertainty. Another CHA executive stated:

"With things like Universal Credit, end of mitigation payments, and other pressures on our finances coming down the track, we might need that extra income stream to enable us to continue with the social housing service we provide. So that, in a nutshell, is why we're doing it" (CSM4).

Accordingly, the principal rationale for diversification was to generate financial returns on market investments, which could then be used to further CHA's core social objectives (Board Paper, 2017). Supporting rationales included: opportunities for CHA to address housing need and demand across all tenure types in Northern Ireland; to create development opportunities for more social and mixed tenure housing; to achieve build cost efficiencies and value for money in the core social housing business; to leverage CHA's in-house expertise in housing management, development and repairs; and to explore new methods of housing delivery (e.g. joint ventures and partnerships) (MM Business Plan 2019/20). Like RHA, CHA also felt that the private sector was in a better position to deliver market sales:

"There's a good chance we'll not be as good as other private developers out there, who are sharp, they're well connected locally, they know the ground conditions, they know previous [land] uses. Their [the board's] view is that probably there are others who are better placed to do that [market sales]" (CSM3).

In conclusion, CHA had diversified to offer a greater private housing mix than RHA²⁶. In both cases, private housing investment was not at the expense of - but in addition to - growth in social new build. In other words, commercial activities did not detract resources from social housing development or result in fewer social homes being developed. In CHA, the cross-subsidy rationale was more to the fore, whereas in RHA the delivery of mixed tenure communities was the main priority.

²⁶ RHA had also diversified one of its core (personal alarm) services, making it available to private paying customers.

In Chapter 5, a sector legal expert alluded to the risks and tensions associated with the establishment and use of trading subsidiaries. Now that the rationale for diversification has been explored in both organisations, section 6.4 will now draw on the empirical case evidence to examine some of the tensions associated with market housing diversification.

6.4 Private Market Diversification: Key Tensions

As detailed in Chapter 4, Glaser and Strauss's (1967) three-stage process was used to code and categorise the case data, taking account of Saunders et al's (2019) caveat that grounded theorists should not allow extant theory or concepts to influence how the analysis is conducted. Therefore, no theoretical blueprint was used to interpret the voluminous case data. Rather, seven first order tensions were established and then links between these were used to construct three axial themes (figure 6.3). The third and final selective coding stage, which conceptualises the tensions, occurs in Chapter 8. Some tensions were observable and played out during board discussions (e.g. how to use surpluses from affordable sales); others were retrospective (e.g. confusion over brand identity); and one was hypothetical and probed during interviews with executive directors and board members (e.g. what action to take in the event of a trading subsidiary getting into financial trouble). The three axial themes are now used as sub-headings (6.4.1-6.4.3) to structure the remainder of this chapter.

Figure 6.3: Tensions related to Private Market Diversification



Source: Author's own

6.4.1 Organisational Structure, Identity, and Funding

Tension 1: Integrated versus Differentiated Structures

Since 2014, there had been an arrangement between RHA and its subsidiary company, RHL, whereby RHA acquired land and then contracted RHL to develop traditional new build projects²⁷ under a Service Level Agreement (SLA). RHL then commissioned the development partners and consultants to deliver the projects and, in doing so, was able to invoice and 'zero rate' its service to the group parent. This

²⁷ RHA acquired Off-the-Shelf properties and commissioned Design and Build projects. RHL, on the other hand, commissioned traditional new build projects.

arrangement meant that RHA did not incur VAT on payments made in relation to construction and/or professional services. In February 2019, during an observation of the RHA Development Committee and RHL board meetings, both parties were asked to ratify the execution of the SLA between the two parties. An independent member of RHL's board queried the intercompany relationship and whether the SLA favoured one party over the other:

"At the last board meeting I said, 'Tell me about this SLA; how is it tilted?' The take on it was, 'It's just an SLA'. 'Yes; but tell me about it...what happens if there's trouble? If the black swan comes along, or there's a cataclysmic event?' I want to be in a situation where [pause] if RHA and RHL have to sue each other or perhaps, for some financial reason, RHA was going to pull the plug...that RHL's board has been seen to have done everything it ought to" (RBM7).

Some confusion also existed around the RHA and RHL intercompany relationship. When RHL was created, board members received training on the role of – and relationship between – the two companies. Staff also received training on how invoices were to be paid for VAT purposes:

"It was mentioned in previous meetings that we'd like to see a clear organogram set out, that shows all the relationships, contractual, communication-wise and business-wise, between the different entities" (RBM6).

In terms of CHA, the compartmentalisation of commercial activities into separate subsidiary companies with clearly defined remits meant that intercompany roles and relationships were more clearly defined. However, there was some confusion between the identities of the group parent and subsidiary companies in the early days of the latter. When setting up a trading subsidiary, the Charity Commission states that subsidiary names should be "*distinct from those of their parent charities to avoid confusion of identity*" (Charity Commission, 2017:34). It is permissible, however, for

the name of a parent charity to be included in that of its trading subsidiaries provided there is no misrepresentation between them. Prior to the rebranding of MML and MMH, in 2018, both companies contained the name of their parent charity. This uniform brand identity created some confusion for prospective private and social tenants alike:

"When tenants saw 'To Let' signs outside the private rental properties, they would say 'that's social housing and we are private rental tenants. We can't apply for that'. Then you'd have had a 'To Let' sign for CHA homes and [prospective] social housing tenants would say, 'I'm on the waiting list and I can't apply for that'. It seemed a very natural step to have separate brands for private rental and building for sale and for the social housing parent. Let there be no confusion" (CSM3).

The decision to rebrand the two subsidiary companies stemmed from a recognition that they were targeting different client groups to the group parent. In terms of market position, the MM companies were geared mainly towards 'young professionals' and 'budgeting families' at the starter / mid-market level. There was also a suggestion at one point that the two companies might adopt separate brands to take account of their own respective client groups. However, after consideration of external advice, the group board decided to use the same brand for both subsidiaries as it was unsure how active MMH would become in the private sales market. Ultimately, separate parent and subsidiary brand identities helped to address the confusion. However, in one particular instance, it also caused disquiet when CHA entered into a development competition with a local council:

"They described it as catering for the haves and have nots. That CHA was like the stigmatised yellow label and Maple and May was this fancy brand.....We were disappointed to hear that. It was all just about not confusing social housing and the private rental brand" (CSM3).

Tension 2: Internal versus External Funding

Group structures can yield significant financial benefits through reduced tax liabilities and/or from savings on borrowings and central services. However, the benefits need to be assessed against set-up, transitional and ongoing costs (Audit Commission and Housing Corporation, 2001). In both case organisations, directors reported clear financial benefits to the way their organisations had been structured. However, some tensions surfaced about the way non-charitable activities should be funded in RHA and about the way CHA's subsidiary companies should be funded. Both are considered in turn.

When RHA pursued mixed tenure development opportunities, several factors were taken into consideration, not least project viability and demand for market sales. An approved protocol was also in place, which considered mixed tenure developments with a cash flow deficit. By 2019, four mixed tenure schemes had been delivered by RHA. Each mixed scheme was funded by RHA, with market housing build costs repaid to the group parent along with interest costs on completion of the sales. However, in one site where mixed tenure comprised part of an NIHE site competition, the market housing construction costs equated to more than their actual sale price.

At one RHA group board meeting, members discussed whether surpluses from market sales should be used to cross-fund market housing (within NICHA limits) in other locations. In presenting this case to the board, the director emphasised that the primary aim of market housing was not to generate profits, but to deliver mixed tenure communities. The tension here lay in the fact that these surpluses from market sales could also have been used to fund new social housing or community investment

projects. Moreover, one of the market for sale schemes that was due to benefit from this cross-funding arrangement had a deficit of approximately £5-10k per house (i.e. the difference between construction costs and sales price). This led to a supplementary question: how much of a deficit per house was the group board willing to compensate from its market sales profits to achieve mixed communities? Moreover, how could mixed tenure developments be delivered in disadvantaged communities where market housing sells for less than the actual build costs?

RHA's desire to develop mixed tenure communities was compounded by a lack of government subvention to bridge such shortfalls. RHA could not use its reserves to bridge the gap which had been generated through social rents and would have fallen foul of Charity Commission regulations. One possible way for RHA to fund unviable mixed tenure developments was to use surpluses from market sales to cross-subsidise those in deficit elsewhere. This, too, was not without its challenges as surpluses could only be used in-year, plus it was a legitimate argument that profits from market sales should only be used for primary purpose activities. The alternative development option was to develop the entire site for social housing, which presented different challenges around concentrations of poverty and deprivation. In a follow up interview, the director expressed the tension as follows:

"At some point you have to ask, is the shortfall too big of a contribution per house? If we are putting in £40k per property is that good value compared to me putting in £10k into four properties elsewhere to get more affordable housing? Is that better use of the affordable sales proceeds?" (RSM2).

Ultimately, RHA's group board approved the paper to cross-fund, with future decisions to be taken on a case-by-case basis. Moreover, less stable cash flows from increased diversification activities was one factor that could have placed downward pressure on

RHA's credit rating. However, the association was not dependent on profits from higher end market sales to cross-subsidise its new social homes. Moreover, RHA could set its own annual rent increases to mitigate inflation unlike HAs in England, whose rent increases were controlled by central government (Chapter 2). In addition, overall turnover produced by non-charitable activities was marginal and was only expected to increase from 4 per cent in 2019 to 7 per cent by 2022 (Moody's 2019). One director stated:

"Moody's find the whole NI vanilla offering of social rented accommodation very attractive from a risk perspective and that transmits through to lower interest rates when you borrow" (RSM1).

Private subsidiary companies are normally funded by a combination of loan and/or share capital from the group parent charity, external finance, and retention of trading profits. However, as they primarily exist to Gift Aid profits to their parent company, there is an inherent incentive not to use retained trading profits to meet funding requirements. Consequently, the funding structure of subsidiaries is chiefly met through share and/or loan capital (Charity Commission, 2017). Also, loans provided by the parent charity must be on commercial terms and at arms-length. In CHA, this requirement created some tension when it transpired that MML was paying a higher level of interest to CHA than what was available from the external market. As MML directors had to act in the best interests of that company, they could either borrow at the external market rate or request that the group board lower the rate it charged to match that of the market. As a corollary of lower interest costs, MML was then able to generate greater cash surpluses. One non-executive member with dual MML/group board membership stated:

"With my MML director hat on, we could get cheaper money from [name of bank] than what we're getting charged internally. So, I said we should neutralise that by bringing the interest rate down. I've to do what's in the best interests of MML. But I was happy putting my group hat on, that if CHA could bring its interest rate down to match the bank....instead of them making the profit margin, CHA makes it, so, it's a win win for CHA" (CBM2).

During the fieldwork period, the boards of CHA and MML were engaged in strategic discussions about whether to source external finance to fund MML's business plan and growth targets. Hitherto, MML had been wholly funded by a multimillion-pound inter-company loan. Interviewees stated that, overall, the intra-group funding model was more tax-efficient since it enabled all of MML's profits to be gifted to the group parent. However, as on-lending covenants started to constrain MML's growth acquisition plans, CHA agreed to its request to source external finance. Although this ultimately meant reduced cash payments back to the group parent, the key benefit was that MML could continue to pursue its growth agenda without being hampered by on-lending constraints. Moreover, the higher costs associated with external finance could also be justified on the basis that the freed up on-lending capacity enabled CHA to provide more short-term support to other companies in the group, if required. Two dual MML/CHA board members stressed the importance of this decision:

"You would fund this internally any day of the week, as long as you don't leave the group tight on cash. There needs to be plenty of contingency and plenty of headroom there for a downturn" (CBM2).

"We only had capacity of a few million pounds to be able to on-lend to any subsidiary that needed help...If you need to provide financial support and you can't, the consequences are either, the business that needs support either fails, or has an insolvency, with a catastrophic reputational impact and possibly a financial impact. It also triggers cross-default on CHA's borrowing. So, if you borrow from outside at a slightly higher interest cost and free up millions of capacity in your emergency mechanism to help subsidiaries, that's a better place to be" (CBM3).

However, one group board member challenged the proposal that would see MML use external finance to repay its inter-company loan *in full*. The member suggested that the optimum solution was for CHA to keep sufficient capacity within its on-lending limit, lend over and above this optimal buffer to MML via an inter-company loan, and then for MML to source the remainder from the external market:

"MML were borrowing as much as they needed to repay their debt. That's overdoing it. I now have capacity inside my inter-company lending limit, that's good and safe, but I don't need that capacity. I've probably got three times the buffer I need if I do that. The optimum solution is that MML borrows up to an amount that gives us headroom, and no more, and CHA lends the rest" (CBM4).

In addition to above tensions that related to organisational structure, identity and funding, both RHA and CHA also experienced tensions related to corporate governance and risk.

6.4.2 Corporate Governance and Risk

Tension 3: Parental Control versus Subsidiary Independence

Group parents should always have constitutional control over their subsidiary companies. According to the DfC, group parents must manage relationships and performance within the group to limit risk to their assets, tenants, and stakeholders. Group parents manage risk by determining strategy, monitoring performance and taking action, if necessary, should subsidiaries fail to meet their objectives (DfC, 2020c). Accountability relationships are also normally set out in intra-group agreements, SLAs, board/committee terms of reference and delegated powers (AC/HC, 2001). Accordingly, there was a balance to be struck between the need for Radius and Choice to control and monitor the activities and performance of their

subsidiary companies vis-à-vis subsidiaries' need to remain autonomous and retain operational control. One CHA executive described the importance of striking the balance between parental control and subsidiary independence as follows:

"There is a tension, which we have to walk....you want the subsidiary to be clear about its objectives and to have a degree of independence to ensure it achieves those. At the same time, if there is an issue that's likely to arise - in terms of alignment with the group - you want that to be flushed out sooner rather than later. And that all comes back to good corporate governance" (CSM1).

One of the challenges in striking this balance was that subsidiary companies placed additional pressures on group board members, making it more difficult to effectively monitor each company's performance and contribution to the group. To this end, accurate and timely information was critically important if the board challenge function and accountability relationships were to be effective.

In RHA, group board members received voluminous electronic board packs of approximately five hundred pages. RHA's development subcommittee and RHL each received board/committee papers of approximately one hundred pages. The tension here pertained to the level of information provided to the RHA group board that related to the subsidiary companies. Should the group be provided with the same level of detailed information as the boards of RHL and TDL? Or should information provided to the group board be truncated given that some of its members (i.e. those with the relevant expertise) sat on the boards of the two subsidiary companies? At the time of the research, the Director of Development (DD) had been considering a two-page factsheet for the RHA group board, which would summarise the key development risks. There was also an acknowledgement that information needed to be presented in a way that enabled the group board members to assess and manage risk, impart guidance

and leadership, and effectively exercise their challenge function. In practice, this meant marrying quantitative financial data with narrative explanations for each development project:

"It's difficult. You've got a development committee and subsidiary boards that understand the detail. Then it goes to the RHA group board and they don't have that development background. The likes of [city centre development] is really, really complicated. I've to make sure our [group] board understands it. I'm spending a huge amount of money, and I need to make sure I give them information in a way that they can challenge me. But there is a point where you go, how much information should I give to them?" (RSM2).

Some CHA group board members raised the issue of information asymmetry, although were confident that the group possessed the experience and expertise needed to identify any discrepancies or oversights in their board packs:

"There's no information that comes to the table other than from the management team; more or less. That's something that you have to be cognisant of...but there are lots of inquiring minds around the table that will look at the information and pick up inconsistencies and ask questions" (CBM3).

A couple of examples of tension emerged between CHA's group board and operational matters within two of its subsidiary companies. The first related to CHA's social housing subsidiary in the RoI. Although this example did not strictly meet the study's CIT methodology criteria for private market diversification, it was an interesting case because the financial commitments of this subsidiary were instrumental in MML seeking external finance to free up lending capacity within the group (see tension 1 above). One board member asked why OH had failed to draw the group board's attention to a cost that had been incurred as a result of an early loan repayment. In a follow up interview, the same member stated:

"We could have avoided that [cost]...the easy thing would be to say nothing, but there's a part of me saying, 'if that's not the best we could have done, then why would I be happy to sign that off?...Where's the explanation for why that's the right thing at a group level?'...I was frustrated that I'd been at two or three finance committees, at least one board meeting, and the OH presentation, and nobody mentioned that we were having a breakage cost" (CBM4).

Parental control over OH was more complex than that of the two MM companies, not least because OH operated in a different jurisdiction and came under a different funding and regulatory regime. There was some concern about the level of knowledge within the wider group about the financial implications of OH's business plan and the levels of debt being accrued. Moreover, there was some disquiet about OH's business plan being presented to the group board "*very late in the day*" for what was "*almost an assumptive approval*", and about the relationship between the two entities going forward:

"There probably isn't a high enough degree of knowledge within the CHA board about OH's business plan and the financial implications of that. OH is consolidated as an accounting subsidiary, but it's not a subsidiary in the traditional sense. So, there are some complicated decisions around how CHA supports OH going forward, the information you share, the cross-pollination of the board and to what extent that's appropriate" (CBM3).

The second tension example related to a group board decision to contract-in property management services for MML. In its early growth phase, it was more cost-effective for MML to outsource the provision of day-to-day management, lettings, and repairs to several local letting agents. As its portfolio expanded, the board of MML commissioned financial advisers to undertake a cost benefit analysis between the prevailing outsourced model versus an in-house management model. Ultimately, the analysis concluded that an in-house function would give MML greater control and capacity to monitor key performance data (e.g. void turnaround times, repairs etc) and to better

utilise resources and expertise elsewhere in the group (e.g. CHA call-centre, gas compliance checks etc). However, some tension emerged when MML's board sought approval from the CHA group board for two additional staff members to facilitate this change. Although the majority of members supported the proposal, one member challenged the need for two additional staff as the financial benefit (i.e. lower management costs) was marginal in the short-term and only more significant upon delivery of the business plan in 2022:

"We were recruiting two staff, the second one to cover for the first one. You've got to give me the evidence to cover myself when somebody says, 'why did that ever look like a good idea?'...If we get a weak case presented to us and we let it go through, how does that look for us?" (CBM4).

Tension 4: Financial Risk versus Reputational Risk

In RHA, risk mitigation for market sales started at the project evaluation stage when due diligence was conducted on sales demand. Projects only proceeded when market intelligence indicated strong demand and viability. As above, sales risk was also mitigated by working with Northern Ireland's specialist shared ownership provider, NICHA. Should market sales not materialise (e.g. in the event of a market collapse), RHA's exit strategy - and option of last resort - was to convert them into social homes and reclaim HAG, accordingly. Despite these robust measures, some board members in RHA still expressed some slight apprehension about being unable to sell market homes.

As outlined above, RHA also had plans for its other private subsidiary, TDL, to deliver some market sales. However, risk appetite amongst board members for such activity was considerably lower than it was for market sales aligned to NICHA's purchase price

threshold. A key challenge for the group board, at least initially, was where do the funds come from to fund TDL and other market activities beyond the NICHA price threshold:

“Once you’ve made money, you can reinvest and that’s grand, but how do you get started in the first place? I think that’s the challenge for us. You’ve got to start small and not have too much at risk, and make sure that it never gets to the point where it puts RHA at risk” (RBM4).

Diversification into new business areas such as private sales would increase the group parent’s risk exposure. Under the DfCs’ governance standard, boards were expected to have effective risk management and assurance controls in place to safeguard the interests of taxpayers and the reputation of the housing sector. One of the main advantages of RHA’s and CHA’s subsidiary companies was that they ringfenced charitable assets from the risks of trading. By ringfencing risk in this way, the registered HAs were not liable for the debts and/or other obligations of their subsidiary companies, even though they were wholly owned and controlled. In theory, this structural separation should have protected the associations. However, in practice, group parents have a moral responsibility over their subsidiaries’ activities and, in effect, are honour bound to meet their debts and obligations if they cannot do so themselves. In other words, group arrangements may help HAs to manage risk, but may not reduce actual risk exposure if subsidiary companies fail.

Moreover, according to the Charity Commission (2017), board members must always act in the best interests of the parent first and “*minimise any losses to the charity, regardless of any sense of moral obligation board members may feel towards the trading subsidiary*” (p.29). A breach of trust may occur should board members sink funds into an ailing subsidiary when it appears likely to fail. Therefore, where subsidiary companies are struggling, there can be a tension between the application

of charity law and allowing the subsidiary to go into liquidation versus trying to justify further investment in the company to avoid damage to the charity's reputation and/or its tenants. This gives rise to a hypothetical tension: what action would the group boards of RHA and CHA take if subsidiary business ventures failed or if they defaulted on their loans? Executive and non-executive directors in RHA and CHA were asked how they would act if their subsidiary companies experienced financial difficulties. They responded to this hypothetical scenario as follows:

"The commercial stability of the organisation is the thing that safeguards the social goals. We've had this debate and if the private development scuppered the social housing, we would collapse TDL and RHA would not come to the rescue. We've had those debates and discussions" (RSM2).

"Would CHA walk away? There's two questions there. Would we walk away from it morally, insofar as it could be seen to let a subsidiary go? So, there's that question, and probably a more pragmatic one about the amount of money CHA has sunk into MM. Would it not make sense for it to support MM, if the issue is cyclical? To put a bit of money into it, until it rides the next wave?" (CBM2).

"I would be reluctant to put good money after bad... You would never bring down the mothership. If we made such a disastrous investment, you might change all your directors, and rightly so, but, hey ho, the charity survives and the people the charity is working to protect continue to be protected" (CBM4).

Tension 5: Board Member Roles and Conflicts of Interest

In Chapter 5, stakeholders stressed how HAs placed a greater emphasis on the recruitment of professional board expertise given the increased demands and expectations of board membership. Increased pressures on board members gave rise to several tensions. Firstly, members had to balance the amount of time they could devote to governance roles with their own professional careers and/or personal commitments. As a result, RHA tried to strike a balance between members in paid employment and those who had recently retired. The Chair of RHA defined this tension as follows:

"We want people who've got the time to perform the role or people who've just retired and have got the knowledge, skills and contacts. People who are in work are obviously fantastic, but they really struggle to commit the time. So, you've got to get the balance right" (RBM1).

Tensions can also arise when boards have too many or too few members. For example, one RHA board member felt that the twenty-two executive and non-executive members present at board meetings militated against in-depth discussion. Likewise, an independent governance review of CHA recommended that the whole executive team did not need to be present at board meetings. On the one hand, if all members present felt the need to contribute, it could take longer to get through board business. On the other hand, if there were not enough members to service the group and subsidiary boards, governance roles could become more onerous and place greater demands on fewer people.

Secondly, one of the challenges of recruiting certain types of expertise was the potential for conflicts of interest. One RHA executive expressed concern about the potential for board members (e.g. private developers) to have access to commercially sensitive information (RSM2). Therefore, development expertise can be difficult to recruit as it generally needs to be someone who is retired and/or not active in residential housing development. Moreover, the DfC expected HAs to have procedures in place:

"Designed to avoid conflicts of interest, particularly where members of the subsidiary's board are also members of the parent's board" (DfC, 2020c:9).

Despite best efforts to avoid conflicts of interest, they can still inevitably arise as articulated by one CHA executive:

"Avoiding conflicts of interest is a different matter. It's very difficult, particularly in Northern Ireland, where it's like a small village. The key is being aware of them and managing them accordingly" (CSM1).

In addition to the potential for conflicts of interest between group and subsidiary companies, conflicts can sometimes arise when trading takes place between subsidiary companies. For example, a conflict emerged when the board of MML approved the acquisition of apartments from MMH. Because of the common board membership, the directors of MMH ceded their power to ratify this decision to the CHA group board. Furthermore, separate valuations assured both MMH and CHA group board members that best value had been attained:

"It's important to be seen to be doing the right thing and that nobody can come back and challenge...it's about putting controls in place, to make sure that if a conflict arises, we find a pragmatic way of dealing with it" (CBM2).

