

COMPETING PERSPECTIVES ON THE GOVERNANCE ROLE OF BOARDS OF ENGLISH HOUSING ASSOCIATIONS AND ATTITUDES TO BOARD PAYMENT

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Abstract

This thesis uses Q methodology and an abductive approach to discover competing conceptualisations of how housing associations should be governed and attitudes to board payment.

It identifies five sets of perspectives characterised as:

- 1. Business Focused and Corporately Responsible*
- 2. Socially Focused and Stakeholder Accountable*
- 3. Regulator Focused and Professionally Responsible*
- 4. Leadership Focused and Governance Rigour*
- 5. Pragmatically Focused and Non-Prescriptive*

The results confirm the hybrid nature of housing associations and that their governance is complex, multi-faceted so does not converge on one uniform consensus view. Power and payment emerge as two particular issues of contention, but at a more fundamental level the differences relate to conceptions of the role of the board exists to fulfil.

The characteristics of housing association governance are not only analysed at a sector level, but are also explored on a case basis for two housing associations to demonstrate the potential of Q methodology as a means of board assessment. The thesis also considers the significance that the particular context, conditions and circumstances may have from a personal perspective.

The thesis concludes that increased recognition should be given to exposing and exploring differences of perspective and ensuring there is clarity about purpose and approach.

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Chapter 1

SETTING THE SCENE: SCOPE, PURPOSE AND STRUCTURE

This chapter seeks to provide an overview of the issues that the thesis is seeking to explore, namely understanding what good governance is or is not considered to be in the context of housing associations in England, considering the role of their boards and discovering attitudes to payment of housing association board members.

I explain my motivation, intentions and approach to the research endeavour and show how the context, methods and findings of the thesis are to be organised and presented. The chapter concludes by giving an indication of the nature of the intended contribution the thesis is aiming to make to knowledge and practice.

Housing associations in England have, with the benefit of over £45 billion of public subsidy, grown in scale and significance to become the main providers of homes at affordable rents, responsible for over 2.6 million properties. This expansion has been accompanied by a series of transformations and changes in the character of housing associations and also raised questions and concerns about quality, effectiveness of their governance. The potential to pay board members of housing associations was introduced in 2003 as a means to modernise and improve housing association governance. Although initially the payment of previously voluntary boards this was considered controversial, it has since become the norm for larger housing associations. Little research, however, has so far been undertaken to understand the implications and attitudes to housing association board payment or consider the perspectives that apply to determine the governance role that housing associations boards perform. This thesis seeks to address this apparent gap in understanding by exposing competing perspectives on housing association board governance and payment. The intent is not to provide an answer or solution, but to promote a better appreciation of how these issues can be assessed and addressed.

A Study of Scale, Significance and Success

Housing associations provide affordable homes for people in housing need, by renting homes at affordable rates as well as offering options for home ownership, support for older and vulnerable people and a range of community and regeneration initiatives. They have been described as being “perhaps the most successful public private partnership in the UK” (Heywood, 2013).

The housing associations under consideration in this thesis are the non-profit making housing organisations that operate in England and have accepted registration and regulation as the *quid pro quo* for access to funding¹. Replacement designations of Registered Social Landlords (RSLs) and Registered Providers (RPs) were introduced by the Housing Act 1996 and the Housing and Regeneration Act 2008, but the term housing association is still enduring and widely used and understood as the generic term for non-local authority not-for-profit social landlords.

Although all housing associations are non-profit organisations they have a variety of constitutional forms, structures and aims (Cope, 1999) and also vary significantly in terms of their size, shape and specialism. **Appendix 1** provides an overview of the diversity of the sector in terms of the size, legal structure and specialism of housing associations. There are over 1,500 registered housing associations in England, but just 73 of them (less than 5% of the total) hold more than 50% of all housing association properties. This is in contrast with 60% of housing associations that have less than 100 properties and account for under 1% of the total number of housing association properties. The primary concern of the Homes and Communities Agency, as regulator, is with the largest 330 housing associations with more than 1,000 properties that account for more than 95% the total stock (Homes and Communities Agency, 2015c; 2015d; 2015e).

¹ In order to be eligible to be registered as a housing association, Section 13 of the Housing Act 1974 (later section 4 of the Housing Associations Act 1985) required an organisation to either be a registered charity or a society incorporated under the Industrial and Provident Societies Act 1965 that did not trade for profit with the purpose of providing constructing, improving or managing housing and whose other objects were limited to only undertaking permitted associated activities.

Housing associations have evolved and been “transformed from a tiny, insignificant and mostly risible part of the housing system, leading a precarious existence on the margins of viability ... into a dynamic, expansionist and highly professional set of social businesses” (Malpass, 2000, p270). Housing associations have replaced local authorities as the main providers of social housing (DCLG, 2015; Pawson and Mullins, 2010). They have benefited from a substantial investment of over £45 billion of public funds, and have raised even greater sums by borrowing from banks and private financial institutions (Homes and Communities Agency, 2015e).

It has been suggested that housing associations have been subject to regulatory capture² and become the “hired agents of central government” (Langstaff, 1992, p43). Whilst housing associations have certainly been shaped by government agendas, they may also have been complicit in their own transition towards more corporate and commercial modes of operation (McDermont, 2007, 2010).

The increased scale and significance of the housing association sector has been accompanied by greater concern for the effectiveness of their regulation and governance. Despite general concerns about a lack of accountability, the trend, as housing associations have grown in scale and complexity, has been for their boards to be seen less as a representative body and to have become more focused on demonstrating their business and financial competence (Rochester and Hutchison, 2001). In order to assist with the recruitment of board members with professional skills and modernise the governance of housing associations, in 2003 the Housing Corporation made an order permitting housing associations to pay their board members (Housing Corporation, 2003b). At the time this was a very controversial and highly contested issue that had appeared to polarise opinions within the housing association sector. Ten years later the debate appeared to have subsided and payment of board members have become the norm for the boards of many larger housing associations (Burrows and Manning, 2014).

² The term ‘regulatory capture’, however, has also been used to refer to the potential for the larger associations to exercise sway and control over the regulator (Mullins, 1997)

This apparent shift and acceptance of new governance norms was the prompt for this thesis to explore and understand the nature of the governance role performed by boards of English housing associations and attitudes to board payment.

There is an inherent difficulty in seeking to assess the effectiveness of housing association governance and the impact of the introduction of board payment, not only due to the problems of isolating this one factor amongst the myriad of other influences, but because of the subjective nature of understanding what good governance means for housing associations. The intent of this thesis therefore is to expose and explore the scope and nature of perceptions of how housing associations are governed and the significance of board payment in order to offer new insights and understanding rather than to try to test or support a particular position or perspective.

My Position and Perspective

This thesis is not about me and my views, but it is nevertheless important to disclose at the outset who I am, as “depending on who I am, my definition of what is ‘out there’ will also change” (Weick, 1995, p20). Harris (2001) complained that even when what is written about not-for-profit organisations and their governance is based on personal perspectives and experience, the position of the researcher is seldom acknowledged.

My interest in housing association governance was initiated over 20 years ago when, in 1994, I joined Anchor Housing Association (which later became Anchor Trust) as an in-house solicitor. One of my first responsibilities was to consider Anchor’s submission to the National Federation of Housing Associations’ Governance Inquiry (National Federation of Housing Associations, 1995a), alongside a report, already jointly commissioned by Anchor, to consider the particular circumstances and governance issues for large associations from University of Bath (Klein and Day, 1994).

I elected to examine the significance of board composition (size, tenure, skills and structure), operation (frequency and length of meetings and analysis of agendas and minutes) and performance (problems of defining success in absence of a profit motive) of housing associations and not for profit organisations as the dissertation component of my MBA at Henley Management College (Moore, 1996). These three factors were selected to represent the inputs, processes and outputs of a system of governance. My conclusion was that, despite the advice and proclamations of the growing literature on non-profit governance, there was no simple formula that could secure effective governance. I also observed an apparent separation and distancing of the governance role of the board from the sphere of operational management with the potential for this to cause confusion and conflict rather than collaboration in the leadership of housing associations and other not for profit organisations.

I subsequently undertook a further study of the governance issues facing large housing associations from a different perspective. As part of a LLM degree at Bristol University, I addressed 'The Legality and Reality of Housing Association Governance' (Moore, 1998). This involved consideration of the significance of the separation of ownership and control and the applicability of agency theory to the non-profit sector. This suggested that despite the legal duties of the board, in some large housing associations the reality might be different with the board not running the business but instead representing the interests of a supposed 'moral ownership' by the organisation's stakeholders whilst the de facto power and control was vested in the senior management of the organisation. The management executives were thus fulfilling the role legally assumed to be performed by the board whilst the board were effectively acting as the members or owners of the organisation providing a check on management excesses and only exercising control in a crisis.

I returned to the study of housing association governance in 2002 when I embarked on a part-time DBA programme at Bournemouth University. As part of a fundamental review of its strategy, structures and operations, Anchor Trust was proposing to adopt a new governance

model with a smaller corporate board of just six non-executive board members (with the intention that they should also be paid) and the inclusion of the Chief Executive and myself as Deputy Chief Executive as executive board members. This appeared to provide the ideal opportunity to undertake an action research project to study the dynamics of the changing nature of the methods and approach to governance being adopted and applied at first hand.

I failed to appreciate, however, the tensions and challenges that being responsible for developing and operating within a system of governance whilst simultaneously evaluating and questioning its legitimacy would create. Rosaldo (1989) noted that a participant researcher is required “to dance on the edge of a paradox” by simultaneously being “one of the people” and yet also retaining the rigour of an “academic”. This was a balancing act that I ultimately failed to pull off. The process made me question what I really felt and believed and recognise that this was at odds with the mode of operation and definition of success that I had helped create at Anchor Trust. I therefore abandoned my research, left my position at Anchor Trust and wrote an article about my experiences (Moore, 2007).

2013 was the tenth anniversary of the introduction of the power to pay housing association board members. This prompted me to think it would be worthwhile returning to what still felt like unfinished business in the field of housing association governance research.

I gave up my position as Chief Executive of Hanover Housing Association in order to embark on a full-time PhD programme at Birmingham University, however, as I commenced my studies I was asked to take on an interim role as Chief Executive of a major housing association (Housing 21, now renamed Housing & Care 21). I agreed to do this and, even though the role was subsequently made permanent, I have been able to balance this with the commitments of a PhD programme.

Remaining active as a chief executive of a major housing association, as well as serving as a voluntary board member of another smaller housing association (CDS, the Cooperative Development Society Housing Association), also proved advantageous in giving me continued access to key influencers, professionals, regulators, board members and executives engaged in the housing association sector as potential participants in this research project.

Access and Ethics

A potential reason why so many studies of governance and the operation of boards are non-analytical and prescriptive is that they are based on surveys and data that is one step removed from what the participants in the actuality of the governance process see and do. The difficulties in gaining access to research the “elite” of the boards of businesses have long been understood (Zahra and Pearce, 1989; Pettigrew, 1992; Hertz and Imber, 1995). These concerns are just as real and relevant when seeking to study the governance dynamics of housing associations and non-profit organisations. Hence Cornforth concluded that there is a pressing need “for more in-depth, qualitative ... research... to examine how different actors involved in governance interpret and react to contextual factors” (Cornforth, 2012).