In another example, MMH had been in contract with a development partner for the delivery of private housing units. When the time came for this phase of the development to be delivered, social housing need had re-emerged in the area. Thus, the MMH board gave consent for the development partner to consult with the CHA group board about developing the site for social housing (see Chapter 7). A sub-group of the CHA group board was then established, with authority conferred to approve the project. This avoided any potential conflict that would have arisen from the common board/committee membership between MMH and CHA's Development and Growth (D&G) committee. Finally, there are times when group and subsidiary governance roles conflict to the extent that members need to absent themselves from the decision and perhaps even the boardroom altogether. One group board member raised an interesting point around whether or not it was appropriate for MM non-executive

directors to participate in any possible future group board discussions around CHA's support for the MM companies:

"Most organisations that I've been involved with, recognise that if you're in the group, and sitting on different boards, the decisions you make will at many times have that conflict of interest, because what's best for that company and what's best for the group is very different. You could make a purist argument that the people should be excluded from those discussions, but...practically...I'm not sure it's appropriate. If we were having a review of 'do we continue Maple and May?', I think there is an interesting point as to whether the three MM directors need to step outside at that point" (CBM4).

This concludes the section on corporate governance and risk related tensions. The final two tensions have been thematically categorised as organisational culture and strategy and are now considered.

6.4.3 Organisational Culture and Strategy

Tension 6: Divergent Cultures and Practices

Group boards are required to have the necessary skills in place to govern the full gamut of activities undertaken by the parent and its subsidiaries (DfC, 2020c). When presented with a draft of this chapter, RHA's senior executives were keen to point out that its pursuit of non-charitable activities to date had not shown the group board to be deficient in specific skills. They also highlighted that the HA conducted an annual skills review which fed into its board recruitment plan. However, a strong sentiment was expressed during private interviews with some group board members that TDL's plans to deliver one hundred private sales per year (not to be confused with market sales that fell within NICHA thresholds), would require a skills review at both board and management levels. More specifically, commercial expertise would be required to

enable TDL to operate and compete in the private market. This was not seen as a slight on existing RHA board members, but merely that new activities and new types of risk would require new types of board expertise. Ultimately, the decision to recruit additional expertise to the board of TDL rested with RHA's group board and its willingness to enhance risk appetite for private sector developments:

"You can't just take people who are experienced in social housing and say, 'if you're on the board of RHA, you can be on the board of TDL'. It doesn't work that way. First, have we the right board in place? And second, have we the right staff? It may be that we need to employ a person who is used to operating in those waters. People might say, 'sure it's the same, you're building houses, what's the difference?'. Some skills are transferable, but some aren't" (RBM7).

"Tealstone, for me, if it's to be really successful, I do think it has to have a different team of people working on it, because the skills you need are different" (RSM2).

Furthermore, there appeared to be a significant shift in the governance culture of both RHA and CHA as they started to pursue private market opportunities after their respective mergers. In RHA, its two legacy boards merged and new board members were recruited. According to one non-executive, legacy HA1's board comprised mainly older, retired members who had a strong sense of social purpose towards their tenants and communities. On the other hand, legacy HA2's board comprised younger, employed members who were more business oriented given HA2's "*unfortunate regulatory situation*" (RSM1). These members "*didn't appear to have that same sort of closeness to the customer*" (RBM2). At the time of the research, only four members from legacy HA1 and none from HA2 remained on the RHA group board. One member who had experience of the pre- (HA1) and post-merger governance regimes, characterised the different cultures as follows:

"Previously, the board was very much driven by the SMT. I don't ever remember any sort of dissent around the board table, saying 'we should be setting the strategy here'. But the new members were more exacting, and they started saying, 'This isn't what boards are meant to be like. We should be doing this. It's not good enough for somebody to come and bring us a draft business plan. We need to be leading and involved a lot earlier'. And there were some strong cases made" (RBM2).

However, in response to the above viewpoints, senior executives in RHA suggested that *"it would be wrong to say legacy HA2 did not have a values focus or that legacy HA1 board members were somehow uncommercial. That was not the case"* (Private email, March 2021).

In terms of CHA, the post-merger board resulted in some tensions around governance culture and reporting practices. One executive described the pre-merger governance culture as a formal, public sector-type regime. For example, some legacy board members initiated their contributions to board meetings by saying: *"through you chair"* (CSM2). Furthermore, the way the pre-merger board received information created tension in that executive directors tended to present papers to their respective subcommittees in advance of discussing them with their SMT colleagues. This meant that in some cases executives only had sight of papers (e.g. from other sub-committees) after they had been ratified. However, under the post-merger reporting structure, SMT members had sight of all papers before they were tabled to their respective subcommittees. One CHA executive articulated this shift as follows:

"I think the other [pre-merger] way gives more control to the board and to the non-executive members, because the decision-making is coming from the directorate to the committee, then to the Board. It bypasses the other members of the executive team. So, I imagine that gives quite a lot of comfort to a board... However, there's no executive challenge in that process" (CSM2).

Key cultural differences also existed at an operational level between CHA and MML in terms of how they managed their respective social and private rental portfolios. In fact, their quite different approaches to lettings and management was one of the reasons why MML preferred to recruit new staff - and not second from CHA - when it decided to contract-in property management services (see tension 3 above). To illustrate this cultural difference, one executive stated:

"I asked, 'Why the voids?' and the Housing Officer said, 'We couldn't find an allocations policy for the private rental units. What if three people apply? What policy do we have to choose between them?' I said, 'You're really overthinking this. Just put a board up and see who applies for it and accept that application'. It's two different people doing very different jobs; the two circles don't overlap" (CSM3).

Such cultural differences were even more pronounced when it came to housing development. The same director felt exasperated by the slow and unwieldy approach to social housing development vis-à-vis the private sector. He cited two examples where development opportunities had either been missed or severely hampered by a combination of regulatory burden, procurement delays, internal processes, and staff absences. A key challenge here related to the fact that CHA had access to a significant level of low-interest private finance but needed to be fleet footed enough to spend it by exploiting new opportunities for social housing development:

"There's a great example at the minute. I rang the developer and said, 'Do you want a site in [name of town]? We can get NIHE support'. He said, 'Stop you there, [director's name], you're just going to break my heart. I said, '[developer's name], I'm here to try and get things moved along a bit quicker. Will you give us the benefit of the doubt to see how this one plays out?' And it has been a real challenge in terms of getting procurement plans up to SMT" (CSM3).

"There's another example for a site in [name of town]. We went to the NIHE for support and they said, 'Yeah, we probably could support it, but we'd need to phase it'. We said, 'Right, well tell us over how many years you'd phase it and the mix within each phase'. That was April and, despite me chasing it personally, we heard back first week of October" (CSM3).

As the conversation progressed, the director expanded on one of the main cultural differences that differentiated private sector development from social housing development: the so-called ‘bonus culture’. Drawing on three years’ experience as a Group Director with CHA and a previous career as a director in a private sector real estate firm, the director characterised this cultural dilemma as follows:

“Is private better than social? If you deliver a private scheme does that get you a bonus, but if you deliver a social one, you don’t? You can’t create a two-tier thing in CHA” (CSM3).

Tension 7: Current versus Future Aims and Objectives

In April 2021, towards the end of this study, the DfC published a new definition of affordable housing, which incorporated intermediate housing options (DfC, 2019b). Also, in a statement to the NIA in November 2020, the DfC Minister announced plans to introduce a new affordable rent product. She stated:

“I will expand the rental options available by introducing intermediate rent...Intermediate rent homes can be a stepping-stone for some into low-cost home ownership or can provide a better more affordable rental solution for others” (DfC, 2020c).

Moreover, some of the new (draft) Local Development Plans (e.g. Belfast City Council) contained a proviso that new developments should contain an element of affordable housing. Therefore, one of the tensions at the heart of this section was whether new forms of affordable housing should be pursued by RHA and CHA, in future, in line with government policy direction? If so, how should they be funded?

In February 2020, CHA’s group board considered a proposal to provide a new intermediate rent product using EIB loans. These loans were superfluous to the needs of social housing development but had been drawn down and interest was being

charged. In response, CHA explored the potential for a new affordable rent model in line with DfC's policy zeitgeist on extending the definition of affordable housing. The proposal was that these new homes would be similar to the affordable rent model in England (80 per cent market rents). During the board discussion, members raised several pertinent questions. First, should monies borrowed for social housing development be used to provide homes at an 'affordable' rent? Second, which client group would the affordable rentals cater for? Third, how would the homes be delivered? (e.g. loan terms dictated that they had to be delivered by CHA). And fourth, would it not be better for CHA to await the outcome of the DfC's consultation on the definition of affordable housing before embarking on new affordable rental options?

In terms of CHA's diversification aims, affordable rental accommodation did not align with the principal aim of profit generation. However, it did satisfy two supporting objectives (i.e. catering for a broader range of housing need and demand and creating opportunities for mixed tenure developments) (see 6.3 above). In an interesting exchange of views at the board meeting, one member with commercial expertise voiced reservations about the use of EIB finance for non-social housing tenants: "*I'm not sure we would do this in principle and after that I would have a list of practical questions. We would be subsidising households beyond social housing*" (February 2020 board meeting). The CE on the other hand felt that CHA should be broadening its housing offer and catering for a wider range of income groups. A different board member characterised the tension surrounding the affordable rent proposal in a follow up interview as follows:

"Some people were very supportive of affordable rent, but others, including myself, were not as supportive, because you would really be subsidising people to live in a really nice part of town. My thoughts were that really, we're here to help people lower down the income bracket" (CBM3).

Finally, there was evidence of tension between CHA's principal diversification aim of profit generation and the 'modest' cash surpluses being generated by the MM companies. Rather, MML's surpluses had come mainly in the form of capital growth in its private rental portfolio. Some of this growth was converted into cash when MML sold some of its properties in-year, plus additional cash was generated when MML switched to an external interest-only debt structure (tension 2). Nevertheless, one independent finance committee expert queried whether the modest cash returns justified the levels of investment, risk, and effort involved:

"If we are not making a big [financial] return, why are we doing this?" (Finance Committee minutes, February 2020).

On the other hand, one of the MML non-executives stated that cash surpluses were always going to be through capital appreciation in the company's early years due to low rental yields and debt servicing commitments. However, rental yields were expected to increase as property prices rose and MML's debt reduced. Debt could also be raised against MML's rental portfolio in future with the "*money shipped back into CHA*" (CBM2). This debate brought to the fore the tension between short-term cash profits and longer-term capital growth, and whether the non-financial benefits of MML might supersede the primary aim of profit generation at least in the short-term. This tension was described by one executive as follows:

“The job description I would have seen was all about cross-funding and creating new revenue streams. I think it is very fair to say that the softer side has gone from being a lesser issue to being a bigger one...CHA is quite a wealthy organisation and the need for cash, post-welfare mitigations, post reduction in HAG, it might never happen. At the minute, CHA doesn’t need my cash” (CSM3).

6.5: Conclusion

In terms of the study’s critical realist ontology, this chapter moved to the ‘domain of the empirical’ to identify some of the key tensions that confronted the boards of RHA and CHA as they diversified into private housing markets. Grounded analysis of the case evidence identified seven sets of tensions, which were categorised under three thematic headings, ‘organisational structure, identity, and funding’; ‘corporate governance and risk’; and ‘organisational culture and strategy’. Ultimately, each set of tensions related directly or indirectly to RHA’s and CHA’s pursuit of social and commercial goals. However, the scope and nature of these tensions manifested differently in each organisation due to their distinct diversification aims. Use of the CIT methodology helped uncover examples of tensions that were retrospective (e.g. brand separation between parent and subsidiary companies), prospective (e.g. how to use proceeds from market sales) and hypothetical (e.g. what action to take should a subsidiary company fail) in nature. Chapter 7 now examines the ways in which RHA and CHA managed the above tensions that stemmed from the enactment of commercial objectives alongside primary social purpose goals.

Chapter Seven: Managing Social and Commercial Goals

7.1 Introduction

The purpose of this chapter is to critically examine how RHA and CHA strategically managed market diversification related tensions (i.e. research objective 4). It does not examine how each of the seven sets of tensions were individually managed, but rather presents four overarching themes that facilitated the co-existence of social and commercial goals in RHA and CHA. These themes are categorised as: (1) organisational structures and professional advice; (2) corporate governance expertise; (3) strategic goal alignment; and (4) risk management. Each theme emerged from the case evidence and played a crucial role in the management of social and commercial goals in both HAs. Although each of the four themes interrelate, they are presented separately and used as sub-headings to structure the remainder of this chapter. CIT ‘strategic decision’ examples are also used to illustrate the different approaches to tension management in RHA and CHA. The conclusion then summarises the evidence, focusing on the key differences between the two associations.

7.2: Organisational Structures and Professional Advice

Both the housing regulator and the Charity Commission (CCNI) require HAs to take independent professional advice whenever they establish group structures or engage in trading activities (DfC, 2020c; Charity Commission, 2017). Such advice helps HAs to thoroughly assess the risks and benefits of using trading companies (appendix 7.1). In both RHA and CHA, decisions to establish subsidiary companies and/or deliver private market housing were supported by professional advice. As part of the case documentation review, copies of specialist legal, financial, taxation, and procurement

advice were received from both HAs. This external advice informed the optimal structural setup of both HAs, in terms of helping them to achieve their respective diversification aims. These structural arrangements are now considered in more detail.

RHA was advised by a reputable English law firm that mixed tenure developments could be considered *vires* with its objects and powers in certain circumstances. For example, in cases where mixed developments did not directly further the charitable objects of RHA²⁸, the board could consider whether the development was ‘necessary or expedient’ to further its charitable objects; whether it was prudent; and whether it was in the best interests of the company. Based on this expert advice, the board of RHA decided that it may be considered ‘necessary or expedient’ to deliver mixed tenure developments through its charitable parent company in the following circumstances:

- If the development was a condition of planning approval;
- If mixed tenure related to landowner conditions and/or site competitions;
- If mixed tenure facilitated community support/buy-in for the development;
- If market sales were used to cross-subsidise the provision of social housing in the development.

In relation to the commercial element within its mixed developments, the RHA group board decided on an upper threshold of twenty per cent. Although the legal advice specified that RHA could develop in excess of this threshold, the group board decided that this was a reasonable percentage above which commercial activities should be

²⁸ The objects are outlined in the NIFHA Model Rules – see Chapter 6, section 6.2.

delivered through its private subsidiary company, TDL. Any lower and it was reported that the financial returns would not have been justified by the added bureaucracy. In each of RHA's four mixed tenure schemes, the 'necessary or expedient' legal test was satisfied and RHA was able to deliver social and market for sale housing under its registered charitable structure. In practical terms, this meant that the board of RHA maintained complete oversight of market sales risk. According to one executive:

"The amount of double handling, of flipping invoices, administration and running extra committees - it just adds a burden of governance to the organisation. So, the advice from our solicitors that we do not have to run this through a private subsidiary, made life so much easier, believe me" (RSM1).

However, where profit-focused activities posed a greater level of risk to a charity's assets, there was a legal requirement that these activities be undertaken in a subsidiary company. Accordingly, both RHA and CHA had established private subsidiary companies for their profit-making activities, which satisfied DfC and CCNI regulatory requirements aimed at safeguarding taxpayers' interests, the HAs' charitable assets, and their and the sector's reputation.

RHA established TDL to undertake investment opportunities which lay outside the group parent's charitable objects other than the mixed tenure market sales which were legally exempt, provided they satisfied one of the above tests. Despite some major development plans on the horizon, this company remained dormant during the fieldwork period. CHA on the other hand had established two wholly owned subsidiary companies with active investments in the private rental and private for sale markets. Transactions between CHA and its two subsidiary companies were specified in written agreements and conducted at arms-length on commercial terms. This enabled CHA to

ringfence investment risk outside of the group parent company and to benefit from corporation tax efficiencies.

"We [CHA] don't give them [MM] anything for free. We recharge them, basically for our management services. Anyone who does any work for the MM companies will complete a timesheet and that all gets recharged" (CSM4).

This structural arrangement meant that CHA could simultaneously grow its private investment portfolios through its two subsidiary companies yet maintain its position as one of the largest developers of social housing in Northern Ireland. Moreover, RHA's and CHA's private subsidiary companies had distinct legal entities with their own constitutions and boards. Nevertheless, despite their separate legal status, the commercial activities undertaken by the subsidiaries remained overseen and tightly controlled by their respective group parent owners. Moreover, their sphere of operation was laid out in clearly defined board 'Terms of Reference' and group board 'Schemes of Delegation', and their annual business plans and budgets had to be approved by their shareholder owners. Also, group board approval was required if the companies sought to operate outwith agreed risk or budget tolerance levels. Finally, the boards of RHA's and CHA's private subsidiary companies comprised both group board members and independent members. This leads onto the second theme: 'corporate governance expertise'.

7.3: Corporate Governance Expertise

The housing regulator in Northern Ireland states that boards must have the necessary skills and experience in place to govern the range of activities undertaken by HAs and their subsidiary companies (DfC, 2020c). This section examines more closely the corporate governance expertise of both HAs, including the use of independent experts

on the boards of subsidiary companies. It begins with a quote from a CHA board member who reminisced about their involvement with several fledgling community-based HAs in the 1970s-80s, including one of CHA's predecessor HAs. As noted in Chapter 2, boards have become more professionalised, and as the member discerned, less community activists now serve on the boards of large HAs:

"I started my career working with community-based HAs and a lot of community activists were involved. I loved that because people wanted to do things and it was that enthusiasm people brought with them. It's completely different now. Part of it is the size of HAs, the scale, the money involved. In the bigger HAs now, community activists wouldn't necessarily be on the board, so it has shifted. In the community HAs there was always that tension of leaving everything to the staff because the board didn't really know what it was supposed to be doing. Now the whole world of governance has changed, and you get a wider mix of people on boards" (CBM1).

Both RHA and CHA placed greater emphasis on board members with commercial expertise and business acumen compared to their pre-merger organisations. Overall board composition was based on a skills matrix, which highlighted the range of skills both HAs needed to strategically lead their organisations and hold executives to account. According to the stage 2 CE survey (June 2019), RHA's board comprised fifteen members, eight of whom had a public sector background, five a private sector background and two a mixed sectoral background. However, this dynamic changed during stage 3 (October 2019 - April 2020), with private sector (7) backgrounds becoming the main board cohort, followed by public sector (5) and mixed sectoral (1) backgrounds. This largely private-public board composition corresponded with the two main sectoral backgrounds serving on HA boards across the sector (see figure 5.3 in Chapter 5) and the blended public-private ethos they espoused (see figure 5.4 in Chapter 5).

In RHA, the private-public sector composition resulted in an interesting debate when the group board was asked to deliberate over a rent increase. When divided into two groups by an external facilitator, one group proposed a rent increase of CPI²⁹ and the other group proposed CPI plus x per cent. After a board vote, an increase of CPI plus x per cent was agreed. *Prima facie*, this example does not directly relate to the CIT criteria of private housing market diversification. However, rental income was used to service private debt finance, which was needed to build new social and market for sale homes. Moreover, some members had concerns about the effect of a low rent uplift on RHA's credit rating. Two board members with private and public sector backgrounds recalled the debate as follows:

"You definitely had two different points of view. I suspect there's a wee bit of who you're likely to be aligned with, shall we say. But I think that was a healthy debate. Both groups put their point of view across and, by and large, we ended up at a decision that we all can accept. That was the only decision where it's come to a vote" (RBM4).

"We proposed CPI and the others proposed CPI plus x per cent. That group.....they were very strong and articulate characters. They were fixed on Moody's and the impact it would have on our rating. I was thinking from the tenants' perspective and trying to explain that our rents are not cheap. In the end we agreed a compromise" (RBM2).

Non-executives recognised that this blend of private and public sector expertise on RHA's board helped to moderate divergent perspectives, which ultimately had a positive effect on board decision-making. Two board members with private and public sector backgrounds described this moderation effect as follows:

²⁹ Consumer Price Index is a measure of consumer price inflation produced to international standards (ONS).

"It's a good thing that there are members with a public sector background on the board to counterbalance people like me [laughs]. HAs have to have an entrepreneurial aspect to them, because they're swimming in the sea with sharks, with private developers. There's a paradox; they have to remember their charitable objectives but be entrepreneurial when they have to" (RBM7).

"You always have the people who start with the hard-nosed business perspective, and they're right. Listen, if they didn't start that way, people like me would probably run away with things. Do you know what I'm saying? You need the opposing side, but it's very rare that we don't get consensus" (RBM2).

In relation to CHA, the CE survey response (June 2019) indicated that the board comprised fourteen members, six of whom had a private sector background, followed by public sector (3), mixed sectoral (3) and voluntary sector (2) backgrounds. By the time of the case research, there were twelve board members in place, with private sector expertise still accounting for the greatest number of board memberships (7), followed by public sector (3), mixed sectoral (1), and voluntary sector (1) backgrounds. CHA's 'Board Diversity Policy' recognised the benefits of a diverse board membership in terms of having the necessary skills and perspectives needed to ensure effective stewardship of the organisation. The policy stated that as part of board succession planning, the board:

"Will continue to focus upon its own optimal balance and composition, having regard to the individual skill sets and the general sector-specific knowledge needed to drive performance"

(CHA Board Diversity Policy, 2020)

Two executives described how cognitive diversity around the board table in CHA resulted in better decision-making:

"We want to do lots of good, but we have to be stable and strong. Having as many discordant voices around the SMT and the board table as possible, and the dynamic between the group board and the committees and subsidiary boards. Having as many different views as possible, we end up with better results" (CSM1).

"We have a blend of people, if you like. We have members from a financial background because the board needs to understand the numbers. But actually, we're about social purpose. So, we have people from third and public sector backgrounds too. We probably have one too many bankers. But, in truth, it's not really a numbers game. It's about voices and skills, and the commercial experts we have tend to be more socially conscious anyway. They are often the ones saying: 'Are you sure we should be doing this? Is this in line with our social purposes?'" (CSM2).

RHA had one board member from a community background who was a tenant. In CHA, the board discussed the prospect of tenant directorships; however, due to a lack of appetite amongst tenants to serve on boards (see Chapter 5), they agreed that the Chair and Vice Chair of the Tenant's Forum would be invited to address the board on an annual basis. One tenant sat on CHA's tenant services subcommittee. This corroborates the member's opening remark that there are now less community activists serving on the boards of larger HAs.

In terms of board expertise, board members with public, mixed, and voluntary sector backgrounds in both RHA and CHA tended to have sector specific or 'domain' expertise (i.e. expertise of the social housing and health and social care). In terms of private sector backgrounds, both RHA and CHA each placed a different emphasis on the types of expertise they required (table 7.1). For example, RHA recruited members with expertise in technology and analytics; skills that were highly relevant to the organisation's assistive technology business. Other private sector expertise included law, finance, surveying, and planning. CHA on the other hand attached greater credence to corporate banking expertise, which accounted for one third of its total board memberships. Banking experts were keen 'to give back' and had a lot of experience of the residential mortgage market and/or of lending to HAs earlier in their careers:

"I would have done some social housing lending back in my previous banking days" (CBM3).

"Housing was of interest to me because one of the phases I most enjoyed in my job was when I was responsible for mortgages in Halifax....we put more people in homes than anyone else in the UK...one in ten people who had a home had it because of our mortgages. It was a fascinating sector and so, getting involved elsewhere in the housing sector was of appeal" (CBM4).

Other private sector board expertise in CHA included law, planning and strategic human resources. All board appointments were made strictly on merit with members' skills aligned to CHA's strategic objectives, including those of its subsidiary companies.

Table 7.1: Board Member Expertise in RHA and CHA

Radius HA	Choice HA
Conveyancing and Property Law x 2	Corporate Banking / Finance x 4
Health and Social Care x 2	Planning x 2
Housing Policy	Housing Policy x 2
Housing Management	Commercial and Financial Law
Technology and Automation	PR and Communications
Data Analytics	Strategic Human Resources
Planning	Health and Social Care
Corporate Finance	
Quantity Surveying	
Taxation	
Community Development (Tenant Member)	
13 members	12 members

Source: RHA and CHA websites. Expertise relates to board members who served on the board during the research period (October 2019-April 2020). Board members often possess expertise in more than one area. This table focuses on each members' principal expertise.