I was fortunate in having a number of routes open to me to get insights into the governance processes of housing associations by serving on housing association boards and from people in influential positions. I was therefore able to elicit the candid views and opinions of a panel of experts in the field of housing association governance and secure the commitment and participation of a wide range of other people in key roles to undertake a study that required a significant amount of their time and attention. If I had been a new researcher in this field without connections and contacts I am sure I could have found the recruitment of participants far more problematic.

My previous experience of the conflicts and tensions I encountered when undertaking insider action research (Moore, 2007) made me particularly wary and anxious to avoid any ethical concerns.

Even though the participants in my research were all of relatively high status, I was nevertheless conscious of not using my positional power or influence to create any compulsion to participate. I therefore made it very clear that my request for their help was entirely voluntary and required them to contact me to say if they wanted to participate. If I didn't get any acknowledgement or a response from my initial request I did send a follow up request, but I did not call or chase people any further. I have since found that some people who were approached but did not respond have said they would have been willing to participate if prompted to do so.

I also ensured that all participants were made aware of the basis for giving 'informed consent' to participate. This included agreeing for their participation in the study to be acknowledged and for their responses to be shown in the analysis of results, but I did agree that no quotes would be directly attributed to them without prior approval. It was also emphasised that any participant could withdraw consent at any stage up to the finalisation of the writing up of the research and that if this occurred then the record of their involvement and data would be removed from the study without comment or question. This, however, did not happen and all participants seemed genuinely interested in the nature of the research and untroubled by its findings.

The research received ethical approval from the University of Birmingham's Ethical Review Committee (ref: ERN_14-0666).

Seeking Insights and Plausibility Rather than Proof

When I started my research journey I was not sure of the question I was seeking to address or how I should go about starting the research process. The 10th anniversary of the introduction of payment for housing association boards had prompted my interest in testing the basis for the impression that this issue, which had once been regarded as contentious and had caused considerable angst, now seemed to be regarded as normal and natural. What has happened to the previously dissenting voices? Have they left the sector, or been convinced of the merits of board member remuneration, or accepted that resistance is futile and bowed to the inevitability of commercialisation of housing associations or are they still harbouring an opposition but not letting it show? Could the concept of “Exit, Voice and Loyalty” developed by Hirschman (1970) might provide a useful framework to analyse the impact of board payment?

I was mindful of the perceived trend towards a greater commercialisation of the voluntary and public sectors (Sandel, 2012) and speculated about whether the introduction of pay for board members of housing associations was a cause or a consequence of this.

Potential areas for study I suggested in my initial research proposal included:

- The nature of the role that the boards of housing associations perform and whether this fits with the conventional agency theory of board governance or an alternative model
- The potential symbolism of board pay and the impact this had on the hybrid position of housing associations as social purpose organisations, businesses or instruments of government policy
- The problem of establishing any causal links between payment of board members, governance practices and organisational effectiveness

The comment I received was that this “raised lots of interesting choices and options in terms of research design, questions and methods”.

I was clear that I wanted to expose, explore and seek to explain the alternative ways in which governance could be understood and made manifest. I did not want to produce a prescriptive or normative thesis that simply espoused or cast doubt on existing theories or modes of governance.

Governance is “an intensely human activity” (Chhotray and Stoker, 2009) that demands a deeper appreciation of the position and perspectives of those involved in the process. It is also likely to be shaped and influenced by the particular circumstances of the time, place and context within which each housing association operates and the basis on which the effectiveness of its governance is assessed. I wanted to look for new insights and understandings rather than trying to remove complexity and isolate extraneous variables in order to fit facts to established theories. This is what led me to conclude that I needed to adopt an abductive approach.

The process of abduction was developed and championed by Charles Peirce (1931-35; 1958) as a means of “studying the facts and devising a theory to explain them”. It is suggested that this is typical of the sort of “backwards reasoning” employed by Sherlock Holmes whose genius lay in formulating hypotheses and theories to speculate what events and circumstances might have led up to the situation in question (Fann, 1970).

Einstein recognised that the “formulation of a problem is often more essential than its solution ... [and] ... to raise new questions, new possibilities, to regard old problems from a new angle requires creative imagination” (Einstein and Infeld, 1938). The fact that a proposition is derived other than through pure logic also does not mean it is not worthy of investigation (Beveridge, 1957). It is suggested that even Isaac Newton had conceived of the need for a “5th Law” to allow for hypotheses to be generated other than by pure logic (Koyré, 1965; Stephenson, 1979).

Abduction provides an alternative to deductive and inductive research strategies. Deduction starts with a theory or rule and asks 'why' it operates by testing whether it can be proved or disproved in particular settings. As a consequence in deduction studies evidence is scrutinised according a set of *a priori* assumptions that exclude consideration of extraneous influences or circumstances (Blaikie, 2010, p85). By contrast inductive research seeks to build understanding by describing 'what' is observed. Inductive research is guided by the research evidence that is gathered in order to derive generalisations from it, but there is still an inherent danger with this that only what is looked for will be found (Glaser and Strauss, 1965) such that it may simply support or problematize the applicability of an established position or theoretical perspective (Blakie, 2010, p83). Although both deduction and induction are important modes of research, they are not "ampliative" in the sense that help to generate new insights gained by combining 'what' and 'why' research perspectives (Will, 1988; Blaikie, 2010).

Abduction is based on conjecture and does not seek to establish a definitive proof, but aims instead to produce what Weiss (1968) described as a "plausible framework" for understanding that is considered to be credible as a possible explanation and so worthy of further exploration. Harman (1965) therefore referred to abduction as being a process of "inference to the best explanation".

Peirce conceptualised abduction as involving a combination of logical inference with creative insight in order to create hypotheses. There are thus two aspects to the abductive process. The first step is to capture the accounts that people give of their views and experiences in order to reveal the concepts, assumptions and judgements that are often taken for granted so not normally seen. The second uses these accounts as the clues and inspiration to help propose new possibilities and novel generalisations (Blaikie, 2010; Tavory and Timmermans, 2014).

Thus the aim of this thesis is not to provide a conclusive proof but to explore and expose the competing perspectives on the governance role of boards of English housing associations and attitudes to board payment in order to seek to suggest new insights and improved understanding.

The Basis for Suspicion - Motive, Means and Opportunity

Advice given on the approach to writing a report of a research study is that it should be structured like a detective story that sets out the circumstances and seriousness of the crime then looks for the evidence to undertake the investigation (Frank, 2004). The conventional wisdom (at least in Agatha Christie novels) is that the police or detectives are then supposed to assume that everyone is a potential suspect and search for the culprit by asking if they had the motive, means and opportunity to do it. In setting the scene for my investigation the next three chapters of the thesis consider the literature and evidence associated with these three factors.

Chapter 2 assesses the ‘opportunities’ that have shaped the development and positioning of housing associations. Housing associations evolved from humble beginnings to become, in some cases, major enterprises by being in the right place at the right time and responding to the opportunities presented by policy and politics. This chapter also considers the circumstances that led to the opportunity for housing associations to pay their board members and how they have responded. It suggests that because of the hybridity of housing associations the opportunities they face are seldom clear cut such that their future trajectories are likely to depend upon how housing associations respond and the choices made by their board members.

Chapter 3 addresses the ‘means’ by which housing associations are governed in terms of the theories and mechanisms through which governance is exercised. It considers what governance means and the competing theories about how it should be exercised and for whose

benefit. Governance is ultimately about direction, accountability and control. The means by which this can be achieved in a commercial company may not however automatically translate to not-for-profit housing associations which do not distribute profits so lack economic owners to hold them to account. Questions are also raised about whether boards of housing associations do in reality have the power and means to exercise control.

The means and mechanisms by which governance is expected to be exercised are increasingly being prescribed by regulatory codes and standards. The chapter concludes by asking whether a prescriptive approach and pressures to conform to a standard model of governance are necessarily appropriate or if a more pluralistic approach might be required.

Chapter 4 considers the ‘motives’ that arise through the impact of incentives and commercial influences. It asks if money always acts as a positive motivator or whether it might actually damage intrinsic motivation such that the introduction of payment for housing association board members could potentially have unintended consequences. The chapter questions the basis for the apparent assumption that motivation is necessarily driven and dominated by an economic rationale and the trend towards commercialisation. It also contrasts the pressure for consensus and conformity of thought with the inherent subjectivity and diversity of people and organisations and potential for multiple influences on choices and decisions.

Choosing and Using Q Methodology

My methodology and approach needs to be consistent with my intention to adopt an abductive research strategy. It also needs to take account of the diverse, dynamic and hybrid nature of housing associations, the competing theories and conceptions of corporate governance and alternative perspectives on the importance and impact of incentives. I was also mindful of Cornforth’s (2014) call for researchers to seek innovative approaches and different theoretical

perspectives that look beyond the traditional theories and normative conceptions of how not for profit organisations should be governed.

I had initially envisaged that the best way to combine these many facets and dimensions into my research intent would be to adopt a mixed methods approach. This would have involved analysing data from housing association published accounts, data from previous surveys, questionnaires and focus groups as well as conducting interviews and making observations. There is a growing recognition of the contribution that can come from mixed methods research, but concerns remain about the inherent incompatibility and incoherence that can arise from the mixing of different paradigms of research (Tashakkori and Teddlie, 2009; Ridenour and Newman, 2008; Greene, 2007). Mixing methods is seen as a pragmatic approach that can provide the basis for the triangulation of results even though the different theoretical and epistemological perspectives involved may prove difficult to reconcile. Denzin (1978, p302) considered “that the flaws in one method are often the strengths of another: and by combining methods, observers can achieve the best of each while overcoming their unique deficiencies”. Different methods, however, not only produce different results, they also generate different understandings (Mathison, 1988), such that the results of triangulation could be just as likely to compound the weaknesses in each method (Knafl et al, 1988; Morse, 1991). Whereas the common assumption is that triangulation should be used to integrate data in order to converge on a common solution, Jick (1979, p607) recognised there was also the potential to explore the discrepancies that occur between the findings from different methods in order to provide an “opportunity to enrich the explanation”. This though puts a heavy onus on the researcher to demonstrate they can overcome their own bias and not succumb to the dominance of an established discourse.

I sought to avoid the limitations and epistemological concerns associated with traditional mixed methods research by instead using the resource of the data and perspectives I had collected, not as the outputs for my research but, as inputs from which to develop a study using Q methodology (Ramlo and Newman, 2011).

Q methodology has the potential to create surprises and expose idiosyncrasies and unexpected relationships. Because the patterns of association created by participants do not need to conform to any existing theories or prior expectations, Q methodology can allow for potentially trillions of trillions of different representations of views to be expressed. Q methodology does not therefore limit the complexity and multi-faceted nature of the perspectives that can be expressed.

Although it is over 80 years since the basis for Q methodology was proposed (Stephenson, 1935) and it has been described as being “the best developed approach to the study of human subjectivity” (Dryzek, 1996, p124), Q methodology still remains a relatively niche approach that is not considered in many of the general guides to research methods. This might be because it isn’t a “quick and easy trick; it demands a lot of the researcher in the design, analysis and interpretation” (van Exel and de Graaf, 2005).

Q methodology, however, is more than a technique or process for sorting statements and presupposes a commitment to a particular mode and basis of enquiry. It had a troubled inception with a protracted dispute to establish its key point of differentiation from an inverted R factor analysis (Burt and Stephenson, 1939), namely the ability to study intra-individual rather than inter-individual difference (McKeown and Thomas, 2013). The extent of the protection that still applies to prevent Q methodology being used as a flawed tool to find an objective reality means that it has struggled to shake off the impression of being a technique confined to a “cult” of devotees (Crumley, 1990).