The housing regulator in Northern Ireland states that it is good governance practice to include independent members on the boards of subsidiary companies. Where the composition of the group parent and subsidiary board is identical, the regulator states that it may be difficult for members to differentiate between the two when making decisions (DfC, 2020c:14). Both RHA and CHA performed regular skills reviews and consolidated their board expertise by recruiting independent non-executive directors to their respective subsidiary companies. In RHA's case, one independent non-executive with expertise in corporate finance sat on the board of its investment subsidiary, TDL, and a taxation expert sat on the board of its VAT efficiency vehicle, RHL. Both had previously worked for one of the big four accountancy firms. In CHA, three independent members were recruited to the boards of the MM companies, with expertise in surveying, facilities management, and property development. Managing expectations can often be a challenge when independent non-executive directors with commercial expertise are appointed to the boards of charity owned trading companies. In both RHA and CHA, expectations were managed through group board interlocks (i.e. group board members served on subsidiary boards alongside independents), and through a robust induction process, which provided independent members with a clear understanding of the group's social purpose and values, and of its operating and regulatory environments.

Finally, RHA and CHA had different approaches to how they structured their development directorates, which resulted in different management roles and expertise. For example, in RHA the Director of Development's (DD) remit covered both social and private for sale housing. This integrated role was suited to the DD's academic and professional backgrounds, having completed an undergraduate degree in Housing and

a master's degree in Property Investment and Development. Prior to joining one of RHA's legacy HAs in 2011, the DD had worked in the social housing sector for fifteen years (in property development and housing management roles), and as a commercial director in the private sector (working across Europe on residential, hospitality and commercial development projects). As highlighted in Chapter 6 (tension six), this integrated management responsibility for both social and private for sale housing may need to be reevaluated should TDL start to undertake more commercial developments in the future.

In CHA, the social and private housing directorates were headed up by two separate directors. A Group Director of Development and Assets (GDDA) with more than 35 years' experience in the social housing sector was responsible for the social housing development programme and asset management within CHA. Moreover, a Group Director of Growth (GDG) was appointed in 2017 to lead the expansion of the MM companies into the private rental and residential for sale markets. A qualified Chartered Surveyor by profession, the GDG had previously worked as a director in a commercial real estate company. Prior to joining CHA, the director's private sector background included roles in commercial and residential property management, development consultancy, investment appraisals and land acquisition. Writing for the trade magazine in 2018, the CE stated:

"We have taken great care to assemble an experienced senior management team and subsidiary board which brings considerable commercial acumen and market insight" (CSM1).

Although the social and private housing directorates were kept separate in CHA/MM, the GDDA and GDG worked closely together. For example, part of the latter's remit

was to source land to deliver one hundred new social homes per annum. This leads on to the next theme, which provides examples of how RHA and CHA sought to align their social and commercial objectives.

7.4: Strategic Goal Alignment

Strategic goal alignment was another key feature that enabled RHA and CHA to simultaneously pursue social and commercial objectives. This section examines some development projects, strategic decisions, and organisational policies that aligned market and social housing objectives in both HAs. Andolsen (2007) defines strategic alignment as “*the link between an organisation’s overall goals and the goals of each of the units that contribute to the success of those overall goals*”. This study defines strategic goal alignment as “*the arrangement of commercial activities in such a way that they contribute to or support the fulfilment of the HA’s social objectives*”. In both RHA and CHA, group-subsidiary board interlocks and common membership between the group parents’ social housing development committees and the subsidiary boards helped to ensure social and commercial goals were always aligned. According to one CHA executive, this common membership meant that CHA’s corporate priorities remained to the fore:

“We structured the meetings so that CHA’s Development and Growth committee would run through its business first, and then that knowledge about CHA’s priorities would run into the MM conversations as well” (CSM1).

RHA delivered two of its four mixed tenure schemes under an integrated organisational structure and all four under the same integrated development directorate. Thus, two different development projects are used in this section to exemplify how private market housing supported the organisation’s aim of mixed tenure communities. On the other

hand, CHA had a differentiated organisational structure with separate social housing development and private market growth directorates. Thus, attention is given to organisational policies and strategic decisions that aligned MM's aim of profit generation with CHA's overarching social purpose.

RHA's board had previously endorsed the inclusion of private for sale housing in new social housing developments, subject to meeting viability criteria. During stage 3 of the research, RHA was in the process of regenerating one of the largest brownfield sites in West Belfast. In 2013, RHA acquired a former car manufacturing site (where social housing demand exceeded supply) with a vision of transforming it into a sustainable community. After extensive community and political consultation, the site received planning permission in 2018 for 244 social rented and private for sale homes alongside community and employment facilities. There was an 80/20 split between social and private housing, with private housing pepper-potted throughout the site layout. These private for sale homes were available for outright purchase or to first-time buyers through NICHA. The successful completion of this £35m regeneration project meant that its private sales proceeds could be used to cross-subsidise private for sale housing in another location in West Belfast, where build costs exceeded the market sale value. In other words, profits derived from private sales supported RHA's mixed tenure aspiration in other areas of high housing need and demand. One executive described this goal alignment as follows:

"I know I am getting the money from (West Belfast 1). For 'West Belfast 2', the cost per home was projected to be £170k and their sale value around £160-165k, so there is a gap. The board has agreed in principle that the money from [West Belfast 1] can be used for affordable housing in [West Belfast 2]. The challenge is that you need to know how much you are projected to make from sales in one project and you need to know what the shortfall is in the other. So, I will always ask the board for approval on a case-by-case basis" (RSM2).

Although RHA could have received support from the NIHE to develop West Belfast 2 entirely for social rented accommodation, the group board's preference was to develop it as a mixed community. In doing so, it would help reduce some of the societal problems that blight other urban social housing estates, including issues of anti-social behaviour and high levels of deprivation. One executive stated:

"Are we building the right kind of Belfast if every time we find a site, it's developed for social housing? We're building apartments in (city location) and anti-social behaviour is a major problem. That is not a criticism of the residents who have very complex needs. There's addiction and mental health issues and they are not getting the support they need to sustain their tenancies. Our aim here is to develop more sustainable, thriving communities that offer choice and diversity" (RSM2).

In another example, RHA was awarded a major city centre regeneration site following an NIHE design competition in 2019. The city centre site was designed to deliver between 140-160 apartments and 300,000 square foot of commercial and civic space. Due to the level of commercial activity involved, this site did not satisfy the 'necessary or expedient' legal test outlined above. Thus, RHA was advised by its legal advisors that TDL should deliver this mixed use, mixed tenure project, in partnership with a private developer. Although this city centre site was not completed during the fieldwork period, RHA had commenced pre-application work on this £90m development, fraught with legal and procurement complexities. However, this prospective development offered an insight into the board's thinking on how TDL's commercial activities could be used to support the group parent's aim of mixed tenure living. For example, the scheme design contained plans for fourteen stories of commercial office space and apartments, with an equal proportion of apartments designated as social rent, affordable housing (rent and sales), private rent, and private sales. Unlike West Belfast 1, which had an 80/20 split between social and private housing, non-social housing

dominated this project's tetrad tenure composition. The aim was for social housing to be pepper potted throughout the apartment blocks, externally indistinguishable from the private apartments, but with some internal differences. Upon completion, up to three thousand people could potentially live and work in this major housing-led regeneration scheme.

At the December 2019 board meeting, RHA's DD presented an ambitious vision for the site which would have seen TDL's private market sales cross-subsidise the social housing apartments. Also, the private rentals would be used to maintain affordable rental properties over the longer-term, through means testing of incomes and tenure conversion. Board members also suggested that this mixed tenure project could be used as a pilot to demonstrate the benefits of delivering social and market housing in advance of an operational developer contributions policy in Northern Ireland (see Chapter 2). Moreover, the board was keen to avoid the controversy of the so-called 'poor doors', which segregated lower income tenants and homebuyers in London apartment blocks (Guardian, 2021).

"For the affordable rent, let's say we use the UK definition of 80% market rents. What we intend to do then is say 'right, you meet the criteria', which is probably means tested around income. But after a period of time it would be reviewed so people aren't in affordable rented housing long-term. If someone's salary has increased, I would say 'right, if you really like it here, you can stay but you will now be charged a private rent'. And then the next time a private rental becomes vacant, it is converted into an affordable let. So we'll constantly have that balance between social, affordable and pure market homes" (RSM2).

In CHA, the group board was able to directly link profits from MM's commercial activities to contingency funds that had been set aside for tenants affected by WR. This meant that the group was no worse off when the accounts were consolidated at the end of the financial year in which the research was conducted. Moreover, monies used

to fund the growth of the MM companies was not immediately required to meet current or future social housing need. One executive made this point explicit during an interview:

“Crowding out would only become an issue if we were taking some resource away from social housing. That is absolutely not the case here” (CSM4).

Moreover, CHA's 'Investment Policy' distinguished between 'financial investments' which used surplus funds to generate a financial return and 'programme investments' which contributed to CHA's charitable objects. According to CHA's policy, investments made by the MM subsidiaries did not constitute one or the other but contained elements of both 'financial' and 'programme-related' investments. These were known as 'mixed motive' investments. For example, in the early days of MML - prior to its rebranding - the company acquired two portfolios of Victorian terraces in Belfast which sought to make a financial return initially, but with a longer-term view of converting them into social housing, through Existing Satisfactory Purchases and site assembly.

Moreover, CHA operated a 'Social First' policy in relation to development opportunities. This meant that there was no internal competition for sites and social housing always trumped private housing whenever there was social housing need in an area (as determined by the NIHE). In one example, MMH had completed the first phase of a private development in East Belfast - an area with no social housing need at that particular time. However, in April 2020, the NIHE indicated that social housing need had re-emerged in the area, which triggered CHA's 'Social First' policy. As social housing development took precedence, the group board agreed for MMH to relinquish its plans on the basis that its development partner could negotiate agreeable terms with CHA to develop the site for social housing. In this particular instance, it also

contributed to CHA's supporting rationale for diversification in that it created a mixed tenure community. One executive recalled another example of when the 'Social First' policy prevailed over private development:

"We've just done a 50-unit scheme in Belfast. When that site first came into me, I went off and put about 100 hours work into it for private housing. And then someone thought, 'Oh, you'll probably get support from the NIHE for that site'. And we did, and that was MM completely gone because the policy is Social First. There are some sites that could be good private sites, but they could also be good social sites. I think HAs have to, by nature, always put the charitable bit first" (CSM3).

Furthermore, MMH helped CHA to unlock a development site for social housing that otherwise might not have been developed. In 2018, CHA's Development and Growth committee decided not to proceed with a social housing development opportunity - in a desirable coastal location - for reasons of financial viability. In 2019, this opportunity was revisited by the GDG who had delivered a Design and Build scheme for MMH with a private developer in a nearby location. As a result of this relationship, the developer invested "*considerable time and energy into the currently unviable CHA site with a view to becoming a Design and Build partner*" (MMH Draft Business Plan 2021). Whilst the development partner still needed to win an open competition, CHA clearly benefited from MMH's engagement with this private housebuilder. In the end, the site was unlocked after the committee ratified that it be progressed as a Design and Build competition, significantly reducing construction costs in the process. Another benefit of MMHs was that it widened the pool of contractors who normally tendered for social housing construction contracts with CHA:

"I think there are real benefits beyond the bottom line of Maple and May including that whole piece of creating relationships with private developers who wouldn't necessarily have talked to a HA, because they see us as just too difficult" (CBM1).

"Through these Design and Build schemes, we have seen an opportunity to get people from my old [commercial] world into this [social new build] outside of a lot of red tape. There's still plenty of red tape, don't get me wrong, but less than if it was direct development" (CSM3).

The group board also felt more comfortable pursuing investment opportunities in the private rental market as they felt this market was more closely aligned to the core business than speculative housebuilding. This was borne out in group parent's risk appetite for growth (see section 7.5 below) and by the annual growth targets of the two MM companies (see 6.2.2 in Chapter 6). MML's private rental business had a closer strategic fit to CHA's core business in that homes were owned and rented for the long-term and could therefore be managed through any market downturn:

"We're a rental business and we own houses for the long term. Therefore, we can own them through a cycle, and we're not exposed to that. So that, I believe, is where we're at" (CBM4).

On the contrary, memories of the 2007 GFC made board members apprehensive about investing in market for sale housing:

"What you see amongst a few of our more financial board members is the scars of '07 and the crash. They're bright individuals and their point is well made. I could do six small developments and sell them. For each one, I might get a couple of hundred thousand of profit. But, in property development, if the seventh project goes horribly wrong, you lose every penny of that, and more. And when it goes wrong, it invariably goes millions of pounds wrong. So, our board members are really keen on MML, because they see the crossover with the group parent in that we build houses and we rent them out" (CSM3).

This final CIT example provides a real practical example of how MML - as a commercial subsidiary - was able to support the charitable purposes of its group parent. In 2018, MML purchased two properties in a row of terraced houses in Belfast, mostly owned by CHA. Through its subsidiary company, CHA was then able to house destitute

asylum seekers without having to navigate the complexities of the social housing allocations system. According to one executive:

"Both properties were bought by MML and one's being used to house destitute asylum seekers. CHA pays the rent, but it's a MML property. That was the only way we could help that family because we couldn't get assurances that we would not be criticised for allocating social housing to asylum seekers. So, we allocated a MML property. If MML decides that it wants to house destitute asylum seekers, that's their concern. It has nothing to do with the NIHE. That's a classic example of the social conscience. The core business is a charity and a social enterprise, and MML is private, and that's the two of them working perfectly together" (CSM1).

In summary, the MM companies used surplus funds to generate financial returns for the group parent and to maximise the extent to which such investments promoted social good. In doing so, the group board had to make prudent investment decisions which did not present an undue risk to the organisation's assets or its reputation. This leads onto the final theme: 'risk management'.

7.5: Risk Management

Risk management is an essential process if HAs are to effectively meet their corporate objectives. This section examines how RHA and CHA used their risk management policies to guide board decision-making for social and private housing development. As RHA's private subsidiary was dormant during the research period, it draws mainly on strategic decision examples in CHA to exemplify how board members tempered risk in its two private subsidiary companies.

According to the housing regulator in Northern Ireland, HAs must effectively manage risk whenever they provide financial support to their subsidiary companies. In particular, group parents should not assume financial responsibility for the debts or liabilities of their subsidiaries nor offer such assurances to third parties. Any (cross)

guarantees, cross-collateralisation, lending, or equity investments should also be clearly identified in the group parents' business plans, financial reports, and annual accounts. Moreover, group parents should avoid exposure to any trading risks that could jeopardise their charitable status, financial viability, reputation, or tenants' homes and services (DfC, 2020c). The DfC defines risk "*as a chance of something happening that has an effect on the achievement of an organisation's strategic objectives*" and states that "*effective risk management is one of the most important elements of an organisation's governance* (DfC, 2019c:5).

The three themes outlined above helped RHA and CHA to manage and mitigate risk related to their commercial activities. Additionally, as is common across the social housing sector, both HAs maintained 'live' strategic risk registers and scored risks using a risk assessment matrix. This 5 x 5 matrix evaluated the potential likelihood and impact of each risk in accordance with each association's risk appetite (see appendix 7.2 for sample risk matrix). In both RHA and CHA, risk appetite statements provided clear guidance for decision-making and set boundaries on the levels of risk that group boards were willing to assume for certain types of social and commercial activities (tables 7.2 and 7.3). The DfC defines risk appetite as: "*the amount and type of risk that the organisation is prepared to take to meet its strategic objectives*" (DfC, 2019c:30).

Both RHA and CHA had their own project approval models, underpinned by certain assumptions which reflected the risk appetite and business drivers of each association. These models added another layer to the debate on risk appetite and tolerance. Without analysis of the assumptions that underpin each model, it was not possible to accurately compare risk appetite between the two HAs. Therefore, tables 7.2 and 7.3 are kept separate as they are not for comparative purposes but merely illustrate each

association's articulated risk appetite in relation to social, private and affordable housing.

Respondents in RHA talked about an inherently risky development process for both social and private/affordable housing. RHA had an 'open' risk appetite for the acquisition and development of new social housing but an 'adverse' risk appetite for private and affordable housing development. This meant that the group board was willing to consider all options for social housing development but only options with a low degree of inherent risk for private and affordable housing. One executive stated:

"The board is conservative and doesn't want to risk detracting from the association's main objects by doing private developments and then not being able to sell them. It needs to be cast iron before it will be considered. Our affordable [market] homes have all sold, but we knew beforehand we could convert them to social housing if they didn't sell" (RSM3).

CHA had an 'open' risk appetite for both social and private housing growth. Previously, the risk appetite had been 'cautious' when the names of the two MM companies were synonymous with the group parent name. However, it was accepted that some risk was necessary for the subsidiary companies to generate financial returns and it was therefore reclassified as 'open'.

Table 7.2: Risk Appetite Classification Framework for RHA

	Adverse	Open	Hungry
RHA	<p>Avoidance of risk and uncertainty or for safe options that have a low degree of inherent risk and may only have limited potential for return as a key objective</p> <p><i>RHA had an adverse appetite for private and affordable housing development</i></p>	<p>Willing to consider all options and choose the one that is most likely to result in successful delivery while also providing an acceptable level of return</p> <p><i>RHA had an open appetite for social housing growth</i></p>	<p>Eager to be innovative and to choose options based on higher potential returns (despite greater inherent risk)</p>

Source: Author's own. (RHA's Risk Management Policy. Appetite increases from left to right).

Table 7.3: Risk Appetite Classification Framework for CHA

	Averse	Minimalist	Cautious	Open	Hungry
CHA	<p>Avoidance of risk and uncertainty is a key organisational objective</p>	<p>Preference for ultra-safe business delivery options that have a low degree of inherent risk and only have a potential for limited reward</p>	<p>Preference for safe delivery options that have a low degree of residual risks and may only have limited potential for reward</p>	<p>Willing to consider all potential delivery options and choose the one that is most likely to result in successful delivery while also providing an acceptable level of reward</p> <p><i>CHA had an open appetite for both social and private housing development and growth</i></p>	<p>Eager to be innovative and to choose options potentially offering higher business rewards, despite greater inherent risk</p>

Source: Author's own. (CHA's Risk Management Policy. Appetite increases from left to right).

These different risk appetites in RHA and CHA for private housing development can be seen as a reflection of their different diversification aims. However, it was also acknowledged by respondents in both HAs that risk appetite was not static and could change at any time due to internal and/or external factors. For example, should TDL wish to become more active in private housing development, then the group's risk appetite may need to change to reflect this increased level of risk.

Writing in the trade magazine in 2018, CHA's CE described MM's growth strategy for private rentals and market sales as cautious and underpinned by prudent levels of investment. This can be exemplified by the following two strategic decision examples.

In 2019, the board of MMH was presented with an opportunity to enter a joint venture arrangement with a private developer to deliver sixteen new private for sale homes. Under this 'Sale and Development' arrangement, both parties had agreed a profit split to be paid upon completion of the sales. However, during the board meeting, some members expressed concern that the proposed financial returns were not commensurate with the levels of risk involved. One member cited:

"A bank would not provide 100 per cent of the funding and if we are acting like a bank, we should be charging interest".

In general, members were content with the development location and the well-established development partner but wanted to proceed on better commercial terms. As a result, the GDG renegotiated new terms with the partner so that the site would be developed in three distinct phases, with monies from each phase recycled to fund the next. This phased approach meant that MMHs' capital outlay at any one time would be reduced (with sales risk minimised by a private rental option). Moreover, MMH could decide to proceed or extricate itself from the agreement after phases one or two. The GDG also negotiated a 50/50 split on any increase in the projected selling price of the homes and for MMH to extract its profit share before the developer. Finally, the developer offered a commercial property as collateral to offset some of the development risk. Although the overall profit percentage share remained the same, these concessions provided the MMHs' board with the necessary assurances it needed to approve and proceed with the development. According to one executive:

"So, that's a good example of the board saying, 'Hold on a second, if this is about risk and return, there's too much risk and not enough return, so we're not interested'. The board handed it back [to the Director] and said, 'Change the risk-return profile'" (CSM1).

In one retrospective example, the board of MML was presented with an opportunity to acquire a former convent house in Belfast that had been converted into twelve private rented apartments. Under the proposal, MML would lease all twelve apartments to a single management company who would then sub-let them on a serviced basis. Rental demand would primarily have been from people visiting Belfast for work/education/leisure purposes. MML's board felt that this investment fitted well with their core aim of profit generation but at the same time expressed concerns about the use of CHA's reserves for a rental project of this nature. This included concerns about CHA's reputation and the potential for adverse media/regulator interest given that these corporate/Airbnb type lets were in close proximity to an area with social housing need. Nonetheless, MML board members felt that the positives outweighed the negatives and elevated the matter to the group board for consideration, affirming its support for the proposed acquisition. In the end, the group board felt that this proposal was too far removed from the charity's core ethos of meeting housing *need* and rejected it. Executive and non-executives recalled this watershed decision as follows:

"[Name of development] was at an early stage and the Director brought it forward and said, 'Well, we're trying to make money, this development will make us money'. But the group board said, 'Yes, but that's not doing anything in terms of housing need. It's going to be used for academics who are on a year-long sabbatical or it's going to be used for Booking.com and folks coming to Belfast for a long weekend. How's that helping housing need?' So, it's not just about making money. It also has to address housing need, reflect our core skills as a landlord and provide an excellent tenant service" (CSM1).

"It certainly would have been a good commercial investment. Personally, I was kind of almost for it, or certainly more agnostic about it, but the sense was that it wouldn't seem right for a housing charity subsidiary to be getting involved in that area. You can justify buying houses to let them out to young families and young professionals who aren't on the social housing register but have a need. But when you get into the area of renting out to big companies and that type of thing, it's a step too far" (CBM2).

Finally, scenario planning, stress testing and horizon scanning were other measures built into RHA's and CHA's business planning process. Adherence to certain 'golden rules' enabled both HAs to monitor and assess risk associated with private market diversification. According to the DfC, effective stress testing should include "*the variation of several variables within a scenario to inform decision making and assess the suitability of measures which may be undertaken to mitigate the risks*" (DfC, 2019c:27).

In other words, stress testing analyses the crystallisation of certain hypothetical scenarios to determine whether the group parent has sufficient capital, for example, to withstand adverse macroeconomic shocks. As part of RHA's credit rating and private placement preparations with institutional investors, the Finance Director stress tested the group's business plan which inter alia assessed the impact of market sales risk on charitable activities. Results from the modelling software indicated that if RHA halted its market sales activities, it would have had a negligible impact on the HA's bottom line:

"One of the criticisms of the English model is that they use profits from their sales to supplement their surplus. So, when Moody's came over, they asked, 'What difference would it make if you didn't build any more market housing', and it makes zero impact, really. It's very small-scale and the ones that we'll be selling for a profit through TDL – they're not starting until 2024. That's why I'm saying, we're very conservative" (RSM3).

Moreover, in CHA one non-executive director stated that prudent borrowing and adherence to certain golden rules acted almost like an in-built stress test that protected CHA's investments from downturns in the market:

"I think you almost have stress testing in there because our financial borrowing limits, which to some extent are set by the market because the banks will set this i.e. that you don't borrow more than 60% or 70% of your asset value, that you have interest cover at like 1.5 or 1.75 times. So, whilst you're not doing something you call stress testing, you're structuring your debt in the business to absorb a downturn in property values. The borrowing covenants are the kind of parameters at which you borrow and build in a capacity to take stress" (CBM2).

7.6: Conclusion

This chapter set out to critically examine how the boards of RHA and CHA strategically managed tensions that stemmed from the enactment of commercial goals alongside their social purpose aims. It identified four overarching themes that enabled both HAs to pursue social and commercial goals simultaneously. However, each of the four themes manifested differently in the two HAs, primarily due to their different diversification aims, structures and mix of activities. While RHA was able to deliver social and market for sale housing under its registered charitable structure, CHA's profit-oriented investments were conducted through its two private subsidiary companies. Both HAs placed a strong emphasis on the recruitment of board members with commercial expertise and had largely private/public board compositions. The types of non-executive and executive expertise both HAs recruited and the way in which they structured their development directorates also reflected their unique business models and diversification aims. Moreover, RHA's social and market housing delivery was inherently aligned through integrated governance structures and management directorates. The group board's overall aim was not to generate profits

per se but to deliver mixed tenure communities. On the other hand, CHA had a differentiated organisational structure and separate directorates for social and market housing delivery. These were aligned through board interlocks, common board/committee membership, organisational policies (e.g. Social First), close collaboration between the GDDA and GDG, and through a greater focus on private rentals than on speculative housebuilding. In other words, while CHA's subsidiaries sought to generate profits for the group parent, they also sought to pursue investment activities that aligned to the group's charitable purposes. Both organisations also had robust risk management policies and well-defined risk appetite statements in place, which guided board decision-making. Once again, RHA's and CHA's risk appetite for market sales differed according to their respective diversification aims.