Stephenson's (1953) treatise on Q methodology ('The Study of Behaviour') has been described as being "astonishing and frequently bewildering" with a warning that a reader will be "disappointed if they expect to find any concrete specifications for executing studies using the Q sort, the modus operandi of Q methodology" (Brown, 1980, p181). Brown's (1980) book 'Political Subjectivity: Applications of Q Methodology in Political Science' sought to address this and provide a comprehensive guide to the "mechanics of Q technique that is sufficiently detailed to fulfil the role of manual or cookbook" (p181). Although Watts and Stenner (2012) have now provided a clear guide to the theory, method and interpretation of Q methodology, I considered it was still appropriate to provide a reader of this thesis with a preliminary overview of what Q methodology is and involves. **Appendix 2** therefore provides an introduction to the key stages and characteristics of a typical Q methodological study and defines some of the particular terms and concepts that Q methodology refers to. The details of how these steps and the concepts of Q methodology were applied to my research study are set out in **Chapter 5**.

Three In One – Sector, Organisational and Personal Insights

There is still some dispute within the community of Q methodologists (i.e. the International Society for the Scientific Study of Subjectivity and through the Journal 'Operant Subjectivity') about the mode and form of inquiry for which Q methodology is most suited. Initially Q methodology was used in the fields of psychology and psychiatry as a tool of self-reference with single subjects under different conditions of instruction. In the late 1980s and early 1990s Q methodology was also taken up as a method for studying viewpoints within a population from a social constructionist perspective (e.g. Kitzinger, 1987; Stainton Rogers, 1991, Curt, 1994).

I do not consider that it is necessary to restrict Q methodology to be used only in one form of investigation and I have sought to use the same Q study in three ways in this thesis to generate different insights and results.

Chapter 6 shows the results from a study with multiple participants selected to provide a spectrum of views and perspectives from across the housing association sector. This identifies a number of factors representing clusters of opinion and reveals the areas and issues on which there is commonality and where there is potential tension and dispute between each of the sets of factors. This provides a snap shot of the different positions and understandings that people may hold about housing association governance and board member payment in order to help determine the fields of contention and consensus between the competing perspectives.

Chapter 7, rather than considering the position and range of views from a diverse selection of participants from different positions across the housing association sector, adopts a case based approach to consider the specific perspectives amongst the board members and executives of two different housing associations. The cases are of Housing & Care 21 and CDS (the Cooperative Development Society Housing Association). This shows that each board has its own distinctive character and norms and provides an indication of the extent to which there are different factions and views within a board and the issues on which there are differences of opinion. Whilst some degree of tension, conflict and challenge may be positive and productive in preventing 'Group Think' (Janis, 1972; 1982) if not controlled this could also potentially be destructive and cause a board to become dysfunctional.

Chapter 8 examines my personal perspective and how this changed over the course of undertaking the research as well as when undertaking the study under different modes of instruction to reflect the particular views I present when acting as Chief Executive of Housing & Care 21 and as a Board member of CDS Housing Association. This shows the extent to which positions and opinions can change over time and according to context and conditions under which an assessment is undertaken.

Intent and Contribution

The aim of this thesis is to better understand what may or may not be considered to be good governance in the context of housing associations in England, expose competing perspectives on the role of their boards and discover the range of attitudes and reasons for supporting or opposing payment of housing association board members.

Details of my conclusions and the contribution of this research are detailed in **Chapter 9**.

This thesis therefore presents a ‘snap shot’ of many views and perspectives and through systematic study (using Q methodology) picks out details from these views to show how things can appear different when looked at from different positions. Whilst the aim of the thesis is not to say whether any position or perspective is right or wrong (as my constructionist stance is that all realities are equally valid) it will nevertheless try to draw conclusions.

- It will suggest that different logics, forces and influences that apply to housing associations from the voluntary, public and commercial sectors can pull them into different positions and so generate the competing perspectives about the governance role of boards and attitudes to payment.
- It will indicate the complexity of understandings established by different people in different organisations within different contexts.
- It will indicate that there is a need to be aware of the perils of trying to converge and combine competing perspectives and attitudes into a single narrative or integrated theory. This would indicate that it may be better to separate out different categories of governance outlook in order to recognise and address the issues over which opinions diverge rather than focusing on establishing a consensus.

Along the way to these conclusions, and as well as adding to the volume of debate and the extent of examination being given to how housing associations are governed, the thesis also provides:

- A review of the debates and events that led to the introduction of payment for board members of housing associations
- Analysis of data to demonstrate the incidence of board payment amongst larger housing associations
- A demonstration of the applicability of Q methodology as a means of investigating governance and the potential for Q methodology to be used as a tool to provide insights on a sector, case and personal basis.

Although the thesis does not provide a clear, simple or conclusive answer to definitively determine what should or should not be considered to be good governance in the context of housing associations in England, it does provide insights to suggest the means by which the complexities of board governance and attitudes to board member payment can be better understood and assessed.

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Chapter 2

THE POSITIONING AND RE-POSITIONING OF HOUSING ASSOCIATIONS

In order to understand and set the context for the study, this chapter starts by mapping out the chronology of events and influences that have changed the position and status of housing associations as they have evolved from humble beginnings to become, in some cases, major enterprises. This is done in order to demonstrate the extent to which the development and positioning of housing associations has been shaped by the changing circumstances and 'opportunities' that they have encountered.

Alongside this historical context, I consider how the case for and against the introduction of payment for housing association board members was developed and assess the extent of the impact this has had since it was introduced in 2003. This illustrates how the debates and decisions about payment of housing association board members are in many ways symptomatic of the shifting position and perceptions of housing associations.

The hybrid nature of housing associations is also recognised as being due to the competing influences they are subjected to from the public, private and voluntary spheres. It is suggested, however, that the future trajectory of housing associations may ultimately not be determined by changes in the policy, structural or political context but by how these shifts are interpreted and applied by the board members of housing associations and others who influence how they operate.

Origins and Evolution of Housing Associations

There are already a number of excellent accounts of the history, politics and policy associated with the development of housing associations that have tracked their transition and transformation over time (e.g. Best, 1996; Malpass, 2000; Murie, 2008; McDermont, 2010; Mullins, 2010). My intent in the first part of this chapter is to try to pick out and identify some of the critical incidents and circumstances that may have influenced the position and character of housing associations. I also consider how these relate to the introduction and impact of payment for boards of housing associations, with a number of text boxes that sit alongside the narrative of change to show how the issue of payment is in many ways symptomatic of the shifts in the significance and status of housing associations.

I have identified eight phases in the evolution of housing associations to date:

- In the Beginning: Pre 1974
- Generous Risk Free Funding: 1974 – 1979
- An Ideological Imperative: 1979 – 1988
- A New Era and New Relationships: 1988 – 1997
- New Public Management (NPM), Professionalisation and Pay: 1997 – 2003
- The Thin End of the Wedge: 2003 – 2008
- A Brave New World: 2008 – 2015
- More to Come: Post 2015

(i) In the Beginning: Pre 1974

Housing associations can trace their genealogy back to the alms houses of the 12th century (Malpass, 2000), and were reinvented by Victorian philanthropists in the late 19th century. But some of the great benefactors were also quasi-investors who sought to make a return of up to 5% from their charitable endowment funds (e.g. Peabody 3% and Guinness 3.5%) (Malpass,

1998; Murie, 2008, p47). This demonstrates that a commercial approach was being adopted from the outset by some housing societies that may have been as concerned with fulfilling the terms of their founding trust as the welfare of the tenants and communities they were formed to help. By focusing on the poorest households and pursuing an aim of moral improvement, Octavia Hill was in fact somewhat of an exception as a philanthropist (Flint, 2006). But, as there was no welfare state to fall back on, the housing provided by many of the trusts was not necessarily affordable for people who did not have a decent job (Mullins, 2000).

In the early part of the 20th century a number of societies were formed to help tackle slum living and improve standards of inner city housing. These included the William Sutton Trust (now part of Affinity Sutton) (Garside, 2000) and COPEC (Christian Conference on Politics, Economics and Citizenship now part of Midland Heart) (Gulliver, 2000). However, the harsh economic environment in the period after the First World War made it very difficult for housing societies to expand.

Although the Housing Act 1935 provided for the establishment of a National Federation of Housing Societies to promote, provide advice and assist housing societies, the same Act also effectively subordinated housing associations to local authority control in terms of access to grants and support for development (Murie, 2008, p53). As a consequence, because independence and freedom from government control were seen as being key virtues by voluntary housing organisations, their impact and development in the first part of the 20th century remained rather limited (Cope, 1999).

It was also local authorities who led in the explosion of house building in the aftermath of the Second World War, with housing societies remaining at the margins adding diversity rather than as mainstream providers (Murie, 2008, p54). But at the same time there was a decline in private renting which left a gap to be filled that was exploited by some unscrupulous landlords (of which Peter Rachman was probably the most notorious) (Green, 1979). In the late 1950s the government realised it was possibly missing out on an opportunity by not tapping into the

potential of housing societies so the 1957 Housing Act gave local authorities new powers to 'promote', 'extend' or 'assist' housing associations.

Following a modest pilot programme in 1961 to encourage housing associations to build unsubsidised housing, the Housing Act 1964 established the Housing Corporation in order to provide loan funding to housing societies to support cost-rent and co-ownership housing. But when the Bill was receiving its second reading in Parliament Michael Stewart MP for Fulham questioned whether anything would come of this as, at that time housing societies were in his view "producing a dribble of high cost ... middle class houses" that constituted "not so much a third arm as an eleventh finger" of housing provision (Hansard, 1963).

A number of major associations can, however, trace their origins back to these cost rent and co-ownership initiatives including Places for People, Orbit, Knightstone and Sanctuary (Jones, 1985). A proliferation of new housing associations were also formed by Church of England groups as well as a series of Catholic 'Family' housing associations. Greater emphasis was also placed on housing for older people which resulted in the formation of a number of housing associations focused on addressing their needs, including Hanover Housing Association (formed by National Corporation for the Care of Old People in 1963), Housing & Care 21 (formed by Royal British Legion in 1964) and Anchor Trust (formed by Help the Aged in 1968).

The screening of the BBC drama 'Cathy Come Home' (Loach, 1966) drew attention to the problems of homelessness and provided an immediate boost to the charity Shelter (launched just days afterwards), which sought to campaign to raise awareness of housing issues and provided funding to support the work of housing associations (Seyd, 1975).

The Cohen Committee, set up in 1968 to consider the emerging role of housing associations and societies, reported to the Central Housing Advisory Committee in 1971. This concluded that the Housing Corporation was best placed to continue to support development by housing associations, but expressed concerns about the growing proliferation of small and

inexperienced associations. The view of the Cohen Committee was that “there are too many associations” (Cohen, 1971, p75) and that mergers should be encouraged as it was important for them to be big enough to employ professional staff.

(ii) Generous Risk Free Funding: 1974 – 1979

The Housing Act 1974 is widely acknowledged as a watershed in the development of the housing association movement (Gulliver, 2000). Although the proposals to enhance the role of the Housing Corporation in order to fund the development of social housing by housing associations had been worked up by the 1970-1974 Conservative government, the legislation was in fact adopted and passed by the incoming 1974 Labour government virtually without amendment (Malpass, 2000). There was thus cross-party support and consensus for development of housing associations as a ‘third arm’ of housing provision to supplement the role of local authorities and fill the gap left by the decline in the private renting (Emsley, 1986). As Kendall (2003, p139) observed, housing associations were in the right place at the right time.