Chapter 8 now seeks to fulfil the final research objective by synthesising the case evidence in chapters 6 and 7 with the sectoral evidence in Chapter 5 in order to provide a theoretical explanation of the organisational change processes occurring within RHA and CHA.

Chapter Eight: Synthesis and Discussion

8.1: Introduction

The purpose of this chapter is to build a theoretical framework through which HA hybridity can be understood. The model aims to advance knowledge of the external change drivers, organisational tensions and responses to tensions that stem from private market diversification (i.e. research objective five). Section 8.2 draws on paradox theory to conceptualise the seven sets of tensions that confronted RHA and CHA whenever they diversified into private housing markets. Section 8.3 draws on hybridity theory and the ILP to conceptualise the ways in which both HAs responded to - and simultaneously managed - social and commercial logics. Section 8.4 completes the theory building process by reasoning back from the stage 3 case evidence (domain of the empirical) to the sectoral evidence in stages 1 and 2 (domains of the real and actual) to underscore the ‘generative mechanisms’ that underlay change in both RHA and CHA. With the overall conceptual picture complete, this section posits a new theoretical framework relevant to hybrid HAs in general and perhaps to other third sector hybrid organisations, namely, the ‘paradox model of organisational hybridity’. Section 8.5 discusses the study’s main findings in relation to governance trends in the English HA sector (Chapter 2), before explaining how the paradox model addresses theoretical weaknesses and blind spots in extant conceptualisations of hybridity (Chapter 3). Section 8.6 then draws on stage 3 interview data and stage 4 seminar feedback to validate the ‘paradox model’. In conclusion, section 8.7 provides a summary of the chapter’s conceptual analysis, in advance of

the final chapter, which will reflect on the achievement of the study's overall research aim and objectives.

8.2: Conceptualising Organisational Tensions

As highlighted in Chapter 3 and amplified in Chapter 4, a key element of theory building is comparison of emergent concepts with extant theoretical concepts (Eisenhardt, 1989). Therefore, this section maps the tensions identified in RHA and CHA against paradox theory's *organising, belonging, performing* and *learning* concepts (Chapter 3). In performing this mapping exercise, there is some slight repetition of the concepts and empirical findings from earlier chapters. Table 3.4 from Chapter 3 is applied to the case studies to enable the reader to readily see how the unique tensions that confronted RHA and CHA relate to each of paradox theory's four conceptual categories (table 8.1). The next four paragraphs are structured around each of the four paradox concepts, with tensions mapped accordingly.

Organising paradoxes occur at the macro-level and stem from different cultures, processes, practices, and legal structures. They are accentuated by change and conflicting organisational values and objectives (Lewis, 2000; Lewis and Smith, 2011). In RHA, organising paradoxes surfaced when RHA established a private subsidiary company (RHL) for reasons of tax efficiency. RHL's creation resulted in some confusion around its intercompany contractual relationship, and roles and responsibilities (e.g. payment of invoices). In CHA, organising paradoxes manifested as tensions over brand identity. When CHA's private rental subsidiary (MML) was first established, it contained part of CHA's brand name in its company title. This created some confusion among each of their respective tenant/client groups. Organising

paradoxes were also apparent in the different approaches to social housing allocations and private lettings in CHA and MML and in the cultural and regulatory differences between CHA and its market sales subsidiary (MMH) in respect of housing development. A final organising paradox related to a board discussion about whether MML should be funded exclusively by an intra-group loan or through external debt finance.

Belonging paradoxes occur at the meso-level and stem from organisational change and/or tensions between *self* and *other* (Lewis, 2000). Smith and Lewis (2011) portray the latter as questions of identity, where tension exists between the individual and collective. In both RHA and CHA, belonging paradoxes manifested as tensions between the groups' need for strategic oversight and control versus the subsidiaries' need for autonomy and operational independence. In RHA, one executive queried whether it was necessary for the group board to be furnished with the same level of information about commercial activities as its subsidiary boards or whether abridged information was more appropriate given that those group board members with the relevant expertise served on the subsidiary boards. In CHA, belonging paradoxes pertained mostly to the group parent's relationship with OH; its social housing subsidiary in the RoI. Parental control over OH was more complex than CHA's other subsidiary companies because it operated in a different jurisdiction, under a different funding and regulatory regime. Some respondents questioned the extent to which CHA should continue supporting OH in the medium- to longer-term, making OH's deconsolidation from the group a future prospect. As stated in Chapter 6, this belonging paradox did not strictly meet the study's CIT criteria of private market diversification but was included as OH's financial commitments were largely behind the group board's

decision to allow MML to raise external debt finance in order to free up lending capacity within the group. Other belonging tensions were apparent when MML's board decided it wanted to contract-in property management services but required group board approval for the recruitment of additional staff members. Moreover, a conflict-of-interest scenario transpired when MMH wanted to extricate itself from a contract with a private developer so that CHA could develop the site for social housing, under its Social First policy. However, because of CHA's and MMHs' common committee/board membership, a special sub-group of the CHA board had to be established to negotiate terms with the developer. One final belonging paradox was raised when it was queried whether it would be appropriate for MM board members to be present at any group board discussions on whether to continue providing financial support to the MM companies.

Performing paradoxes tend to occur at the micro-level when organisations are confronted with divergent stakeholder demands (Smith and Lewis, 2011; Smith et al, 2013). In both RHA and CHA, diversification-related performing paradoxes were best exemplified through the exigencies both HAs would have encountered if one of their subsidiary companies experienced trading difficulties. Under this hypothetical scenario, both the housing regulator and the CCNI would expect parent boards to protect the organisations' charitable assets and to minimise financial losses irrespective of any moral obligation felt towards its private subsidiaries. On the other hand, private lending institutions are critical stakeholders and, if any of RHA's or CHA's trading subsidiaries were to enter into liquidation, it would have a calamitous financial and reputational impact for the group parent companies and for the wider HA sector. However, this performing paradox - between the application of charity law (i.e.

safeguarding the charity's assets) and the moral obligation towards private subsidiaries (e.g. providing financial support through a market downturn) - had not materialised in either RHA or CHA.

Finally, *learning paradoxes* are often embedded within and across organising, belonging, and performing paradoxes (Lewis, 2000). They often stem from juxtaposed time horizons (e.g. short-term versus long-term) and 'exploitation versus exploration' activities (Duncan, 1976; March, 1991). In other words, when organisations pursue new opportunities, competing resource demands can arise. Thus, a balance is required between the need to meet current viability requirements (exploitation) versus risking enough to ensure future viability (exploration). In both HAs, opportunities for social housing development had been 'exploited' in terms of access to HAG. Thus, commercial investment was seen as a way of using up surplus financial capacity. However, learning paradoxes emerged when RHA's and CHA's group boards met to decide whether organisational funds should be used to 'explore' new types of 'affordable' housing. In RHA, learning tensions related to whether profits from market sales should be used to fund core activities or, alternatively, to support RHA's aspiration of mixed tenure communities by cross-funding market sales in other developments. In CHA, learning tensions surfaced when the group board considered a proposal to provide a new intermediate rent product using low interest rate finance. First, there were some questions about how this rental option would be delivered. There was also a question about whether resources borrowed for social housing should be used to deliver affordable rental accommodation. Would 'exploration' of affordable rent divide staff time and detract focus from social and market housing targets? Moreover, where did this proposal fit in relation to CHA's core social objects

versus MML's profit generation aim. Finally, CHA also displayed another learning tension between short-term cash profits and longer-term capital growth. As a result, some board members challenged whether this level of 'exploration' (i.e. investment, risk, and effort in the MM companies) was justified.

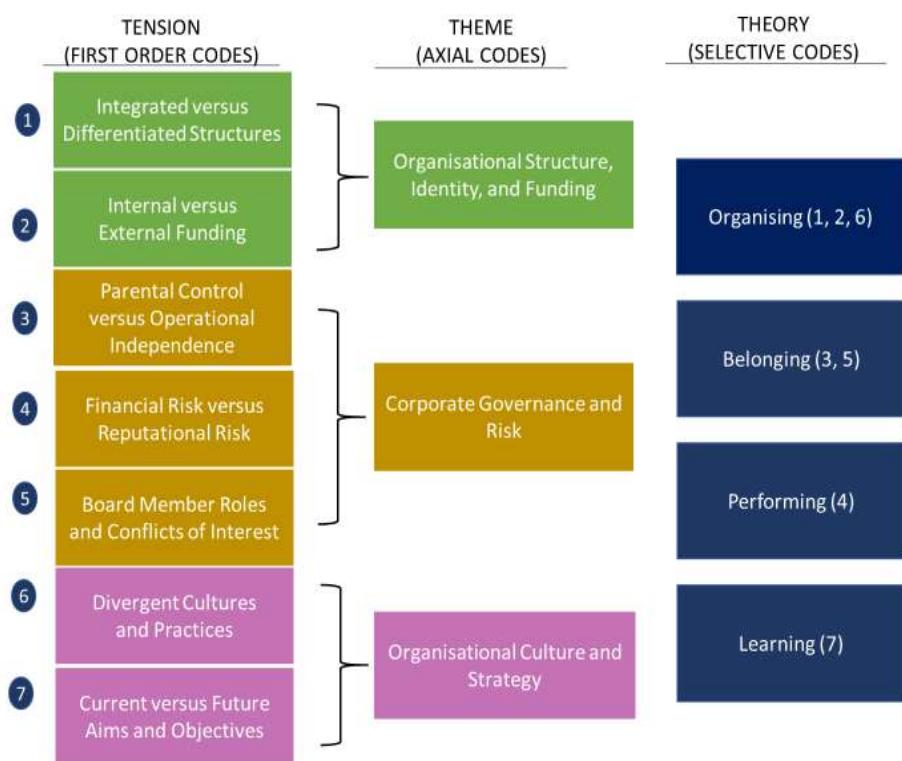
Table 8.1: Mapping Tensions Against Paradox Typology

Paradox Type	Source of Origin	Accentuation Factors	RHA	CHA
Organising	Conflicts in cultures, practices, processes, structures and legal form	Organisational change, conflicting norms, values and objectives	<p><i>Organisational Structure</i> Confusion over roles, responsibilities and relationships e.g. SLA, payment of invoices</p> <p><i>Organisational Culture</i> Conflictual board member views on competency-based recruitment</p>	<p><i>Organisational Identity</i> Integrated brand identity confusion leading to brand separation</p> <p><i>Organisational Culture</i> Cultural and regulatory differences between social/private housing management and social/private housing development</p> <p><i>Organisational Funding</i> Funding of MML – intra-group loan versus external debt finance</p>
Belonging	Conflicts between self and other or between the individual and collective	Organisational change, complexity, staff diversity, contradictory goals, actions, emotions, and thoughts	<p><i>Corporate Governance</i> Should complete or abridged information be provided to the group board about TDL's activities?</p>	<p><i>Corporate Governance</i> Group control over OH complicated by different funding & regulatory context.</p> <p>CHA board approval needed to hire staff to contract-in property management for MML.</p> <p>Conflicts of interest: same members served on MM companies and CHA's D&G committee</p>
Performing	Conflicts between plural stakeholder demands, goals, metrics & strategies	Organisational restructure, ambiguous demands and mixed messages	<p><i>Corporate Risk</i> Divergent expectations placed on subsidiaries by lenders and regulators should they experience trading difficulties</p>	<p><i>Corporate Risk</i> Same as RHA</p>
Learning	Conflicts from juxtaposed time horizons (e.g. short-term v long-term), and attempts to renew and innovate	Renewed or transformed organisational systems	<p><i>Organisational Strategy</i> Should surpluses from affordable sales be used to cross-subsidise affordable sales elsewhere?</p>	<p><i>Organisational Strategy</i> Should resources borrowed for social housing be used to deliver affordable rental accommodation?</p> <p>Short-term cash profits versus longer-term capital gain of subsidiary investments. Is the reward commensurate with the risk and effort?</p>

Source: Author's own (based on Lewis, 2000 and Smith and Lewis, 2011).

When tensions are mapped against paradox theory's four conceptual categories, the oppositional tendencies between the tensions are usually unambiguous. However, due to the grounded nature of the analysis in this study, the oppositional tendencies of each tension is not always obvious (e.g. see tension 5 in figure 8.1 below on board member roles and conflicts of interest). Collectively, however, the seven sets of tensions form a bigger picture; one where the oppositional tendencies of private market and social purpose objectives are constantly being managed by the boards of RHA and CHA. Figure 8.1 summarises this bigger picture showing the final stage of Glaser and Strauss' (1967) three-stage coding process and how they map against one another, before moving on to section 8.3, which conceptualises the ways in which the HAs managed this continuous social-commercial tension.

Figure 8.1: Paradoxical Tensions in RHA and CHA



Source: Author's own

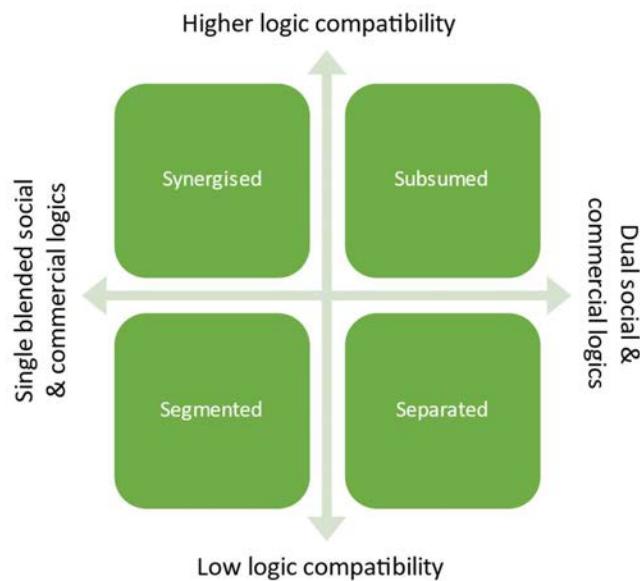
8.3: Conceptualising Responses to Social and Commercial Logics

As noted in Chapter 3, organisational responses to plural logics remain under researched (Greenwood et al, 2010; Jarzabkowski et al, 2009; Kraatz and Block, 2008). This section draws on some of the tools posited by hybridity and logics scholars in Chapter 3 to conceptualise the ways in which RHA and CHA simultaneously managed dual social and commercial logics. Nguyen et al's (2012) 'intra-organisational' and 'inter-organisational' dimensions of hybridity offer a simple distinction between RHA's use of a single organisational structure to deliver two of its

four mixed tenure developments, compared to CHA's differentiated organisational structure for social and market housing delivery.

Figure 8.2 conceptually illustrates how RHA and CHA - as non-profit organisations - managed to simultaneously operate in commercial markets. Devised by the author, this matrix draws heavily on the works of Fitzgerald and Shepherd (2018) and Skelcher and Smith (2015) to provide different conceptual explanations of logic coexistence in RHA and CHA. For example, where low logic compatibility exists, *segmented* structures can be used to compartmentalise different logics within the same organisation. On the other hand, *separated* structures can be used to compartmentalise logics in different but related organisations. Where higher levels of compatibility exist between the two logics, organisations can adopt a *synergised* structure which blends elements of the two congruent logics into a new amalgamated logic or a *subsumed* structure that incorporates some of the practices and cultures of one logic into another logic. Organisations can position themselves in any of the quadrants or occupy multiple quadrants simultaneously. Moreover, positions are not static, therefore organisations can flexibly adapt their responses based on changing assessments of the best fit to their (social) business needs.

Figure 8.2: Structural Approaches to Plural Logics in Hybrid HAs



Source: Author's own (based on Fitzgerald and Shepherd, 2018 and Skelcher and Smith 2015).

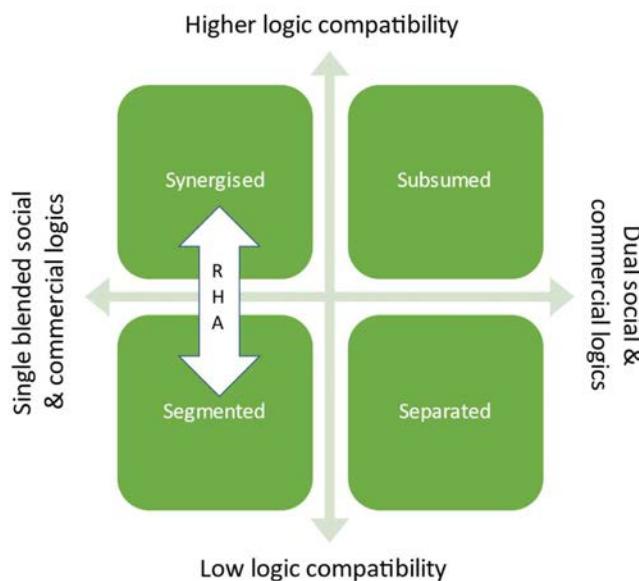
The approaches adopted by RHA and CHA are now examined in relation to the matrix presented in figure 8.2.

Social and commercial logics can be conceived as having low intrinsic compatibility on the basis that HAs' Model Rules do not permit them to trade for profit. Only when certain legal conditions were met could RHA deliver market housing under its charitable structure. In all other circumstances, private investment activities had to be undertaken by RHA's and CHA's private subsidiary companies.

RHA delivered its first two 'Design and Build' mixed tenure schemes using a *synergised/segmented* approach (figure 8.3). Design and Build schemes had to be delivered by the group parent as completed homes were to be bought directly from the

private contractor. Under this arrangement, the group board had a *synergised aim* (i.e. mixed tenure communities), *synergised group board oversight* for both social and market for sale housing, and a *synergised development directorate*, responsible for operational delivery. Risk was internally *segmented* with RHA having an adverse appetite for private/affordable for sale housing but an open appetite for social housing growth as discussed in Chapter 7 (table 7.2). These two risk appetites were reconciled when RHA received assurances that HAG could be claimed on any unsold private units and thus converted into social homes. In practice, however, all private units were sold. This *synergised-segmented* approach eliminated the oppositional tendencies of social and private for sale housing and is thus characterised as a single blended social/commercial logic.

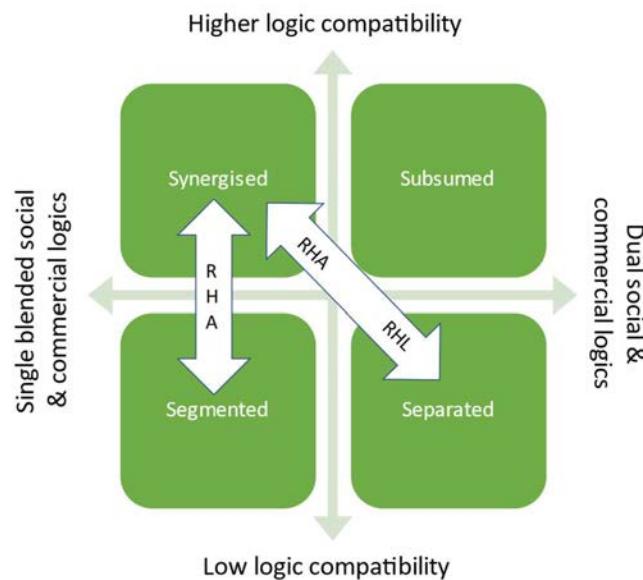
Figure 8.3: RHA's Synergised-Segmented Approach to Social and Commercial Logics



Source: Author's own

The second two of RHA's four mixed tenure developments were delivered in conjunction with its subsidiary company, RHL, under a *synergised-segmented-separated* approach (figure 8.4). This was based on specialist legal and taxation advice that the group parent could achieve tax efficiencies by progressing 'traditional new build' developments through RHL. In this case, RHA owned the land but commissioned RHL to manage the design and construction processes on behalf of the group parent. This *separated* group parent-subsidiary setup was underpinned by an SLA where RHA charged RHL a mark-up for management costs. These costs were essentially nullified whenever RHL invoiced RHA a monthly fee to cover the costs of managing the projects, which included the planning, design, and construction processes related to site development. Although these two mixed tenure schemes were carried out by RHA's private subsidiary, logic compatibility was *synergised* in much the same way that RHA delivered its first two mixed tenure developments. However, this approach also included group board interlocks, with some RHA group board members serving on RHL's board. Risk appetite was *segmented* and mitigated by the option to convert unsold private homes into social homes. This example illustrates how the group board was able to flexibly alternate its response to suit its business needs and generate efficiency savings.

Figure 8.4: RHA's Synergised-Segmented Approach to Social and Commercial Logics

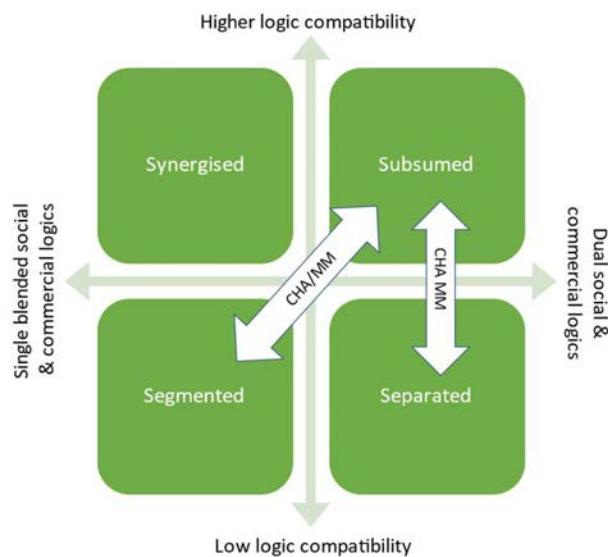


Source: Author's own

As CHA's commercial activities sought to generate profits, these investment activities had to be decoupled from the group's charitable operations and structure. CHA established two wholly owned subsidiary companies to undertake its private rental and market for sale investments. As highlighted by figure 8.5, CHA adopted a *separated-segmented-subsumed* approach. Firstly, the commercial logic was *separated* with all market housing investments conducted by the two MM companies. Both subsidiaries had their own separate constitutions and boards. However, the two staff that led the work of the MM subsidiaries were employed by CHA. Management and related costs (e.g. office space, utilities, use of equipment etc) were then internally *segmented* and charged to the MM companies. Also, if any of CHA's in-house staff (e.g. surveyors)

completed work for either of the two MM companies, this was also *segmented* (i.e. recorded on a timesheet and charged to the relevant company). Although private investments were externally *separated* from social housing activity and management positions internally *segmented*, higher level logic compatibility was achieved when elements of the commercial logic were *subsumed* into the more dominant social logic. These included: (1) board interlocks - three group board members served on the two MM boards; (2) common D&G committee and MM board membership; (3) induction and socialisation of MM's independent board members into CHA's social purpose ethos/logic; (4) assimilation of roles and responsibilities (e.g. the GDG had an annual target to source land for new social homes); (5) organisational policies that accentuated the primacy of the social logic and subordination of the commercial logic where competition arose (e.g. Social First policy); (6) prioritisation of investment opportunities that were more strategically aligned to the group's core social logic (e.g. private rental accommodation over speculative housebuilding); and (7) an open risk appetite for both social and private housing development and growth (table 7.3). Under this approach, the oppositional tendencies of the social and commercial logics remained intact (e.g. the non-profit aim of CHA versus the profit aim of the MM companies).

Figure 8.5: CHA's Separated-Segmented-Subsumed Approach to Social and Commercial Logics



Source: Author's own

Section 8.4 will now reason back from the 'domain of the empirical' (stage 3) to the domains of the 'real' and 'actual' (stages 1 and 2). It connects the study's three ontological layers to highlight the generative mechanisms that influenced RHA's and CHA's diversification into private housing markets. In completing this theory building process, a new theoretical framework is posited; one that advances knowledge of organisational change in hybrid HAs and may have a wider application to other third sector hybrids.

8.4: A Paradox Model of Organisational Hybridity

As outlined in Chapter 5, Charmaz's (2014) two-stage grounded approach was used to code and analyse the qualitative data in stage 1, which included stakeholder interviews and focus groups with HA chairs and a regional tenants' forum. This initial 'open coding' stage identified eighteen factors that influenced HA board decision-making (see Figure 8.6 below). Moreover, Chapter 4 noted that the credibility of causal explanations (of organisational change) is not based on whether they correspond with an objective reality, but whether they correspond with the frameworks that form the analysis. On that note, Mullins et al (2018) suggested that a hybridisation lens can be used to enable deeper understandings of how HAs respond to changes in public policy and their external resource environment. Therefore, the eighteen 'open codes' were then clustered into the three main conceptual categories of organisational hybridity: state influences; market influences; and societal influences (figure 8.6).

Figure 8.6: Factors that Influence HA Board Decision-Making in Northern Ireland



Source: Author's own

By reasoning back from the stage 3 case evidence to the sectoral evidence in stages 1 and 2, it was possible to identify the generative mechanisms that triggered organisational change processes in both RHA and CHA. For example, RHA's group board diversified into private housing markets as they conceived mixed tenure communities to be a nostrum for some of Northern Ireland's deep-rooted societal problems. One director stated that mixed communities offered residents and tenants "*more choice and diversity*" and helped to address social housing stigma. A more nuanced explanation can be gained by reasoning back from the domain of the real (causal structures and mechanisms) to the domain of the actual (generative mechanisms). The case evidence revealed that RHA's diversification into private

housing markets appertained primarily to societal factors 14 (poverty and complex needs), 15 (anti-social behaviour), and 17 (micro political factors, including segregation and NIMBYism) in figure 8.7. CHA on the other hand was primarily responding to state influences as the association sought to protect its development programme from potential reductions in government funding and public policy uncertainty. In other words, state influences in the domain of the real gave rise to actual events and non-events which then triggered the group board's decision to diversify into private housing markets. These events and non-events appertained to state factors 1 (concerns over capital grant funding), 2 (uncertainty over the impact of WR on rental income); and 3 (classification of HAs to the public sector) in figure 8.7.

Figure 8.7: Generative mechanisms in the domain of the actual that prompted change in RHA and CHA

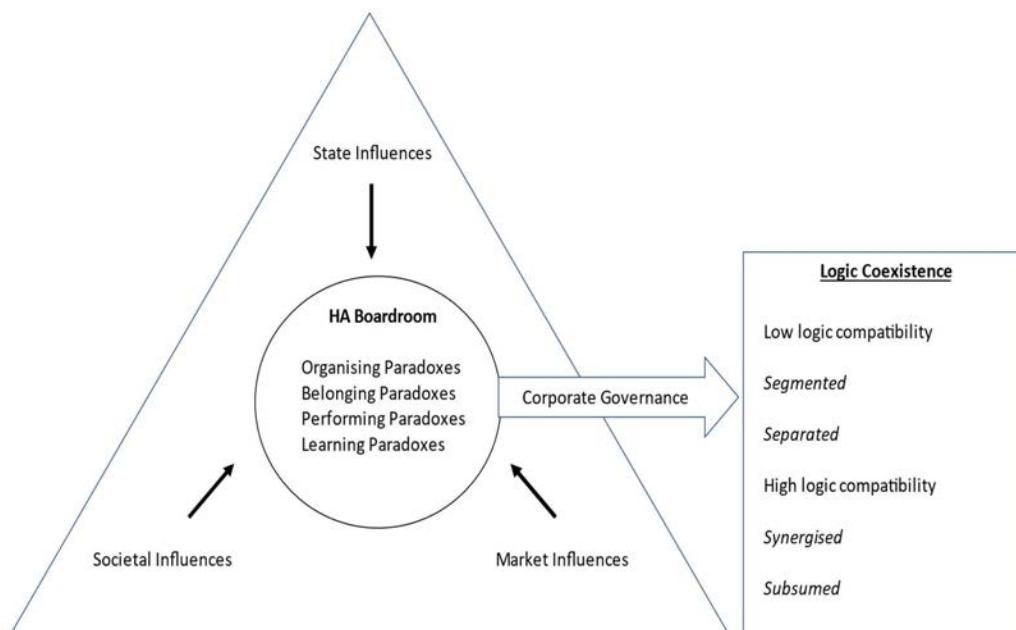


Source: Author's own

In summary, organisational change drivers in RHA and CHA can be conceived as a combination of structural-cultural systems at the macro-societal level and board agency at the micro-organisational level. This perspective endorses Mullins and Acheson's (2014:1612) postulation that hybridisation is "*a cumulative change process involving a complex interweaving of structure and agency*". With the theory building process now complete, figure 8.8 presents a new theoretical framework: the paradox model of organisational hybridity. The 'paradox model' brings together: (1) the conceptualised influences on board decision-making in the Northern Ireland HA sector; (2) the conceptualised tensions that confronted RHA and CHA whenever they co-

enacted social and commercial logics; and (3) the conceptualised approaches both HAs adopted to accommodate social and commercial logics. In other words, the paradox model combines knowledge of the external drivers and generative mechanisms that instigated change in RHA and CHA at the sectoral level, with socially constructed understandings of the key tensions and board responses at the organisational level. It also takes account of Eisenhardt and Graebner's (2007) contention outlined in Chapter 4 that good theory should be parsimonious, robust, and generalisable. Section 8.5 now discusses the synthesised evidence in relation to studies of governance change in the English HA sector (Chapter 2) and relevance to the Northern Ireland sector, before explaining how the paradox model addresses weaknesses in extant conceptualisations of hybridity (Chapter 3).

Figure 8.8: Paradox Model of Organisational Hybridity



Source: Author's own

8.5: Discussion

As highlighted in Chapter 3, logic succession is a recurring theme in studies of English HAs as the sector's founding ideals and social values become increasingly dominated by commercialism (Manzi and Morrison, 2018; Morrison, 2016; 2017; Mullins, 2006; Sacranie, 2012). But how relevant are these explanations of change to the Northern Ireland HA sector? How transferrable are logic succession accounts developed in the English context to the different societal, policy and organisational context for NI HAs explored in this thesis? This section discusses the significance of the study's findings vis-à-vis what is already known about change in the English HA sector. It offers fresh insights into the ways in which the largest HAs in Northern Ireland experience social and commercial logics and provides a new way of thinking about this important research topic. Before reflecting on these new insights, the next paragraph briefly summarises the main differences between the two jurisdictions as outlined in Chapter 2.

By 2020, HAG levels stood around eleven per cent in England, with considerably less government expenditure (as a percentage share) spent on social and affordable housing compared to Northern Ireland. Moreover, there had been a decisive shift towards 'affordable' housing provision in Phase 4 at the expense of social housing, with the delivery programme heavily reliant on commercial cross-subsidisation and developer contributions. One third of new affordable homes were delivered without any grant and commercial activities accounted for one quarter of the sector's annual turnover. This stood in stark contrast to Northern Ireland, where HAG levels remained relatively high in comparison at circa fifty per cent. HAs in Northern Ireland were not subjected to competition by for-profit providers nor did they face government-imposed

rent reductions. Furthermore, the sector did not rely on developer contributions or commercial cross-subsidisation to deliver its annual social housing new build programme. Income from commercial activities represented only a negligible percentage of the sector's turnover; so much so that it did not feature in the 2019 Sector Global Accounts. Political support for social housing delivery remained strong and, unlike England, Northern Ireland's entire capital provision for housing was spent on social and affordable supply. Another major difference between the two sectors pertained to social market share. By 2018, HAs in England had more than sixty per cent of the social housing market share (propelled by the programme of LSVT in the 2000s) compared to just twenty-seven per cent held by HAs in Northern Ireland. In the same year, the proportion of stock in Northern Ireland funded by HAG stood at sixty per cent compared to just twenty-four per cent for England. Moreover, the sector in England had a much higher gearing ratio (51%) compared to Northern Ireland (30%).

The above findings demonstrate that context is an important factor in studies of institutional logics in hybrid HAs. Fundamental differences in context underscore why it is important for researchers to examine the key drivers that underlie organisational change processes. However, empirically driven conclusions and theoretical explanations from one contextual setting should not be used *a priori* to explain change in another setting without prior assessment of the socio-historical, policy and operating environments. This means that the findings of this study are not generalisable to studies of HAs in Great Britain (or in other jurisdictions) in the same way that studies of logic dominance in large English HAs are not generalisable to Northern Ireland. The following paragraphs now discuss the significance of these contextual differences in terms of how the boards of RHA and CHA both experienced and responded to social

and commercial logics.

First, market drivers and competition were much more prominent drivers of change in the English HA sector as government support for social housing waned. In Chapter 3, Morrison (2016) is cited to show how cuts to public sector funding and changes to state regulation resulted in English HAs diversifying their activities to bolster cash-flows. However, these same drivers did not compel HAs in Northern Ireland to diversify. Rather, commercial activities remained nascent and small-scale and occurred in response to different sets of drivers. In the first case, RHA perceived diversification and the delivery of mixed tenure communities as a way of addressing some of Northern Ireland's deep-rooted social issues. Market for sale homes formed part of the board's desire to develop sustainable communities, with households from different socio-economic, religious, and ethnic backgrounds. In the other case, CHA's board decided to diversify to future-proof the (social) business against potential cuts in government expenditure on the horizon (rather than actual cuts). In simple terms, commercial diversification in the Northern Ireland HA sector was out of choice, whereas in the English sector, HAs were compelled to diversify if they wished to continue to develop new forms of submarket housing.

Second, when presented with a range of contradictory ethoses, CEs confirmed that HAs in Northern Ireland were not dominated by commercial principles (sector median response in figure 5.4). In fact, most reported that their associations espoused a blend of social and commercial related principles and felt it was important to give equal credence to social purpose and business efficiency objectives (figure 5.5). This finding contradicts the above studies of large English HAs where commercial logics have increasingly tended to dominate. CE survey responses at the sectoral level were

corroborated by case evidence at the organisational level. The case evidence and CIT strategic decision examples strongly indicated that commercial logics complemented - rather than competed against - the social logic in Northern Ireland's two largest HAs. In terms of board composition, RHA's and CHA's boards comprised a blend of private, public, and mixed sectoral backgrounds. In RHA, members from different sectoral backgrounds had a 'moderation effect' on organisational decision-making and, in CHA, discordant board member views was considered healthy rather than disruptive. This resonates with Bruneel et al (2016) who suggested that hybrid organisations require hybrid board compositions if they are to effectively address organisational tensions. However, it was also true that both HAs placed greater value on private sector board expertise as they pursued commercial objectives - particularly in CHA's case. This somewhat echoes Manzi and Morrison's (2018:1933) research, where commercial logics shaped board membership in London's G15 HAs "*with new members likely to be recruited on the basis of their private sector, financial management experience, rather than as local community representatives*".

Nevertheless, one learning point from this study is to avoid making assumptions about logic succession or organisational culture on the basis of board composition and/or board member profiles alone. In CHA, for example, board members from the corporate banking world had strong social consciences and from board observations they were often the ones to accentuate the organisation's social purpose objectives or urge restraint when commercial activities were deemed too risky or unaligned with core objectives. Moreover, independent members with commercial backgrounds were socialised into the organisation's core ethos through robust induction processes, which is consistent with findings from other studies (Battilana and Dorado, 2010; Cornforth

and Brown, 2014; Mair et al, 2015). Although the conflicting logics were represented in board compositions, socialisation and induction training meant that all board members had a clear knowledge of their HAs' social mission.

Third, it is important to reflect the very limited extent of private market diversification in Northern Ireland by the two largest HAs. Both RHA's and CHA's commercial activities accounted for only a marginal percentage of their respective annual turnover (less than five per cent in both cases). RHA's private houses were sold at market value but with an aim to deliver mixed communities (even if it meant 'breaking even') rather than to maximise profits. Commercial risk was mitigated in that unsold homes could be converted to social homes, with HAG reclaimed. This position somewhat blurred the line between social and commercial logics so much that figure 8.3 above conceptualises this approach in RHA as a single *blended* social/commercial logic. CHA on the other hand kept social and commercial logics separate, although their commercial activities were aligned to support the association's core social objectives (e.g. by sourcing land to deliver social homes etc). Social housing development was also the default option where competition arose for sites and social housing need existed. Acquisitions of apartments in urban locations with strong rental demand aligned more closely with CHA's core social business than speculative housebuilding and this approach also helped to mitigate commercial risk. In both cases, commercial investments were a way of using surplus financial capacity after social housing development opportunities had been maximised in terms of available HAG funding. This meant that commercial activities did not result in fewer social homes being built. If both HAs decided to cease their diversification activities, it would have had zero adverse impact of their ability to deliver new social homes. In none of the research

stages, did the quantitative or qualitative evidence suggest that commercial logics ‘dominated’ over social logics or that there was some sort of transitional replacement of the social logic in motion. In fact, in both HAs, the two logics coexisted with the commercial logic supporting the associations’ overarching social mission. In other words, there was no evidence of logic succession or mission drift (Ebrahim et al, 2014; Young et al, 2012).

This study raises several important questions for proponents of the logic succession perspective. First, studies of organisational change in the English HA sector have highlighted the difficulties in drawing hard and fast distinctions between ‘social’ and ‘commercial’ logics, with multiple possibilities for setting criteria (see table 3.2) and limited evidence base against which to measure these criteria. While the distinction between the two may sound somewhat obvious (e.g. non-profit versus profit, financial versus social rate of return), there were times in this study when the two clearly overlapped (e.g. developing private housing for sale with no explicit aim to generate profits). This study suggests that it may be impossible to clearly define and demarcate between ‘social’ and ‘commercial’ cultures, activities, practices and even mindsets when the multiple levels of decision making are taken into account (e.g. use of surpluses to cross-subsidise low return commercial activity because of perceived social benefits) and it will therefore remain difficult for researchers to accurately track shifts in logics over time.

As highlighted in Chapter 1, logic succession accounts would be more convincing if they defined logic ‘dominancy’ and devised specific methodologies that enabled logic dominance to be accurately captured and measured. For example, how can researchers empirically tell when one logic is dominant and another subservient?

Should it be an objective quantitative measure or - like most current studies - should it be a subjective interpretation based on researchers' judgements? How reliable and/or analytically generalisable are studies of organisational change in the absence of such definitions and methodologies? Perhaps more importantly, how useful are such accounts to policy makers? In the absence of clear definitions and universally accepted methodologies, this study contends that researchers should consider greater use of the CIT methodology to track decisions and assess their impact against the social objects of the studied organisation(s). The key challenge for researchers, however, remains gaining access to corporate boardrooms (see Chapter 9).

Finally, some accounts of governance change in the sector that draw on neo-liberal and privatization perspectives, fail to acknowledge the legitimacy power struggles and paradoxical tensions that HAs encounter when they attempt to balance state, market, and societal demands. As highlighted in Chapter 3, these studies tend to explain change as a unilinear shift from state to market (e.g. Ginsburg, 2005; Smyth, 2013b), whereas the findings from this study are more consistent with those that see non-profit governance as a continual adaptation to state, market and community influences (Malpass and Mullins, 2002; Pawson and Fancy, 2003; Mullins and Pawson, 2010a). Moreover, neo-liberal and logic succession accounts of organisational change tend to see dual social and commercial logics as problematic and incompatible. These studies commonly refer to 'competing logics' or 'competing demands' (Manzi and Morrison, 2018; Morrison, 2016; Mullins, 2006; Sacranie, 2012) and tend to overlook the ways in which HAs seek to manage social and commercial logics simultaneously or countenance logic complementarity. The findings from this study strongly indicate that organisational change is an adaptive process rather than a unilinear shift towards the

market as reported in some studies of the English HA sector. For example, RHA and CHA responded to different sets of drivers in their external environment (figure 8.7) and both HAs sought to proactively manage dual social and commercial logics (figures 8.3-8.5). This perspective deviates somewhat from Manzi and Morrison's (2018:1938) assertion that "*a market logic is likely to compel organisations to abandon their social roots, as they.....divert their attention to building housing for outright sale*". Instead, this thesis resonates more closely with other accounts of institutional theory (Greenwood et al, 2011; Marquis and Lounsbury 2007; Meyer & Hammerschmid, 2006; Reay and Hinings, 2009) and paradox theory (Lewis, 2000; Smith and Lewis, 2011), which transcend notions of logic plurality being a temporary phenomenon characterised by dominance and succession. In contrast to studies of large English HAs, the findings from this study also demonstrate that multiple logics can indeed coexist simultaneously and harmoniously when managed correctly.

All of this has brought to the fore the need for a new theoretical explanation of organisational hybridity. Before explaining the paradox model in more detail, the three extant conceptualisations of hybridity - analysed in Chapter 3 - are briefly summarised, emphasising their theoretical weaknesses. First, Billis' (2010) three-sector model places organisations in one of nine hybrid zones. His hypothesis is that, over time, external pressures force organisations to embrace sectoral logics that differ from their original logic. However, this commitment to a prime sectoral logic makes it difficult to chart shifts in the Northern Ireland sector, because HAs incorporated both community and state logics at the time of their creation in the 1970s (Chapter 2). This corresponds with Rhodes and Donnelly-Cox's (2014) assessment that the 'prime sector' thesis is less useful when studying organisations that incorporated two or more logics at the

time of their formation. Second, the ‘hybridised third sector’ conceptualisation of hybridity (Buckingham, 2010; Defourny and Nyssens, 2012) is also an instructive model for examining inter-sectoral influences on organisational decision-making. It places “*contradiction, conflict of interest and management of multiple stakeholder claims*” at its core (Rhodes and Donnelly-Cox, 2014:1636). Rather than focus on shifts from a prime sectoral logic, this approach conceives state, market, and societal influences as permanent characteristics of the third sector (Brandsen et al, 2005). However, this notion fails to conceptualise the different types of contradictions and tensions that confront organisations whenever they combine plural logics, which in this study saw Northern Ireland’s two largest HAs pursue both social and commercial goals. Finally, the ‘fit-for-purpose’ conceptualisation of hybridity (Dees and Anderson, 2003) is another illuminating model that focuses on modes of organising rather than sectoral logics. Under this approach, organisations adopt structures and practices that optimally align to their strategic objectives. However, the challenge with the ‘fit-for-purpose’ perspective is that “*multiple stakeholders have contrasting conceptions of value*” (Rhodes and Donnelly-Cox, 2014:1637), meaning that organisational purpose can sometimes become blurred. Moreover, this notion of hybridity fails to conceptually explain logic coexistence.

As evidence of logic tension and logic management unfolded in stage 3, it became clear that none of the three extant conceptualisations of hybridity had the theoretical purchase to explain organisational change processes in RHA and CHA. Therefore, taking cognisance of Skelcher’s (2012) and Skelcher and Smith’s (2015) call for organisational hybridity to be linked to other theoretical perspectives, this study drew on both the ILP and paradox theory to construct the ‘paradox model of organisational

hybridity' (figure 8.8 above). As part of the study's theory building methodology, these three perspectives were fused to provide a new theoretical explanation. First, the paradox model drew on hybridity theory to conceptualise the external influences and pressures that precipitated change in both HAs. Second, it drew on paradox theory to theorise the types of tensions that confronted RHA and CHA when - in response to these external drivers - they diversified into private housing markets. Third, the paradox model drew on institutional logics (Fitzgerald and Shepherd, 2018 and Skelcher and Smith, 2015) to conceptualise the approaches that enabled RHA and CHA to pursue social and commercial goals simultaneously. Paradox theory's defensive/strategic dichotomy was less helpful for interpreting responses as it generally considers logic 'separation' to be a negative course of action. Paradox scholars contend that when logics are separated, it restricts interaction between them, which can sometimes lead to organisational decline. However, logic separation in RHA had positive benefits in terms of VAT efficiency savings that could be used to further the association's social purpose objectives, whereas logic separation in CHA had positive benefits in terms of risk containment and gift aiding of profits. However, at a broader level, the language and principles of paradox theory remained relevant to the theoretical explanation of logic coexistence.

Therefore, the paradox model is not limited by notions of organisations having just one sectoral logic at the time of their creation. Furthermore, as highlighted in Chapter 3, plural 'logics' contain different sets of material practices and symbolic constructions, each of which shape how strategic decisions are formulated (Friedland and Alford, 1991). Thus, organisations operating in the same field may respond to their external environment in different ways as multiple logics provide scope to choose between

viable alternatives (Jarzabkowski et al, 2009; Mullins and Jones, 2015). For example, both RHA and CHA identified as ‘profit for purpose’ social enterprises and did not report any significant variation in organisational values (appendix 8.1). However, they responded to different exogenous influences and pressures in the ‘domain of the actual’ even though they were subjected to the same structural influences in the ‘domain of the real’ (figure 8.7). These structural influences are exemplified by the state, market, and societal arrows inside the triangle in figure 8.8.

The paradox model also theorises the types of tensions hybrid organisations may encounter, which to date has been overlooked by extant hybridity concepts. For example, it was highlighted in Chapter 3 by Mullins et al (2012:406) that “*the mere imposition of concepts of hybridity or social enterprise onto empirical investigations may add little to understanding unless they clarify and adequately theorise tensions that would otherwise have been opaque*”. This same argument was reaffirmed in a study by Gibb et al (2016:454) who stated that the hybridity concept “*may not of itself identify the tensions and ambiguities that might flow from hybrid social housing organisations*”. The paradox model addresses this shortcoming, illustrated by the circle in figure 8.8, which draws on paradox theory to conceptualise the different types of tensions that confronted RHA and CHA whenever they pursued both social and commercial logics. Additionally, the paradox model accounts for the different organisational approaches that hybrid organisations may adopt when they seek to accommodate more than one institutional logic. The rectangle in figure 8.8 identifies four archetypal approaches, which were adopted by RHA and CHA as they sought to deliver their respective diversification aims.

Finally, it was stated in Chapter 3 that “*social entrepreneurship is not a super-blend*,

but a balancing act" (Blessing, 2012:205). Based on the RHA and CHA case evidence, the paradox model suggests that the pursuit of contradictory logics by hybrid HAs can in fact be either a super-blend (figure 8.3) or a balancing act (figures 8.4 and 8.5). It very much depends on the principal aim of HAs' diversification activities and the approaches they use to manage dual social and commercial logics.

So, what are the limitations of the paradox model? As documented in Chapter 2, the NIHE requires billions of pounds over the next 30 years to carry out much needed stock improvement works and, by 2021, the consensus view across the sector was that such monies could only come from private sources. Therefore, it remains to be seen whether the HA sector in Northern Ireland converges with the English sector over time. This could happen as a result of NIHE stock transfer(s) or as a consequence of reduced capital grant provision should a reconstituted NIHE be allowed to build again (e.g. less HAG could prompt HAs to become more commercial to fund their development programmes). Equally, RHA and CHA may continue to diversify of their own accord - irrespective of whatever happens to the NIHE - by deciding to grow their private investment activities/portfolios. Thus, one challenge to this study and to the paradox model may be that the Northern Ireland HA sector is on a similar trajectory to that of the English HA sector and that market forces and commercialism may become more prominent and even 'dominant' in years to come. However, any such criticism would need to take account of the specific contextual and operating differences facing HAs in Northern Ireland and of the fact that private market diversification remains nascent and small-scale in comparison to the English HA sector. Future studies can continue to focus on logic shifts and cultural transformation as the HA sector in Northern Ireland continues to evolve. At the time of the research, HAs in Northern Ireland operated in a

much more benign environment and were less subject to market competition than their peers in the English sector. They had also chosen to diversify into private markets and sought to actively manage social and commercial logics.

This concludes the discussion of the study's key findings and explanation of the 'paradox model'. Section 8.6 now draws on stage 3 interview data and stage 4 seminar feedback to validate the study's findings, emergent theory and conclusions.

8.6: Validation of Findings

As stated in Chapter 4, Kempster and Parry (2014:108) contend that grounded theorists often fail to use the knowledge of research subjects to validate "*the plausibility and practical adequacy of emerging theory*". Stage 4 of the methodology included feedback events with the boards of the two case study organisations on the study's emergent theory and to verify the reliability of the study's findings and conclusions. In addition, case interviewees in stage 3 were asked: "how would you characterise social and commercial goals within your organisation? (e.g. contradictory, competing, complementary etc)" (appendix 4.6). This question had an implicit theoretical connotation and was asked of case participants before the study's final paradox model emerged. Together, the end of study feedback events and end of study interview questions provided a strong basis from which to validate the study's theoretical outcome. Therefore, this section starts by sharing some of different thoughts and perspectives from executives and non-executives in stage 3 about RHA's and CHA's management of social and commercial goals. It then moves on to report the feedback from the stage 4 validation seminars.