In order to be eligible for public subsidies and support housing associations had to be registered with the Housing Corporation so the “price paid for generous and risk free funding was a reduction in independence” Mullins (2010, p9). There was nevertheless a rush of housing associations seeking registration. Within the first year of operation (i.e. by March 1976) 1,561 housing associations had been registered out of 2,796 applications, with only 71 actually rejected for failing to meet the required criteria, other applications either having been withdrawn or failed to supply the required information (Murie, 2008 p106). Despite the comments of the Cohen Committee (Cohen, 1971) about there being too many housing associations, the registration process acted as only a ‘coarse sieve’ and was not used as a mechanism to consolidate the numbers of associations. This was perhaps because the (now renamed) National Federation of Housing Associations had insisted on all its members being

eligible for registration (Emsley, 1986, p251-252). The result was that “only the ‘obvious crooks’ had been caught by the registration net and many ‘rogues’ had slipped through” (Noble, 1979, p122). There was, however, an expectation that boards of housing associations should be seen to be beyond reproach and attempts were made to end the practice of housing association board members ‘fee grabbing’ by benefiting from work they or their firms undertook for associations (Malpass, 2000, p166; Murie, 2008, p109).

The process of registration created an on-going concern for the probity and accountability of associations. A priority of the Housing Corporation was to strengthen and improve the quality of housing association management and to “build up a pool of people with enthusiasm and management skills who were willing to make themselves available to serve on management committees” (Murie, 2008, p115). The National Federation of Housing Associations also sought to shed the image of management committees as being “voluntary and amateurish” (National Federation of Housing Associations, 1977).

Many of the newly registered associations lacked development capacity and expertise. This meant that the Housing Corporation “was disproportionately funding the ‘professionally based’ associations” (Emsley, 1986, p242), as they were best equipped to spend the money, which in turn meant that associations such as North British (now Places for People), WPHT (now Sanctuary), Guinness and Anchor were able to grow more rapidly than others.

However, as housing associations grew they became more and more dependent on public funding resulting in the *de facto* incorporation of housing associations by the state (Mullins and Riseborough, 2000).

(iii) An Ideological Imperative: 1979 – 1988

The election of the Conservative government led by Margaret Thatcher in 1979 marked the start of a new political era. Although this thesis is not the place to attempt an analysis of the political significance of Thatcherism, its ideology did have particular implications for the housing association sector (Malpass, 1993).

As well as being committed to tighter control of public spending, the Thatcher government had a deep set and visceral hostility towards local government (Malpass, 2000, p171). After an initial moratorium, investment funding for housing associations was restored and thereafter increased year on year whilst resources allocated for local authority housing was reduced. The demand from housing associations for funding, however, continued to outstrip the amount that was available (Murie, 2008, pp144-150).

The Conservative government was also committed to a programme of privatisation. For housing this was manifested in the 'Right to Buy' programme which enabled council tenants to purchase their existing property at a substantially discounted price. This had the effect of increasing home ownership from 56% in 1979 to 65% in 1988 and reducing the numbers of local authority tenancies which fell from 29% of all dwellings in 1979 to 22% in 1988 (DCLG, 2015).

It had been contemplated at the time that similar provisions would also be applied to housing associations but the National Federation of Housing Associations, with the help of the House of Lords, managed to exempt charitable housing associations from its provisions (Best, 1996; Malpass, 2000). Langstaff (1992) suggests that, in contrast to local authorities, housing associations in fact enjoyed a period of "benign neglect" in the early part of the Thatcher era, despite indications that housing associations were not in practice any more efficient and in many cases were managing at a higher cost than local authorities (MacLennan et al, 1989; Murie, 2008, p175).

(iv) A New Era and New Relationships: 1988 – 1997

The 1988 Housing Act marked a major turning point that positioned housing associations at the “centre stage” of housing policy (Langstaff, 1992) and made clear the intention that they should supplant rather than supplement the provision of social housing by local authorities (Spencer et al, 1995).

The response to the challenge of demand for development subsidies from housing associations running ahead of the availability of public funds was to require them to look to the market for private finance. The Housing Act 1988 exposed housing associations to a mixed-funding market where the shortfall in government funding was obtained by borrowing from private lenders (i.e. banks and building societies).

Housing associations utilised the equity established in properties built with public funding to act as security to raise private finance to help support future growth. This exacerbated the divide between large and small housing associations as it effectively meant that only the housing associations that had already built up a strong asset base during the boom times or were otherwise well resourced were in a position to continue to expand and grow. But in order to support the new funding model it was also necessary for new housing association tenancies to be exempted from the system of fair rents, which resulted in a tripling of housing association rents (Randolph, 1993) and an increase in the funding required for rent allowances (covering private and housing association tenancies) from under £1.4 billion in 1989/90 to over £5.4 billion in 1995/96 (Wilcox, 1997, p187).

The changes brought about by the Housing Act 1988 have been characterised as the “re-privatisation of housing associations” (Randolph, 1993) but this is misleading as the 1988 Act did not really result in any significant change in relationship between housing associations and government or create a competitive market (as tenants were not in a position to choose between one housing association and another). The 1988 Act was criticised for: prompting

increases in rents that made properties less affordable; a move away from urban regeneration to focus on easier to develop sites; and a reduction in building sizes and standards (Randolph, 1993; Best, 1996). It did, however, have the desired effect of prompting a surge of new housing association development with output of new housing association dwellings increasing from 12,781 in 1988 to 38,441 in 1995 (Wilcox, 1997, p91).