In RHA, two executives stated that social purpose objectives could only be achieved if the organisation remained financially viable (RSM1, RSM4). Notwithstanding this viability prerequisite, commercial goals were always considered secondary to social goals (RSM3). One non-executive described the dominance of the social logic over the subservient commercial logic as follows:

“For RHA, social purpose and social housing is dominant. Now that’s not to say at some point you couldn’t switch.....But here in RHA, the social objective is dominant and the commercial objective complementary in that it supports what we’re here to do” (RBM4)

Another non-executive stated that social and commercial goals were both complementary and contradictory and cited the common “*commercial mind, social heart*” (RBM1) aphorism when explaining RHA’s business model.

Meanwhile at CHA, one executive referred to the interdependent relationship between social purpose and commercial goals, which created some tension that needed to be carefully managed:

“With the best will in the world, if I’m running out of money, my generous heart isn’t going to last very long. So there has to be a healthy tension between the two. We have to walk the line between commercial and social objects” (CSM1).

The same executive stated that while investments made by CHA through its two MM companies was reasonably large business, overall it did not constitute a significant part of the CHA group and therefore did not shift the balance of the group’s core charitable focus. Another CHA executive drew attention to one of the key differences between social and private sector businesses and argued that neither the social nor commercial logic could dominate the other:

“Why are commercial organisations commercial? Overwhelmingly, it’s to drive shareholder value. Very simply, a private organisation is trying to maximise its

dividend for its shareholders. We don't have shareholders in that sense. We have no beneficial owners of CHA. So, that commercial focus is not to drive shareholder value, it's to drive social value. Those two things aren't incompatible. In practice, however, we might be offered a site to purchase for social new build and there could well be social housing need in that area. But when we look at the cost of the land or the cost of the build, we cannot make that financially viable. Therefore we won't proceed with it. That's clearly a commercial decision as financial viability is important. But, for me, there's no inconsistency, because the financial viability of the organisation is what allows us to fulfil our social purpose. So, neither of those two things can dominate the other" (CSM2).

The above thoughts and perspectives from the stage 3 interview question in many ways validate the study's paradox model of organisational hybridity. For example, the paradox model accounts for logic interdependency and management; notions that are reflected in the above comments. Also, respondents' comments resonate with the starting point of this research, in that social and commercial logics do not need to be framed as incompatible either/or choices that result from competition (Chapter 1). Furthermore, comments reflect the contradictory - rather than innately competing - nature of social and commercial logics, which sometimes give rise to organisational tensions and require management. This is the fundamental essence of the paradox model.

At the stage 4 validation seminars, the study's findings and emergent theory were presented to both case organisations. After delivering the presentation to RHA, the seminar chair initiated the discussion by stating:

"I thought the actual detail of the report you sent us beforehand was very interesting. I think for me, the tensions that you have identified are the right ones. However, I would make the point that I think they are not all equal. Some are more important than others".

This was a fair comment given that some of the tensions were retrospective in nature and one was a hypothetical scenario. A lot of the discussion then focused on my use

of the term ‘market sales’. RHA executives and non-executives referred to ‘market sales’ as ‘affordable sales’ as these homes were delivered by the registered HA and fell within NICHA’s maximum price threshold. Thus, these homes were clearly targeted at the first-time buyer market. However, the main point of this discussion was that mixed tenure communities (not profit maximisation) was the principal objective of these private for sale homes. In drawing the conversation to a close, the seminar chair concluded:

“It’s affordable from the point of view that you’ve got to break even, because you can’t do things that continue at a loss. We’ve got at least to break even; we may be making a small surplus on it but really that’s not the objective. The objective is to break even and have mixed tenure as the objective”.

The discussion then switched to RHA’s private subsidiary company, TDL. Participants agreed that TDL would be used to maximise profits, which was different to the mixed tenure objective of market for sale homes delivered by RHA. Nevertheless, participants agreed that TDL had not been used for its intended commercial purpose as the operating context for HAs in Northern Ireland was more favourable than that in England, with comparatively higher levels of HAG funding and thus less need for cross-subsidy from commercial activities. One non-executive drew attention to the higher gearing levels in England and suggested that some HAs there had exhausted their borrowing to a large degree. These points corresponded with the sector analysis (Chapter 2), including data from the sector global accounts (table 2.2). Nevertheless, there were plans for TDL to undertake a major city centre regeneration project in the future and one non-executive concluded this discussion by saying:

“At the end of reading your piece, I understood more about us than I did at the start, so thank you. That was a useful exercise. Secondly, this discussion has been very useful....and I can see that there will be arguments in TDL down the line where the

'affordable' [i.e. private sales targeted at first-time buyers] is on the same agenda as homes that seek to maximise profits. And that mindset is going to have to be challenged'.

In the other case study, a short slot was allocated within CHA's wider board strategy morning. I attended as a non-participant observer and was able to draw on this three-hour strategy session as well as my 20-minute presentation. Much of the board discussion and break-out sessions focused on the challenges and opportunities facing CHA over the next five years. There was also a lot of discussion about social and commercial paradox management. For example, there was a discussion about the need to balance social purpose objectives with commercial viability and the longer-term financial challenge of stock decarbonisation. Another paradox related to a discussion around possible enhancement of risk appetite and ambition for larger site acquisition versus the need to ensure that these developments have the necessary amenities and infrastructure that communities need to prosper. Additionally, there was a recognition that the needs of both existing and future tenants need to be carefully balanced. After my presentation, the honorary president mentioned that when he was company secretary for one of CHA's legacy HAs, he always used an illustration of a sled being pulled by huskies in Alaska when inducting new board members. The participant said that this illustration personified the study's findings in many ways, with the huskies (all group companies) pulling the sled (social purpose) in the same direction. An executive member then concluded the session by saying:

"I can relate to the substance of the issues and your interpretation of the tensions and how those were managed in practice. And I would absolutely concur. In terms of the paradox model you've created, it seems entirely reasonable".

Participants in both RHA and CHA were also asked if they thought the study's findings and emergent theory offered a plausible explanation of their approach to private housing market diversification. The consensus was that the study accurately captured the main tensions and the way in which RHA and CHA managed both social purpose and commercial goals. In conclusion, one RHA participant stated, "*we agree with what you've written and the conclusions you've drawn*" and one CHA participant said, "*we concur with your conclusions and framework*".

8.7: Conclusion

This chapter set out to advance theoretical knowledge of the external change drivers in the Northern Ireland HA sector, the organisational tensions that stemmed from diversification into private housing markets as well as the approaches that RHA and CHA adopted to manage these tensions. Building on the works of Fitzgerald and Shepherd (2018) and Skelcher and Smith (2015), the chapter then drew on hybridity theory and the ILP to devise a matrix for managing social and commercial logics and mapped RHA's and CHA's approaches against these four archetypes. The matrix provided different theoretical explanations of logic management in RHA and CHA and this analysis revealed that the two case organisations responded differently to the same set of external pressures. This illustrated that hybridity is indeed a complex entwinement of both structure and agency. It also found that RHA's structural approach adapted to use a non-charitable structure to deliver tax efficiency savings for the group when undertaking two of its four mixed tenure developments. This lends greater credence to the idea that hybridity is a dynamic process; one where organisations adapt to the needs of their business rather than remain in a static position.

In connecting the study's three ontological layers across the discrete research stages, a new 'paradox model of organisational hybridity' was posited to explain organisational change in RHA and CHA. The study's main findings were then discussed in relation to governance trends in the English HA sector. Based on the key socio-historical and housing policy differences between the two jurisdictions, it was argued that explanations of change from the English HA context should not be used a priori to offer theoretical explanations of HA change in Northern Ireland. The paradox model was then used to provide an explanation of social and commercial logic coexistence, with commercial logics supporting the social objectives of both case organisations. This perspective posed some key questions for the logic dominance and succession explanation of organisational change, including the need to clearly define: 'social' and 'commercial' logics, 'logic dominancy', and 'organisational tensions', especially as HAs try to balance state, market, and societal demands. The chapter then explained how the paradox model built on and addressed some of the conceptual weaknesses of extant theories of hybridity, introduced in Chapter 3. Finally, participant feedback from case study interview questions and seminars were used to validate the study's theoretical model. Chapter 9 will now reflect on the study's overall research aim and objectives, discuss the significance of the study in terms of the contribution it makes to housing studies, before making some suggestions for future research.

Chapter Nine: Conclusion

9.1: Introduction

This final chapter brings the thesis to a conclusion. Section 9.2 restates the overall research aim and then reflects on how the study's theory building approach evolved. Section 9.3 provides a summary of the main empirical findings. This findings summary enables deeper reflection of the study's contribution to knowledge in section 9.4. In particular, this section reflects on the significance of the study in terms of its theoretical and methodological approach, plus the unique contextual setting in which the research was conducted. Section 9.5 offers some musings about the practical and ethical challenges of undertaking research on HA boards, including issues of gatekeeping and managing relationships with case study organisations. Section 9.6 cogitates on the study's limitations to inform a future research agenda. Finally, section 9.7 contains some concluding remarks about the societal implications of this study for those involved in HA board decision-making and public policymaking.

9.2: Research Aim and Theory Building

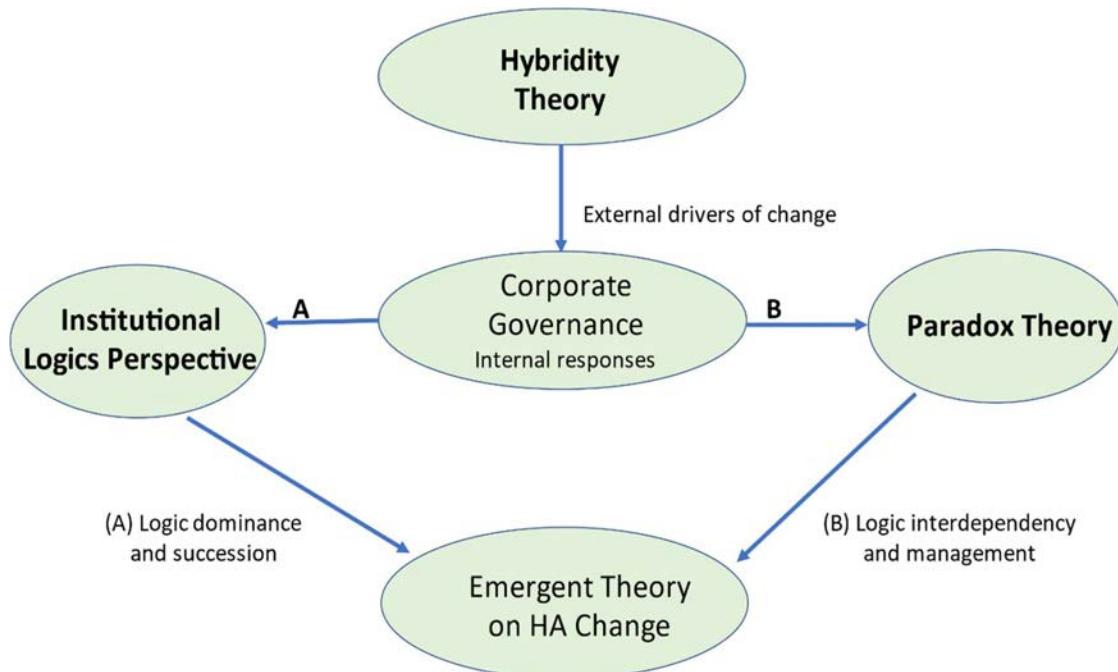
The overall aim of this thesis was to investigate organisational change in the Northern Ireland HA sector through a corporate governance lens. As described in Chapter 3 (figure 3.7), this study was open to two theoretical possibilities of change at the outset: either logic dominance and succession or logic interdependency and management. However, articles by both housing and institutional scholars generally chart shifts in logics over space and time, where single prevailing logics tend to displace more longstanding logics. With this view in mind, I began to search for theoretical alternatives, that could account for the second plausible explanation (i.e. logic

management). This led to the discovery of paradox theory and after reviewing its core literature base, it appeared that between them, the ILP and paradox theory covered the two possible explanations of change at the heart of this study's inquiry.

However, in year one of the PhD (with more time to read!), it became clear from Thornton et al's (2012) seminal textbook that the ILP does in fact account for other change processes besides logic replacement (see table 3.2 in Chapter 3). This reflection is important as it threw into disarray my 'pre-existing idea': that is, empirical findings would correspond with one perspective (i.e. institutional logics or paradox theory) following analysis of the case data and thus lead to the repudiation of the other. However, this 'idea' turned out very different in practice when the three perspectives of hybridity, institutional logics, and paradox theory complemented one another in ways unforeseen. As highlighted in Chapter 8, hybridity theory was used to explain the main structural influences on HA board decision-making. Paradox theory's typology of organisational tensions was then used to theorise and map the different types of tensions that confronted RHA and CHA whenever they co-enacted dual social and commercial logics. Afterwards, the less explored change processes of the ILP were used to explain the different approaches that CHA and RHA adopted to simultaneously manage social and commercial objectives. Paradox theory could also have been used but was rejected because of the theory's depiction of compartmentalisation as a negative or defensive action for managing logics. For example, the case evidence demonstrated that external segregation of commercial activities into private subsidiary companies in RHA and CHA had positive benefits for the group parent (e.g. tax efficiencies, risk management, financial returns to the registered HA etc). However, the main overarching principle of paradox theory corresponded with this study's emergent

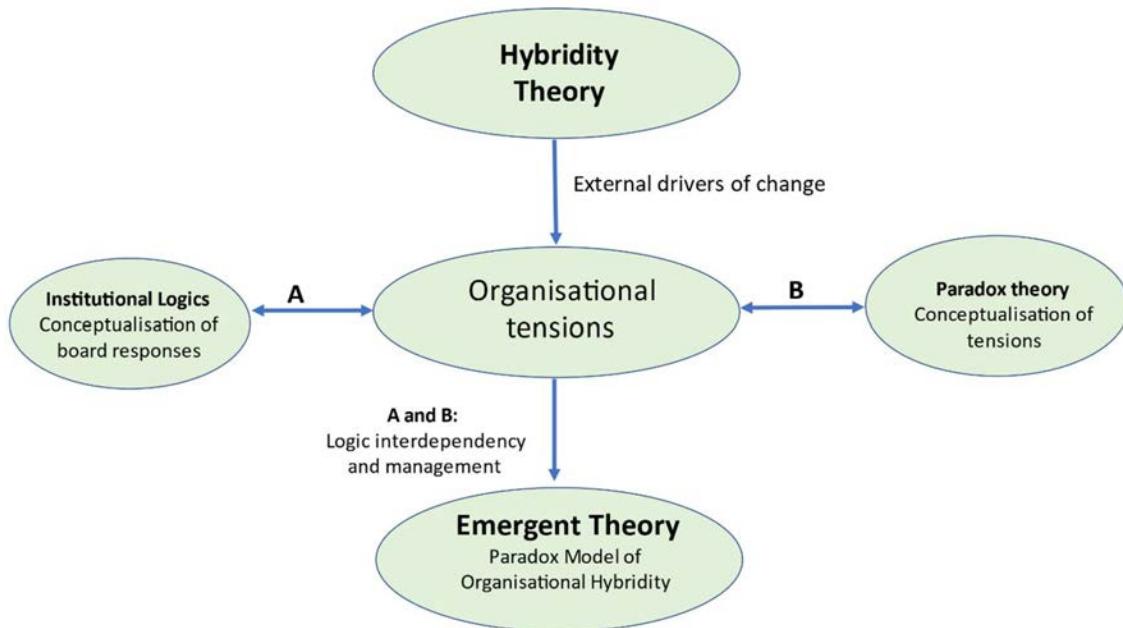
theoretical framework and its explanation of social and commercial logics being a both/and phenomenon. Figure 9.1 is a re-presentation of figure 3.7 (Chapter 3) of my ‘pre-existing idea’ of the two theoretical possibilities at the outset of this thesis: either (a) logic dominance and succession using the ILP; or (b) logic interdependency and management using paradox theory. Figure 9.2 illustrates the final blended way in which hybridity, the ILP, and paradox theory all came together to inform the study’s ‘paradox model of organisational hybridity’. Section 9.3 then summarises the main research findings under each of the study’s five research objectives.

Figure 9.1: Plausible Explanations of Plural Logics: Logic Succession versus Logic Management (Either A or B)



Source: Author's own

Figure 9.2: Hybridity, Paradox, and Institutional Logics: Conceptual Complementarity (Both A and B)



Source: Author's own

9.3: Summary of the Key Findings

Research Objective 1: To chart the evolution of the housing association sectors in England and Northern Ireland to foreground socio-historical and housing policy differences, integral to the study's grounded research design.

The first objective was to chart growth and transformation of the HA sectors in England and Northern Ireland in order to highlight socio-historical and more recent post-devolution housing policy differences between the two jurisdictions. Analysis of the English HA sector was considered important as English housing policies tended to be transposed to Northern Ireland when it was under Direct Rule from Westminster (1972-

1998) and because a significant amount of the extant research on HA change relates to English HAs.

The sector analysis in Chapter 2 chronologically documented growth and transformation of the HA sectors in England and Northern Ireland from the 1960s onwards, with both sectors differentially shaped by socio-historical factors, political events, and public policies. This chapter provided a systematic analysis of HA growth and transformation in England (2010-2020), updating earlier accounts by Malpass (2000a) and Mullins (2000; 2010). In Northern Ireland, for example, demunicipalisation of public housing occurred much earlier than in England due to widespread LA discrimination in the allocation of public housing with the formation of the NIHE in 1971 as the dominant public housing provider. This is another historical and contextual difference at variance with those studies reviewed in Chapter 3 that regard demunicipalisation as a unilinear shift towards the private market.

A smaller scale HA sector also emerged during this period of political and societal upheaval. This important contextual point explains why HAs in Northern Ireland continued to have much less of a percentage share of the social housing market in 2020 compared to their English counterparts. Stock transfer remained a contentious issue and by 2020 no LSVT HAs had been created in Northern Ireland. The sector analysis also indicated that state and market pressures were much more prominent drivers of change in England, including a shift in Phase 4 (2010-2020) towards Affordable Rent and home ownership products, fixed-term tenancies, the rise of for-profit registered providers, government-imposed rent reductions, and a delivery programme heavily reliant on cross-subsidies and developer contributions.

HAs in Northern Ireland on the other hand were less susceptible to market loan funding (stemming from state retrenchment) vis-à-vis their English peers. Considerably more government expenditure (as a percentage share) was spent on social housing in Northern Ireland compared to England. In England, one third of new affordable homes were delivered without any grant in 2020 and where grant was available, it accounted for only eleven per cent of development costs (Stephens et al, 2020). This paled in comparison to the fifty per cent grant levels available to HAs in Northern Ireland. Unlike the mixed economy approach to new ‘affordable’ housing development in England, HAs in Northern Ireland retained their monopoly position as developers of ‘social’ new build. By 2020, there was still no operational mechanism in place to secure developer contributions towards social housing in Northern Ireland nor was there any competition for HAG from private developers or for-profit registered providers. Moreover, HAs in Northern Ireland were not reliant on income from non-core activities to cross-subsidise new development, although some larger HAs had shifted towards the new commercial world of bond finance and private housing markets. HA diversification into private markets was still very much embryonic and small-scale, accounting for only a marginal proportion of HAs’ income compared to England where such activities accounted for approximately one-quarter of the sector’s annual turnover (HCA, 2019).

Research Objective 2: To analyse the main values, priorities and influences that shape board decision-making in the Northern Ireland HA sector.

Corporate governance was the study’s focal lens through which to examine change and therefore some baseline data was needed on the sector and its corporate governance arrangements. Chapter 5 reported findings of the thesis’ two-stage scoping study, comprised of elite stakeholder interviews, a CE survey and two focus

groups with HA chairpersons and a regional panel of tenants and residents. As of 2020, twenty HAs operated in Northern Ireland of which nineteen were social housing landlords, along with one specialist shared ownership provider. Collectively, they owned and managed over 48,000 homes across Northern Ireland. In terms of corporate governance, 209 board members served across the nineteen social HAs. In some cases, applications for board positions - particularly in small and medium sized HAs - remained scant. Attempts to fill these vacancies were hindered by a regulatory refusal to permit board remuneration; an option available to HAs in England since 2004. Moreover, tenants and residents accounted for only a small number of the overall non-executive directorships in the sector. Members of the HPP cited personal reasons and expectations around technical skills for the lack of tenant/resident involvement in HA corporate governance structures. However, these members also acknowledged that HAs' engagement with tenants had improved since the introduction of the DfC's Tenant Participation Strategy 2015-2020. More generally, some concerns were expressed about board members' lack of knowledge and awareness of the legal frameworks that governed the sector. In terms of structural consolidation, the scoping study also found a shift in the drivers behind the sector's most recent wave of (post-2015) mergers. These were instigated by HAs themselves, with the aim of being able to: enhance scale and capacity; access private finance; modernise I.T. systems; and withstand shocks to the external operating environment. It was also suggested that self-interest and inflated CE retirement packages had incentivised some HAs to merge.

This baseline data preceded the more substantive part of research objective 2, which examined the main values, priorities, and influences on HA board decision-making in the sector. For example, CEs reported that social purpose was a greater reflection of

HAs' core ethos than profit generation. They leant more towards a charity/welfare ethos than a social entrepreneurial ethos and indicated that HAs were more community-led than market-led. However, the Northern Ireland HA sector is diverse and a comparison of responses between developing and non-developing HAs revealed that developing HAs were slightly less driven by social purpose and were slightly less charity/welfare ethos driven than non-developing HAs. In terms of strategic priorities and influences, CEs reported that they sought to balance social returns and financial returns; accountability to private lenders and accountability to other stakeholders; and the need for new development with the need for maintenance of existing homes. They also indicated that senior staff and board members tended to be the most influential voices on agenda setting, followed by the market economy, and private lenders.

Research Objective 3: To identify key tensions that stem from the co-enactment of social and commercial logics, focusing specifically on diversification into private housing markets in Northern Ireland's two largest HAs.

The above scoping research and analysis resulted in private market diversification being selected as the subtheme of organisational change for study in stage 3. This presented an opportune moment to examine the way in which the boards of these two HAs worked through the complexity of pursuing mixed social and commercial goals at such an early stage, both for them and for the wider HA sector in Northern Ireland. Access was gained to the boardrooms of Northern Ireland's two largest HAs, both of which were in the early stages of diversification. Together, RHA and CHA accounted for over half of the HA sector's social housing stock and were the most active HAs in private housing markets (excluding NICHA which is a specialist shared-ownership provider). In Chapter 6, seven organisational tensions that confronted the boards of

RHA and CHA as they diversified their activities were identified. These tensions pertained to: (1) whether group parent and subsidiary company activities and brand identities should be integrated or differentiated; (2) the way in which commercial activities were to be financed (e.g. intercompany loans versus external debt finance); (3) tensions between the need for group control and subsidiary independence; (4) tensions between financial and reputational risk in the event of a subsidiary company getting into trading difficulty; (5) managing the conflicts of interest that arise from multiple board roles across the group; (6) cultural differences that stem from having non-executives from a mix of sectoral backgrounds as well as different working practices related to social and private housing management and development; and (7) tensions between short and long-term objectives (e.g. short-term cash generation versus longer-term capital growth). Each tension manifested differently in the two case organisations, as demonstrated by the CIT strategic decision examples in Chapter 6.

Research Objective 4: To examine how the boards of Northern Ireland's two largest HAs manage tensions related to dual social and commercial logics.

Research objective 4 then sought to examine how the boards of RHA and CHA simultaneously managed social and commercial goals. In Chapter 7, a matrix provided four conceptual approaches to logic management. The four archetypes focused on whether RHA's and CHA's diversification activities had low or high logic compatibility. In RHA's case, two of its four mixed tenure schemes were delivered by the association's charitable group structure (synergised approach), with the group board having an adverse risk appetite for private/affordable housing and an open appetite for social housing growth (segmented approach). For its other two mixed tenure schemes, RHA used its subsidiary company, RHL, to manage the design and construction

processes on behalf of the group parent (separate approach). Market for sale housing in all of these developments were targeted at the first-time buyer market and did not seek to generate profits per se. Rather, the aim of these private homes was to create mixed communities. On the other hand, CHA's investment activities and explicit profit generation aim had to be decoupled from the group charity and ringfenced into two wholly owned subsidiaries (separate approach). However, the staff that led the work of these companies were employed by CHA and thus management and associated costs were charged to the relevant subsidiary company (segmented approach). Several strategies and tactics were used to ensure that the commercial logic aligned with CHA's core social logic (subsumed approach), including, for example, a 'Social First' policy that prioritised social housing development over and above commercial development; induction and socialisation of independent subsidiary board members with commercial backgrounds into the association's core social logic; and prioritisation of investment opportunities that were more closely aligned with the group's long-term rental business model.

Research Objective 5: To advance knowledge of organisational change drivers, tensions and responses by building a theoretical framework through which hybrid HA functioning can be understood.

Completion of the sectoral scoping study (stages 1 and 2) and the in-depth case analysis (stage 3) informed research objective 5 and the development of a new theoretical framework, namely, the 'paradox model of organisational hybridity'. This model was used to explain organisational change drivers, key tensions, and approaches to managing social and commercial goals in RHA and CHA. It is explored in more detail in section 9.4, which reflects on the study's theoretical and

methodological contribution and novelties, as well as the study's unique contextual setting.

9.4: Contribution to Knowledge: Theory and Methods

The significance of this study corresponds with the three research gaps identified in the introductory chapter. First, the study postulated a new theoretical model that explains change in Northern Ireland's two largest HAs. The paradox model comprised a blend of theoretical perspectives, including hybridity and institutional logics, but also paradox theory - a relatively new and innovative framework that had not previously applied to housing studies research. Paradox theory's addition to the theoretical mix helped to address a longstanding gap in the housing hybridity literature, namely the need to theorise opaque organisational tensions (Mullins et al, 2012; Gibb et al, 2016). Moreover, the paradox model reframes the generally uncontested narrative on housing hybridity and institutional logics from one of logic dominance and succession to one of logic interdependency and management. In framing the discussion in this way, the paradox model challenges the discourse that has prevailed in housing hybridity and logics studies for the past fifteen years; that is, when social and commercial logics are present, the latter usually displaces the former in some form of transitional process (McDermont, 2007; Morrison, 2016; Mullins, 2006; Sacranie, 2012). Grounded in the data, the paradox model demonstrates that logic displacement and mission drift are not automatic outcomes of logic duality. In fact, commercial activities were even seen to have made a positive contribution to both RHA's and CHA's social mission. Thus, an original contribution of this thesis is that it represents a starting point for a new academic debate on HA hybridity and logics; one that acknowledges the co-existence of logics even if they are contradictory and possess oppositional tendencies. As above

the findings of the study are not generalisable to HAs elsewhere. However, scholars can use the paradox model of organisational hybridity as a ‘generalising bridge’ (Bengtsson and Hertting, 2014) to *customise* explanations of change (e.g. drivers, tensions, and responses) in both other HAs and other third sector hybrid organisations, which operate in different contexts.

The second contribution relates to the study’s methodological approach. In Chapter 1, attention was drawn to an omission in extant studies around the definition of ‘logic dominance’ and an absence of specific methodologies that enable shifts in dominance to be accurately captured and measured. To date, most studies of housing hybridity and logics have been interpretivist in nature as housing scholars attach meaning to shifts in logics based on subjective perceptions and interpretations of the phenomenon under study. While interpretivist approaches are perfectly laudable in and of themselves (e.g. when studying organisational culture), they are methodologically flawed when it comes to accurately measuring - and drawing conclusions about - *shifts in logic dominance*. Such studies risk confusing logic prominence with logic dominance. This study’s methodological significance lies in its grounded-realist-mixed methods research design. Critical realism offered a different ontological perspective to the predominately interpretivist approaches of previous housing studies, where social logics usually get displaced by commercial logics. Instead of trying to chart shifts in logics, this study focused on the ways in which social and commercial logics were pursued by the two case organisations. Its depth ontology guided the study’s research inquiry, capturing multiple perspectives on HA change from a range of corporate governance actors across multiple levels of analysis. Triangulation and participant validation techniques were used to ensure the ‘appropriateness’ of the data (Leung,

2015). A mixed methods approach and retroductive reasoning helped connect the case evidence with wider sectoral trends to reveal the structural drivers and generative mechanisms of change in both HAs. Another contribution is that it built on Czischke's (2014) use of the CIT in her PhD by getting closer to decision-making processes within HAs. The use of CIT in the boardroom/committee setting added a novel dimension to the research. Access to board members, board/committee meetings and confidential board documentation enabled retrospective and prospective decisions and discussions to be tracked and examined, using Glaser and Strauss' (1967) rigorous three-stage grounded analysis process. Use of the CIT in this study brought clarity of purpose and structure to complex governance debates and enabled the researcher to follow the action and actors as events unfolded. The inclusivity of the CIT meant that it was possible to couple first-hand observational accounts of board meetings with SMT and board member interviews about retrospective discussions and hypothetical scenarios. Finally, as per the critical realist ontology, it is important to highlight that explanations of change in RHA and CHA are fallible and contestable, as truth can never be explained perfectly or completely (Onwuegbuzie et al, 2009; Somerville, 2012; see 9.6 below). This approach avoided the need to make concrete conclusions about shifts in logic dominance as per interpretivist studies. Overall, the study's methodology - in terms of its philosophical stance and methods used - was an innovative but complex approach to studying HA change; one that can be replicated by other scholars studying hybrid organisations in Northern Ireland or further afield.

The third contribution of this thesis relates to its unique contextual setting. While there is a growing body of international scholarship on housing hybridity and logics, extant studies of market diversification have tended to focus on large English HAs. This study

demonstrated that while market drivers were key influences on board decision-making, state and societal factors were the main drivers behind diversification into private housing markets. Furthermore, this study provides an important account of two HAs that are typically much smaller than the London-based mega HAs that have been studied to date with regards to market diversification. The study's findings justify its grounded theory approach and demonstrate why extant explanations of change should not be used a priori to interpret change elsewhere. A key strength of this study therefore was its grounding in the Northern Ireland context, which allowed the study to take full account of that context as the setting for the changes being studied. Now that the thesis' contribution to knowledge (theory, methods and context) has been considered, section 9.5 reflects on some of the practical and ethical challenges that were encountered as this research was being conducted.

9.5: Challenges of Corporate Governance Research

One of the obstacles that often hinders corporate governance research is the difficulties researchers encounter when they seek access to boardrooms (Leblanc, 2004; Pettigrew and McNulty, 1995). At the beginning of this research, two HAs had informally agreed to participate. However, after the private market diversification theme emerged, one of those HAs was no longer a suitable candidate. Along with the original option of CHA, two others were identified - RHA and another HA. Access was then negotiated on my behalf by Dr John McPeake, who was Chair of NIFHA and an external adviser to the study. Without John's input and my previous experience of working in housing and conducting research on HAs, access would have been much more difficult to achieve.

However, gaining physical access was not the only barrier to overcome. In one of the three HAs, I encountered a gatekeeper and failed to achieve the cognitive access needed to complete the research. The first few interviews felt like treading through treacle and others were difficult to arrange. So, after a false start, this HA was quickly eliminated from the study. Thanks to the wisdom of my supervisors, I had opted for a multi-case research strategy, so the omission of the third case organisation had already been built into the methodology's contingency plan. Researchers studying corporate governance should also consider the ethics around potential case withdrawal. Given the fluidity of changes at both board (e.g. tenure limits) and senior management levels, researchers should negotiate and agree with case organisations (if possible) that no one individual should possess the power to unilaterally decide on an organisation's withdrawal from the study. Any decision to withdraw should be formally ratified by the board in the same way that access is granted. This offers some level of protection against personnel changes during the study or certain participants taking a dislike to the research(er).

Moreover, board minutes often fail to document the different views expressed during board discussions. If researchers hope to understand the different views expressed during board discussions, gaining access to boardrooms is essential. Undoubtedly, the most delicate part of this study was that I was privy to confidential and commercially sensitive information. Both HAs, quite rightly, sought assurances around how this information would be used and stored. These assurances took the form of an NDA and the learning point from this process is that sufficient time needs to be set aside to agree NDAs with case organisations. In one HA, this was a smooth process and the agreement was swiftly signed by the three parties (UoB, HA, and researcher). In the

second HA, a robust negotiation process took place between UoB and the HA's solicitor, which resulted in an agreement that was acceptable to both parties in terms of protecting confidential information and at the same time allowing publication of tensions and how they were managed in the thesis.

The final challenge related to the case organisation feedback. Draft case findings were sent to both CEs to fact check and to ensure that they did not contain any commercially sensitive data. In both cases, Zoom calls were held with senior executives to clarify some points. In one HA, only a few minor amendments were needed whereas in the other HA, there was some discomfort around opinions reported by different research participants. An email from a senior executive requested that some additional qualifying comments be added, although none of the respondents' quotes or opinions were altered, and none of the meaning behind any of the tensions was lost. Similar to Breunig and Christoffersen's (2016) advice, a key lesson here is for researchers to fully transcribe interviews when undertaking corporate governance research, using the CIT method. Even though this approach elicited huge swathes of data, making the analysis process time-consuming, verbatim quotations meant that it was less likely for things to be taken out of context. Direct quotations also make it more difficult for research participants to contest contentious findings. Corporate governance research should always expect to reflect the "*clash of deep-felt beliefs, identities and meaning that board members bring to and take from their experience of governance*" (Mullins, 2014:217). In this study, the selection of board members for interview was based on board observations and observing the divergent opinions expressed during board discussions. Researchers should be upfront with CEs from the outset that each members' contribution and perspective is valid to the study, bar any factual

inaccuracies. A final learning point for corporate governance researchers is to have a respected industry partner in your corner to intervene and mediate when things get sticky. The next section considers the limitations of this study, which are then used to inform a future research agenda.

9.6: Limitations and Future Research Agenda

This thesis has demonstrated that the paradox model provided one explanation of organisational change in that it has helped to analyse the different external drivers of organisational change, the tensions that confronted the boards of RHA and CHA whenever they diversified into private housing markets, as well as the responses they adopted to manage social and commercial goals. However, as above, explanations of how and why RHA and CHA diversified are fallible and contestable. Instead, the generative mechanisms that instigated change in RHA and CHA are used to approximate the truth; they are not based on an external objective reality, but their correspondence with the three theoretical frameworks (Bhaskar, 1989; Modell, 2009) that formed the analysis, namely: hybridity theory, paradox theory and the ILP.

It could be argued that one limitation of this study was that it relied mainly on elite level interviews. However, the methodological framework provides a clear rationale for why this was the case, namely that stage 3 of the study focused on corporate governance stakeholders who were directly involved in decision-making processes. Meanwhile, stages 1 and 2 included a wider range of actors, including a focus group with the HPP, which was comprised of active tenants and residents. Members of the HPP supported the view that, to date, tenants and residents have had a limited impact on decisions related to private housing market diversification. Furthermore, as demonstrated by the

strategic decision examples in stage 3, social purpose considerations and tenants' interests (e.g. Social First policy) were a key factor in how boards made decisions. Further research into private market diversification might in the future focus on HAs that have more tenant and resident members serving on their boards. It may also be argued that stage 3 was too short a time period in which to meaningfully study private housing market diversification in RHA and CHA. However, a longitudinal ethnographic research design was considered at the outset of this PhD but was rejected due to concerns about ongoing access and personnel changes at both executive and non-executive level over the study's duration. The study's eventual multiple case study design naturally militated against the researcher's capacity for 'deep immersion' as required by ethnographic research. Therefore, as highlighted in Chapter 8, one challenge to this thesis might be that large HAs in Northern Ireland are on a similar path to those English HAs, where commercial logics dominate over social purpose logics. However, all PhDs are constrained by time and resources, and thus, the RHA and CHA case fieldwork was limited to an eight-month period (although the tensions also covered a longer time period by including retrospective decisions). Nevertheless, rather than perceive this as a limitation or inherent methodological weakness, the constraints placed on this PhD are used to propose a future research agenda, along with some additional research questions that emerged during stage 3 of this study. This includes an example of another organisational tension that did not meet the CIT criteria of private housing market diversification but warrants further exploration.

In terms of a future research agenda, future studies might examine the exogenous and endogenous factors and behaviours that are conducive to logic co-existence versus those that engender logic succession. This might include research of other commercial

activities beyond private renting and market for sale housing. Such studies should emphasise the importance of historical and contextual factors and adopt research designs that track and assess logics over an extended period. Such studies might also draw on longitudinal ethnographic research designs of both large and small/medium-sized HAs and on cross-case comparisons of HAs operating in different jurisdictions to enhance their validity and theoretical generalisability.

Future studies might also investigate examples of logic blending, where social and commercial logics are integrated, with services provided to both social tenants and private customers. For example, in RHA, the organisation had a floating support service that catered for the needs of tenants in receipt of Supporting People funding, which was then extended to private paying customers in care homes. In this case, private customers helped to sustain the Supporting People element of the service that had been subjected to cuts in government expenditure. Therefore, the extension of a core service (personal alarm service; repairs subsidiary company etc) into a private market might be interpreted as an example of logic deviation, logic management, or perhaps redolent of Dees and Anderson's (2003) sector bending. Moreover, studies of organisational change in the English HA sector often fail to adequately define the terms 'social' and 'commercial'. Future studies of institutional logics will be more persuasive where researchers define and distinguish between 'social' and 'commercial' cultures, activities, and practices; but as this study has shown such disaggregation can prove very tricky in practice.

One of the main issues facing contemporary HAs is the tension between meeting the needs of future tenants - many of whom have been languishing on waiting lists for far too long - and continuing to meet the needs of existing tenants. The pressure for HAs

in Northern Ireland and elsewhere to increase supply and build much needed social homes is immense. In doing this important work, examples exist in Britain of HAs failing to adequately cater for their existing tenants (HCA, 2015). Future research studies can explore this tension in greater depth. What organisational approaches are effective in managing and balancing this key tension? This tension can also be explored through a corporate governance lens, using the CIT to observe both board meetings and subcommittees meetings that have development and housing management as part of their remit.

This study contended that it was important not to presuppose a board member's contribution to organisational strategy based on their professional background alone. Future studies might use non-participant observation methods to examine the influence that board members have on organisational mission, values, and strategy. Further research is also needed on the influence that all actors bear on HA decision-making, including regulators, lenders, and credit rating agencies (as the most recent stakeholder), and internal actors such as senior executives, board members, and tenants. This study's methodology might also be used to explore the power relationships that exist between the different corporate governance actors in the sector. Furthermore, future studies could examine whether some of the tensions identified in this study might also be found in unitary corporate governance structures or group structures with registered subsidiary companies.

Finally, the HA sector is diverse and HA boards have relative autonomy to respond to their external environment as they see fit. As evidenced by this study, HAs can adopt different approaches to private market diversification, which appears to rebut earlier accounts of institutional theory (Chapter 3) that claim external myths and ceremonial

rules create societal expectations for conformity (DiMaggio and Powell, 1983). However, towards the end of this study, CHA had plans for mixed tenure developments, whereas RHA had plans to use TDL to undertake a major city centre regeneration project, which had a substantial commercial element. Questions therefore remain about the longer-term diversification strategies of HAs and whether these converge over time akin to institutional isomorphism theory.

9.7: Societal Contribution and Concluding Remarks

Chapter 1 drew attention to Besharov and Smith's (2014) argument that it remains a theoretical and empirical mystery why multiple logics cause discord and dysfunction in some organisations yet are seamlessly managed in others. As some organisations are able to manage plural logics, the starting point of this research was that social and commercial logics are contradictory in nature rather than in direct competition with one another. That is not to say, however, that competition between logics cannot arise and that social logics cannot be displaced, but rather it is not an automatic outcome of logic plurality. For example, this study has demonstrated how Northern Ireland's two largest HAs managed dual social and commercial objectives. Thus, the findings of this study are of practical value to all stakeholders with an interest in HA corporate governance, which is often cited as being one of the main causes of organisational failure in the HA sector (HCA, 2015). Only when boards are familiar with organisational tensions will they have the intellectual acuity and acumen to successfully manage them. Fitzgerald (1936) once famously said: "*the test of a first-rate intelligence is the ability to hold two opposing ideas in the mind at the same time and still retain the ability to function*". If HA board members are able to manage the conflicting principles of social and commercial logics at the same time, it could lead to more judicious decision-making

and prevent organisational schismogenesis (i.e. the process where one logic is perpetually reinforced at the expense of the other until organisations become dysfunctional). The strategic decision examples in this study along with the paradox model can help HA board members to think through and understand some of the main tensions associated with early-stage market diversification. By applying ‘Janusian Thinking’ (Chapter 3), board members can conceive organisational tensions not as something dysfunctional, but rather conflicting demands that need to be simultaneously managed, using some of the approaches identified in Chapter 7.

Furthermore, in a post-pandemic landscape, public finances will undoubtedly be stretched. Although the impact of the pandemic on future housing budgets remains to be seen, it is not unreasonable to assume that in a context of reduced government funding, large HAs like RHA and CHA will continue to diversify. Policymakers only need to look at the previous two volumes of ‘Learning from Problem Cases’ in England (HC, 2006; HCA, 2015) to see the serious inimical consequences that can arise when HAG funding is decimated and HA boards fail to effectively manage social and commercial related tensions. Social housing needs adequate public subsidy and any further reductions to HAG in Northern Ireland could seriously jeopardise HAs’ ability to balance their social and commercial objectives.

To finish on a more optimistic note and building on the positionality section in Chapter 1, I believe that HAs, as the sole developers of social new build in Northern Ireland (along with support from the NIHE), have a critical role to play in bringing the two main communities in Northern Ireland together. In fact, HAs have been trailblazers when it comes to delivering on the societal aspiration of mixed religion neighbourhoods and they have a proud track record as the delivery agents of government’s Together:

Building a United Community strategy. However, as Murtagh (2016) notes, most of the residential desegregation that has taken place in Northern Ireland over the past fifteen years has been confined to middle-class areas and the private market. With no operational mechanism in place to secure developer contributions in Northern Ireland, HAs are the only game in town when it comes to mixed tenure new build. With their scale and financial capacity, the largest HAs can make a positive contribution to the mixed tenure agenda, providing homes for both social and non-social tenant/client groups. To deliver this ambitious agenda, HAs must be entrepreneurial and prepared to embrace more (calculated) commercial risk. Additionally, monies generated from commercial activities can be used to maintain services for the most vulnerable against the backdrop of dwindling state resources. From a personal perspective, the issue at play here is less to do with HAs' pursuit of commercial goals and more to do with the state's failure to adequately fund public services, including social housing. HAs' pursuit of commercial goals must always come with a caveat: that is, commercial objectives should never become an end in themselves, but rather be the means through which HAs seek to achieve a fairer and more integrated society.

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Appendices

Appendix 2.1: Results of Round 1 Inspection of HAs

	Number	Percentage
Housing associations inspected	33	
Housing associations that failed the inspection overall	14	42%
Housing associations that failed the area of Finance	7	21%
Housing associations that failed the area of Governance	12	36%
Housing associations that failed the area of Property Development	10	30%
Housing associations that failed the area of Property Management	21	64%

Source: Northern Ireland Audit Office (2009:106)

Appendix 4.1: Stage 1 Sample Topic Guide for Sector Stakeholders

1. What are the main market drivers that currently affect the strategic work of HAs in Northern Ireland?
2. What are the main policy drivers that currently affect the strategic work of HAs in Northern Ireland?
3. What are the main issues that affect communities across Northern Ireland? How do these issues affect the strategic work of HAs?
4. Which of the above drivers, if any, dominate the strategic agendas of HAs in Northern Ireland?
5. What changes have been introduced by the new regulatory system and how does it differ from the previous system? How important is the independent status to the work of HAs?
6. Since Grenfell there have been calls for greater levels of accountability and transparency in how HAs conduct themselves and their operations. In what ways do HAs provide accountability and to whom?
7. Research points to boards becoming more ‘professionalised’. What is the regulator’s view of sector governance? (in terms of skill sets, board composition etc)
8. What have been the principal drivers that have precipitated organisational restructuring in recent years? (i.e. group structures, mergers, private subsidiaries). Are we likely to see more or less consolidation in the time ahead?
9. What assurances does the regulator seek from HAs when they pursue market diversification and expansion strategies?

Appendix 4.2: Discussion Themes for Chairpersons' Focus Group

1. What have been the key drivers that have led to structural change in the sector in recent years?
2. What are the main drivers that currently influence strategic decision-making in the sector?
3. What are the main risks facing the NI HA sector and how are these risks managed by boards?
4. What is your assessment of sector governance in terms of board members' skills and expertise?

Appendix 4.3: Record of Stage 1 Recordings and Transcriptions

File	Recording time (mins)	Word count	Pages
Participant 1	92	9,377	15
Participant 2	41	5,191	9
Participant 3	55	5,993	10
Participant 4	55	3,466	5
Participant 5	72	5,520	10
Participant 6	80	7,619	12
Participant 7	18	1,135	3
Participant 8	53	5,531	9
Participant 9	56	4,528	7
Participant 10	61	5,180	9
Participant 11	46	4,657	8
Participant 12	-	-	-
Participant 13	-	-	-
Chairs Focus Group	113	11,499	21
Total	742 (12h 22min)	69,696	118

Appendix 4.4: Chief Executive Survey - Front Page and Consent Form



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SOCIAL SCIENCES

Chief Executive survey: values, influences and priorities that shape strategic decision-making in the Northern Ireland housing association sector

This survey seeks the views of chief executives at the helm of Northern Ireland's twenty registered housing associations. Housing associations - to varying degrees - espouse a mix of characteristics from the public, private and third sectors. This survey aims to establish how this mix of sectoral values and stakeholder influences guide and shape strategic decision-making. It also aims to identify the types of strategic tensions faced by boards across the housing association sector for further analysis in the next stage of the study. These tensions have been identified through extensive governance and organisation literature searches, discussions with thirteen key sector stakeholders, and a focus group of current housing association chairpersons.

In sections two, three and four, there are open-ended questions should you wish to elaborate on your answers and/or add additional comments.

An earlier version of this survey has been piloted. It is estimated that the survey will take approximately 20 minutes to complete. The pilot exercise also revealed that the survey is straightforward to complete.

Please read the next page carefully. By consenting to participate you are agreeing that the results can be used in my PhD thesis and other academic outputs (e.g. journal articles, conference presentations etc). Your individual survey results will, of course, remain anonymous.

Thank you.

Peter Shanks
School of Social Policy
University of Birmingham
Edgbaston, Birmingham, B15 2TT
Tel [REDACTED]
Email: pxs622@student.bham.ac.uk

Agreement:

By completing and submitting this survey I agree that:

- I am voluntarily taking part in this project. I understand that I do not have to take part.
- I can withdraw my involvement in the project up to four weeks after the survey has been submitted by contacting the researcher. In this event my response will be permanently deleted.
- I have read the Participant Information sheet.
- The researcher will store the data in accordance with the UoB Code of Practice for Research.
- My survey response may be used as described in the Participant Information sheet.
- I don't expect to receive any benefit or payment for my participation.
- I have been assured that my identity has been protected.
- I have been able to ask any questions I might have, and I understand that I am free to contact the researcher with any questions I may have in the future.
- I understand that I will have an opportunity to comment on a discussion paper that summarises survey responses in advance of its use in the thesis or related publications.

SIGN HERE

clear

Appendix 4.5: Scoping Paper Discussion Topics

1. What are the main internal and external drivers that affect strategic decision-making and/or change in your housing association? What tensions exist, if any, between these drivers?
2. Can you provide any examples where social and commercial goals/activities are complementary in your HA? Or alternatively, examples of where strategic trade-offs are required?
3. Where social and commercial goals are complementary, what strategies, governance structures, systems and/or processes assist your housing association to manage these dual objectives?
4. How are the challenges of board recruitment best addressed? (both the general recruitment challenges for smaller associations and the recruitment of specialist skills required by larger HAs). Can you highlight any good practice in this area?
5. If your HA engages in commercial trading activity, what training has your Board received to supervise/provide accountability for these activities?

Appendix 4.6: Sample Board Member Topic Guide

Background information

1. How long have you been on the board; how were you recruited; other governance roles; any prior contact with / knowledge of case organisation, its subsidiaries, or its predecessor HAs before joining; what motivated you to become a board member of a registered HA.

Corporate governance set-up

2. Impression of the corporate governance set up at case organisation. How well does governance work?

Prompts: Board culture and boardroom dynamics, board skillsets, diversity, clarity of roles and responsibilities within the wider group structure etc.

3. What are the key challenges of operating a group governance structure; what is needed for it to operate successfully?

Prompts: board/board member training, managing conflicts of interest, role of independent board members, professional advice etc.

4. What do you perceive your role to be as a board member? What do you see as the board's collective role?

5. How best would you describe your organisation's identity, its main purpose, and the corporate values it embodies?

Influences on organisational decision-making

6. Who/what are the main influences that affect decision-making? How much autonomy/independence does the board actually have to make its own decisions?

Board Strategy and Diversification

7. What was the board's thinking behind its decision to diversify into the private housing markets? What initiated this step change in board strategy?
8. Are there any tensions between the group and subsidiary boards around strategy? If so, what are they and how are they resolved?
9. What was the board's thinking behind its decision to use the same social housing brand / create a separate market brand for commercial activities?

Risk Management

10. How is risk managed to ensure the organisation is not exposed to any failures in its commercial undertakings?
11. What is the board's risk appetite for further diversification going forward?

Emergent theory

12. How would you characterise the social and commercial goals within your organisation? (prompt: complementary, contradictory, competing etc)

Appendix 4.7: Record of Stage 3 SMT Recordings and Transcriptions

File	Recording time (mins)	Word count	Pages
Case 1	4	633	3
Case 1	36	5,646	17
Case 1	87	15,949	46
Case 1	60	11,932	35
Case 1	75	12,441	32
Case 1	-	-	-
Case 2	100	16,809	58
Case 2	135	25,123	75
Case 2	102	20,412	58
Case 2	46	7,716	21
Case 2	100	16,667	44
Total	(12h 25min) 745	133,328	389

Appendix 4.8: Record of Stage 3 Board Member Recordings and Transcriptions

File	Recording time (mins)	Word count	Pages
Case 1	70	7,147	22
Case 1	44	5,439	15
Case 1	68	12,185	43
Case 1	94	16,694	51
Case 1	59	10,420	37
Case 1	71	13,153	45
Case 1	32	3,709	7
Case 2	54	10,301	32
Case 2	63	12,395	33
Case 2	28	4,658	14
Case 2	77	11,760	43
TOTAL	(11hrs) 660	107,861	342

Appendix 4.9: Project Outline and Key Aims

Working Title: Strategic Change in the Northern Ireland HA Sector

Pursuit of Diversification and Growth Strategies: A Corporate Governance Perspective

Abstract

Housing research in England has examined the impact of state, market and societal drivers on housing associations' activities (Mullins 2006; Mullins et al, 2012; Sacranie, 2012). Drawing on institutional logics, this body of research postulates that the principles of one sector tend to dominate at any given time. For example, studies have highlighted the dominance of business efficiency over community accountability logics in corporate governance (Mullins et al, 2003) and the primacy of commercialism in both organisational strategy (Sacranie, 2012) and asset management (Morrison, 2017). Moreover, Czischke et al (2012) found that hybrid housing bodies face clear trade-offs between social and commercial considerations. These studies regard state, market and societal drivers as competing forces which lead to conflicting values, beliefs, behaviours, and divergent organisational goals. Such perspectives are consistent with contingency theory's either/or approach of choosing between competing organisational demands (see Cameron, 1986; Poole and Van de Ven, 1989). Two omissions are apparent from these studies: (1) the failure to capture how board members strategically manage tensions that surface from their hybrid environment, and (2) a failure to challenge the assumption that hybrid drivers are in competition with one another. Drawing on paradox theory (Lewis, 2000; Smith and Lewis, 2011), this PhD aims to address this gap in knowledge by challenging axiomatic notions that

conceive hybrid drivers as separate, competing influences on organisational behaviour. In doing so, it posits state, market and societal drivers as complementary, interdependent forces that enable innovative and sustainable approaches to social housing delivery. Therefore, the questions that lie at the heart of this PhD centre on the strategic responses by boards to tensions that arise from hybrid drivers that are so integral to their task environment, and whether such tensions (e.g. social and commercial goals) can be simultaneously managed in a complementary rather than contradictory manner.

Provisional Aim

To critically examine strategic change in the Northern Ireland housing association sector and assess how corporate governance actors navigate state, market and societal drivers in their pursuit of diversification and growth strategies.

Research Questions

- To critically evaluate the key drivers that affect sectoral change and strategic decision-making in the Northern Ireland HA sector; (stage 1)
- To objectively quantify areas of consensus and divergence in relation to sectoral values, influences, and priorities that shape and guide the work of HAs; (stage 2)
- To critically assess how corporate governance actors strategically manage commercial activity within their social housing business; (stage 3)
- To organise a workshop for research participants to discuss and validate research findings, share learning, and to assist in conceptual framework development (stage 4)

Methodology

The methodology comprises four stages. Each stage inductively and sequentially builds on the previous stage by refining and narrowing the data to complete the research objectives outlined above.

Stage 1 comprises a series of 12 semi-structured interviews; four actors each from the ‘public’, ‘private’, and ‘third’ sectors. Interview questions draw on extensive housing and third sector governance literature searches and recent MA thesis. Sector experts will provide up-to-date coverage of the key drivers affecting sectoral and organisational change, and strategic decision-making in the Northern Ireland housing association sector. Participants include: policy-makers and senior civil servants; private lending officials; legal professionals; various regulatory bodies; directors in the sector trade body and the region’s strategic housing authority; as well as senior staff in a number of tenants’ rights and advocacy groups. Stage 1 will also include a focus group of current HA Chairpersons to identify the same issues (i.e. key drivers that affect sectoral and organisational change). Stage 1 is currently underway and will be completed mid to late May 2019.

In **Stage 2** an electronic survey will be circulated by the sector body (NIFHA) to all housing association chief executives. Given the overall population size of the sector, a sampling strategy is not required. A chief executive survey on sector governance prepared by Shanks and Mullins and disseminated by NIFHA in 2015 achieved a 100% response rate. It is anticipated that this survey should generate a good response rate if disseminated in the same way. The survey method in this stage has a clear rationale: to develop an aggregated picture around sectoral and organisational change drivers,

and the key tensions that arise for strategic decision-makers as a result of operating in a hybrid environment. Chief executives will be asked to indicate their agreement/disagreement with sets of dualistic propositions which will shed light on their opinions around organisational values, priorities and influences. These propositions will be formulated using scaled Likert-type questions. Building on stage 1, this aggregated picture will provide an up-to-date factual analysis of areas of consensus/dissensus around change drivers and tensions. To overcome the limitation of scaled questions, some open-ended questions will provide scope for elaboration and allow for additional opinion to be added. CE surveys will be disseminated by NIFHA at the end of May 2019 with an initial 2-week window for responses.

A discussion paper will be produced four weeks after the completion of stage 2. Participants from stages 1 and 2 will be invited to review and provide comment on the paper's preliminary results from stages 1 and 2. This explorative evidence base and feedback will assist in the selection of a number of critical incident cases for the in-depth stage 3 research.

Stage 3 will comprise two case studies. Critical incident cases will explore in-depth the role and function of housing association corporate governance. Critical incidents in this context refer to specific decisions taken by the board (e.g. mergers, group arrangements, private subsidiaries) rather than the need to consider the whole of the organisation as a locus of study. The focus of this stage is to examine how boards understand, interpret, strategically manage and/or mediate sectoral change processes and tensions identified in stages 1 and 2. Critical incidents will focus on retrospective decisions (e.g. decisions to merge, join a group structure etc) and prospective/live decisions which will become clearer during the course of board observation. It is

anticipated that this stage will commence in September 2019 and will involve interviews, firstly, with members of the senior executive teams, non-participant observation of 4-5 board meetings, analysis of board documentation, interviews with board members, including potentially ex-board members, and possible attendance at strategy away days / AGMs. The final selection and sequencing of methods (i.e. whether to interview board members at the beginning or end of the board observation process) will be agreed following discussions with chief executives and the PhD supervisory team.

Stage 4 - The final stage of the research process will consist of a half-day research symposium. This will provide a platform for governance actors to debate depth findings and emerging theoretical models that emanate from stages 1-3. Actors will have the opportunity to contribute their own perceptions, interpretations and experiences of sector and organisational change drivers and strategic responses to macro tensions in an open forum. A key purpose of this final stage is to strengthen the validity of study's results and to seek feedback on conceptual framework development in a way that recognises the multiple roles and influences on board members (McNulty and Pettigrew, 1996). This event will be open to all chairs, chief executives, and board members of the Northern Ireland housing association sector. Participants from stage 1 will also be invited to attend. The symposium will take place sometime between Autumn and Winter 2020. A few governance experts may also be invited to participate in this half day event. This concludes the four-stage data collection process.

NB: The word 'tension' in the context of this study should not be construed as something dysfunctional or conflictual but rather: (1) competing demands that need addressed simultaneously; (2) ideas or objectives that seem contradictory when

juxtaposed; (3) times when you have to decide between seemingly opposing alternatives; and (4) when decision-making appears at cross-purposes and filled with contradictions and variance.

Appendix 4.10: Sample Participation Information Sheet

Project Theme:

Sectoral Change and Strategic Decision-Making: A Study of HAs in Northern Ireland.

Invitation:

You are invited to take part in this PhD study on how HA boards manage dual social and commercial objectives. This stage of the research focuses on two HAs that provide private market housing alongside or in addition to social housing. Before you decide to take part, it is important you understand why the research is being done and what it will involve. Please take time to read the following information carefully and take time to decide whether or not you wish to take part. If you do decide to take part, please indicate your agreement by signing the accompanied consent form. You can withdraw your contribution at any time up to eight weeks after your participation. You do not have to provide a reason. The researcher is interested in your own experience and expertise. There are no other commitments associated with participating.

Why have I been chosen?

You have been chosen because of your non-executive role within Choice Housing Association (and Maple and May); more specifically because of your knowledge of the corporate governance arrangements within Choice and the strategic issues that affect organisational decision-making. The study is particularly interested in your analysis and opinion of governance related issues within Choice Housing Association and the Maple and May companies.

How does my participation fit into the overall PhD study?

A four-stage methodology has been used to achieve the study's overall objectives (below). Your participation falls within stage 3 of the process. Interviews with twelve (elite-level) stakeholders were conducted in stage 1 to evaluate the key drivers impacting on sectoral change and strategic decision-making in the Northern Ireland HA sector. Feedback from these interviews was then used to inform a chief executive survey in stage 2. Surveys generated a 100% response rate from all twenty HA chief executives and helped to identify areas of consensus/divergence on key sectoral tensions which are now being studied in an organisational context (stage 3). This stage examines how social and commercial goals are enacted and strategically managed by governance actors. It follows on from interviews with the SMT and a number of board/committee observations. In stage 4, a workshop will bring together participants to discuss and validate research findings, share learning, and inform conceptual framework development.

The research objectives are:

1. To critically evaluate the key drivers that affect sectoral change and strategic decision-making in the Northern Ireland HA sector; (stage 1)
2. To objectively quantify areas of consensus and divergence in relation to sectoral values, influences, and priorities that shape and guide the work of HAs; (stage 2)
3. To critically assess how corporate governance actors strategically manage commercial activity within their social housing business; (stage 3)

4. To organise a workshop for research participants to discuss and validate research findings, share learning, and to assist in conceptual framework development (stage 4)

What are the benefits of participation?

Key benefits of participation include: the opportunity that the interview provides to think through the issues that affect decision-making in your housing organisation; the opportunity to participate in a workshop in autumn 2020 aimed at knowledge exchange with other HAs with a similar strategic focus; and the opportunity to use the results from an in-depth independent piece of research to inform future board thinking.

What are the risks of taking part?

All information collected will be kept strictly confidential. Specific comments made during the interview will not be attributed to you in any reports or publications. However, the data will be allocated codes to enable thematic analysis.

Will my taking part in this project be kept confidential?

Contributions made during the meeting will be digitally recorded and transcribed afterwards only with your prior consent. All notes will be stored confidentially and safely using university password protected software - 'Research Data Store' - accessible only to the researcher. Notes will be retained by the University of Birmingham for 10 years after the completion of the PhD for verification and audit purposes. By participating in this interview, you are consenting to the university storing your responses for these purposes. The information will be processed by the University of Birmingham in accordance with the provisions of the Data Protection Act 2018.

What will happen to the results of the research project?

Part of the content of your contribution may be used: in printed and online resources; in academic papers; on websites and in other media such as spoken academic conference presentations; in the PhD (stage 4) workshop event; in an archive of the project as noted above; and in the final doctoral thesis.

Who is organising and funding the research?

This is an independent study being undertaken by Mr Peter Shanks, under the supervision of Professors Jon Glasby and David Mullins and Dr Halima Sacranie (all University of Birmingham). Dr John McPeake, Chair of NIFHA, acts as an external adviser to the project.

Who has ethically reviewed the project?

The study is funded by the Economic and Social Research Council and has been ethically approved by the University of Birmingham's internal ethics review procedure. The University of Birmingham's Research Ethics Committee monitors the application and delivery of the University's Ethics Review Procedure across the University.

Contacts for further information:

PhD Candidate - Peter Shanks, School of Social Policy, University of Birmingham. Tel: [REDACTED], email: pxs622@student.bham.ac.uk

Supervisory team ethics lead – Professor Jon Glasby, Professor of Health and Social Care, Head of School of Social Policy. Email: j.glasby@bham.ac.uk. Research Ethics Officer - If you have concerns about how this research is being conducted, you can contact Susan Cottam at s.l.cottam@bham.ac.uk

Appendix 4.11: Sample Consent Form

Project Title:

Sectoral Change and Strategic Decision-Making: A Study of HAs in Northern Ireland

PhD Candidate:

Peter Shanks, School of Social Policy, University of Birmingham

Agreement:

By signing this form, I agree that:

1. I am voluntarily taking part in this project. I understand that I do not have to take part.
2. I can withdraw my involvement in the project up to eight weeks after my participation. I do not have to provide a reason. In this event all data will be permanently deleted.
3. I have read the Participant Information Sheet (PIS).
4. The researcher will store the data in accordance with the UoB Code of Practice for Research (outlined in the PIS).
5. My interview response may be used as described in the PIS.
6. I do not expect to receive any payment for my participation.
7. I have been assured that my identity has been protected and anything I say will be anonymised.
8. I have been able to ask any questions I might have, and I understand that I am free to contact the researcher with any questions I may have in the future.

Printed Name _____

Participant's Signature _____ Date _____

Researcher's Signature _____ Date _____

Contact Information:

If you have any further questions about this study, please contact: Peter Shanks. E-mail: pxs622@student.bham.ac.uk

What if I have concerns about this research?

If you are worried about this research or if you have concerns about how it is being conducted, you can contact Professor Jon Glasby – j.glasby@bham.ac.uk (Principal supervisor) or Susan Cottam (Research Ethics Officer) - s.l.cottam@bham.ac.uk

Appendix 5.1: Organisational ethos: differences between developing and non-developing HAs

Median [interquartile range]	All	Developing	Non-developing	p-value
Social purpose: Profit	2[2,3]	3[2,3]	2[1,2]	0.011
Charity/welfare ethos: Social entrepreneurial ethos	3[2,4]	4[3,2]	2[2,2]	0.012
Public ethos: Private ethos	4[2.5,5]	4.5[2,5]	4[3,5]	0.832
Community led: Market led	3[2,3]	3[2,3]	3[2,3]	0.821
Voluntarism: Professionalism	5[4'6]	5.5[4,6]	4[3,6]	0.270

1 = strong preference for statement on left, 7 = strong preference for statement on right and 4 = balance between two statements

Appendix 5.2: Level of importance attached to social purpose and business efficiency according to CEs of developing and non-developing HAs

Median [interquartile range]	All	Developing	Non-developing	p-value
How important do you think it is for your association to specialise only in developing social housing?	3.5[3,4]	4[3,4]	3[2,4]	0.150
How important do you think it is for your association to develop/deliver private market housing? (i.e. private rented, shared ownership or market sale)	4[3,4]	4[3,4]	3[1,4]	0.440
How important do you think it is that your association prioritises social purpose first and business efficiency second?	4[3.4]	3[3,4]	4[4,4]	0.058
How important do you think it is that your association prioritises business efficiency first and social purpose second?	3[2,3.5]	3[3,4]	2.5[2,3]	0.269
How important do you think it is that your association gives equal credence to social purpose and business efficiency?	4[4,5]	4[3,5]	4.5[4,5]	0.289

1 = very unimportant, 5 = very important and 3 = neither important nor unimportant

Appendix 5.3: Focus on Strategic Priorities: Differences between developing and non-developing HAs

Median [interquartile range]	All	Developing	Non-developing	p-value
Low-income groups only: Low, intermediate and market income groups	3[2,4.5]	2.5[2,3]	4.5[4,7]	0.020
Social return: Financial performance	4[2.5,4]	4[3.4]	3.5[2,4]	0.400
Providing accountability to lenders: Providing accountability to other stakeholders	4[4,6]	4[4,4]	5.5[4,6]	0.190
Quality & maintenance of existing homes: Development/acquisition of new homes	4[25,4]	4[3,4]	2[1,5]	0.250
Meeting government priorities: Setting own priorities independently	5[4,6]	5[4,5]	5[3,6]	0.966

1 = strong preference for statement on left, 7 = strong preference for statement on right and 4 = balance between two statements

Appendix 5.4: Focus of HAs' strategic priorities: differences between developing and non-developing HAs

Median [Interquartile range]	All	Developing	Non-developing	p-value
Growing organically: Growing through mergers, groups etc	2[1,2.5]	1.5[1,2]	3[1,4]	0.235
Maximising public funding sources: Securing private finance for projects	4[3,4]	4[4,5]	3.5[2,4]	0.084
Attracting own specialist staff: Obtaining specialist advice from partners	4[2.5,4]	3[2,4]	4[4,6]	0.055
Improving existing products and services: Developing new products and services	4[3,4.5]	4[3,5]	4[3,4]	0.966
Risk aversion: Risk taking	4[3,5]	4[4,5]	3[2,4]	0.027

1 = strong preference for statement on left, 7 = strong preference for statement on right and 4 = balance between two statements

Appendix 5.5: Level of importance attached to key influences on organisational priorities: differences between developing and non-developing HAs

Median [Interquartile range]	All	Developing	Non-developing	p-value
How important an influence does the macro economy have in setting the main priorities for your association? (E.g. GDP, interest rates, inflation, availability of corporate funding, availability of mortgages, house prices etc.)	4[4,4.5]	4[4,5]	3.5[2,4]	0.092
How important an influence does Central Government/Government Departments have in setting the main priorities for your association?	3[3,4]	3[3,4]	3.5[2,5]	0.386
How important an influence do non-departmental public bodies / QUANGOs have in setting the main priorities for your association?	3[2,4]	3[3,4]	2[2,2]	0.004
How important an influence does Local Government have in setting the main priorities for your association?	3[2,4]	3[3,4]	2[2,4]	0.281
How important an influence do policies and programmes of the European Union have in setting the main priorities for your association?	4[3,4]	4[4,4]	3[1,4]	0.037
How important an influence do private/institutional	4[4,5]	4[4,5]	4[4,4]	0.169

lenders and/or credit rating agencies have in setting the main priorities for your association?				
How important an influence do paid senior staff/directors have in setting the main priorities for your association?	5[5,5]	5[5,5]	5[4,5]	0.143
How important an influence do voluntary boards have in setting the main priorities for your association?	4[4,5]	4[4,5]	4[4,4]	0.151

1 = *very unimportant*, 5 = *very important* and 3 = *neither important nor unimportant*

Appendix 7.1: Advantages and Disadvantages of Using Trading Subsidiaries

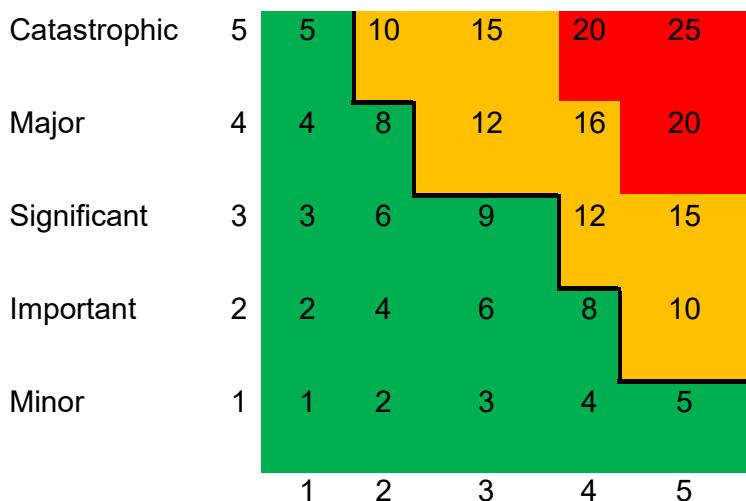
Advantages	Disadvantages
To carry out trading or commercial activities which the parent has been advised not to carry out itself, typically because of charitable or RHA status	Potential difficulties of operating complex structures
To protect the charity's assets from the risks of trading (even where the risks are not significant or where the trading is primary purpose or ancillary)	A lack of common purpose and the development or persistence of a number of different cultures
To generate profits or surpluses which can be applied for the purposes of the groups	Control by the parent is not clear and not always consistent, particularly in relation to the autonomy of the subsidiaries
To provide a wider range of services to tenants and other service users	Lack of clarity about decision-making, and about which decision should be taken by which body
For reasons of tax efficiency, or to deal with risks connected with managing pension liabilities	Delays in the decision-making process, with a need to refer matters up and down the structure before finalisation is possible
As special purpose vehicles for funding or development projects	Duplication of effort, with the same papers being considered at a number of meetings with agreement required for decisions already taken
Increased transparency. Poor financial or managerial performance can be more easily isolated in a separate legal entity; separate accounts ensures financial clarity.	Where the use of a trading subsidiary is primarily tax-driven, the tax benefits may be insufficient to justify the additional costs associated with establishing and operating a trading subsidiary
To create separate governance and accounting/management for particular specialist business streams - which need governing bodies with particular skills or expertise, or which may be regulated by another regulator	Too easily ignored – ‘out of sight, out of mind’ – and if senior managers are not directly accountable then they may miss warning signs
Easier to recruit managers and board members with the appropriate skills and expertise, which should reduce likelihood of failure.	Barrier to management control, especially if tensions arise between managers and board members at subsidiary and parent level.
Subsidiaries can focus on their own specialisms and their own finances. Easier to close down or float off a	Less effective board. Recruiting expert individuals with time to spare is not easy. Often many subsidiary board members are also on the parent board; this increases the

subsidiary that is failing or would do well with a different partner.	demands on their time and may weaken one or other of the two boards if that time is not available
	Significant secretarial, legal, audit and other governance costs
	Obstacles to the creation of sensible operational structures with arrangements that may have arisen as 'accidents of history'
	Difficulties in charging assets, for instance in connection with bond issues
	Senior staff spending a large proportion of their time servicing governance structures rather than working on other priorities

Sources: Department for Communities (2020:4-5); Charity Commission Guidance CC35 (2017:18); Housing Corporation and Audit Commission (2001:63-64)

Appendix 7.2: CHA Risk Heat Map for a ‘Cautious’ Risk Appetite

Impact



Likelihood Rare Possible Almost

Certain

- Within parameters
- See Action plan for Amber risks
- See Action plan for Red risks

Appendix 8.1: RHA's and CHA's Core Values

Radius Housing Association: Core Values

Social purpose	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Profit
Charity/welfare ethos	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	Social entrepreneurial ethos
Public ethos	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	Private ethos
Community led	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Market led
Voluntarism	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	Professionalism

Choice Housing Association: Core Values

Social purpose	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Profit
Charity/welfare ethos	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Social entrepreneurial ethos
Public ethos	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Private ethos
Community led	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Market led
Voluntarism	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Professionalism

Source: Author 2019: Chief Executive Survey