The other very significant change brought about by the Housing Act 1988 was the process of “demunicipalisation” (Murie, 2008) through the transfer of existing local authority housing stock to housing associations. The 1987 Conservative Party manifesto had promised “we will give each council house tenant individually the right to transfer the ownership of his or her house to a housing association” (Conservative Party, 1987, p14). The Housing Act 1988 provided this Tenants’ Choice, but also gave the power for local authorities themselves to initiate the Large Scale Voluntary Transfer (LSVT) of their housing to existing or newly formed housing associations. The Tenants’ Choice power to opt to transfer to a new landlord was less than successful with fewer than 1,000 transferring before this was abandoned in 1995 (Malpass, 2000, p192). The landlord initiated LSVT (Large Scale Voluntary Transfer) option, however, was far more popular with 36 councils transferring the whole of their stock to new housing association landlords by 1994 (Pawson and Mullins, 2010) and creating a significant boost to the size of the housing association sector. This has been characterised as a “100% debt financed management buy-out” (Whitehead, 1999) or “privatisation” (Kleinman, 1993). Doubts have been expressed about whether the shift from council control to housing association was really as transformational as claimed and concerns were raised about the “accountability deficit” this created (Davis and Spencer, 1995; Pawson and Mullins, 2010). It is suggested the move was “more concerned with extending choices available to the funders of social housing than to the users” (Mullins, 1998, p248).

With the availability of public funding the size of the housing association sector as a proportion of the total provision of social housing had increased from under 5% in 1974 to 11% in 1988, but

with the access to private finance and the transfer of local authority stock to the housing association sector this had increased to 22% by 1997 (Mullins, 2010; DCLG, 2015).

The moving of housing associations to the centre stage invited considerably more attention and scrutiny (Billis et al, 1994) and was also seen as changing the very nature and characteristics of the housing association sector (Langstaff, 1992).

The relationship between the government, the Housing Corporation and housing associations was seen by some as being “too cosy” (Murie, 2008, p201) and as having “eroded the autonomous, self-governing nature of housing associations – turning them into hired agents of central government” (Langstaff, 1992, p43). There was also perceived to be a growing concentration on larger associations to the detriment of diversity and accountability of the rest of the sector evidenced by the fact that in 1990 more than 50% of all housing association properties were owned by just 41 associations (Langstaff, 1992).

The publication of the Cadbury Report on the Financial Aspects of Corporate Governance (Cadbury Report, 1992) making recommendations for better governance of listed companies prompted questions to also be asked about the effectiveness of the governance of housing associations. The National Federation of Housing Associations (NFHA) concluded it needed to commission an independent inquiry of its own in order to head off potential antagonism (Murie, 2008). It was suggested that the governance of housing associations represented the worst possible combination, being neither properly accountable nor fully exposed to market forces (Coleman, 1991). It was evident that the new regime “put a premium on both competence and accountability” (Malpass, 2000, p255) and there was a desire from lenders to see a business approach being adopted throughout the boards of associations and not just with one or two individuals (Pryke and Whitehead, 1993). As a result of these pressures “the NFHA had concluded that if the governance of housing associations was going to be overhauled then it would be better if this was preceded by a much wider debate with more considered proposals” (Ashby, 1997, p69).

Competence and Accountability – The Board Pay Debate Begins

The Inquiry into Housing Association Governance (National Federation of Housing Associations, 1995) was established in June 1994 with the funding from the Joseph Rowntree Foundation. The appointment of Sir David Hancock, a director of Hambros Bank and former permanent secretary at Department of Education and Science, as Chair of the Inquiry was intended to signal its independence, credibility and recognition of the importance of the importance of private finance to the housing association sector (Ashby, 1997; McDermont, 2010).

The Inquiry issued a general invitation for any relevant organisation or individual to submit evidence and commissioned 21 briefing papers. In total 203 evidence submissions were received and 23 individuals or organisations gave oral evidence and were questioned by the members of the Inquiry Panel.

The scope of the Inquiry, as determined by a two-day seminar, focused on three areas: frameworks and structures of governance; roles and responsibilities; and accountability. The terms of reference included scope to consider the “prohibitions on dualities of interest and compensation of committee members”, “retaining the voluntary and non-profit ethos” and “the ways in which ... committee members are recruited and trained”. The National Federation of housing Associations thus effectively put the issue of board pay on the table. However, it may not have been anticipated the extent to which the issue of board pay was seized upon and emerged as a key issue in the evidence submitted (National Federation of Housing Associations, 1995b) and would become a topic of heated debate among members of the Inquiry (Ashby, 1997 p74-5).

From amongst the substantial body of evidence submitted the Inquiry identified three submissions as worthy of special mention. These were the evidence of:

- The National Voluntary Committee Members’ Forum assisted by University of Glasgow and HACAS (Kearns, 1994b; HACAS; 1994)
- A consortium of 14 large associations assisted by University of Bath (Klein and Day, 1994; Charkham, 1994)
- NFHA Lawyers Group (NFHA Lawyers Group, 1994)

Kearns (1994a) had previously produced a paper considering the governance of social housing that picked up on “concerns about both performance and levels of responsibility [that] have led for calls for more professionals on housing association management committees”. He noted the “predisposition ... for a move towards the corporate model of governance” and that “the main concern of reformers seems to be to convince the private financial sector that associations are efficiently and competently managed” even though this “ignores the significant difference between profit and non-profit organisations” (Kearns, 1994a, p19). With regard to payment Kearns had suggested “the decision to pay committee members a stipend for their services is not one to be taken lightly” and questioned whether people “with a pecuniary frame of mind who wouldn’t come forward otherwise [are] the sorts of people one would want on a voluntary sector board”. Kearns had previously found that only 28% of committee members canvassed were in favour of payment (Kearns, 1990).

The National Voluntary Committee Members’ Forum commissioned the consultants HACAS to produce a discussion paper on Issues and Options for Housing Association Governance (HACAS, 1994) which was then used as the basis for a survey of a sample of associations (Kearns, 1994b). With regard to board payment, the only advantage or justification for payment which received majority support (56%) was that payment could be used to compensate for loss of earnings thus effectively putting housing association governance activities on a par with other forms of recognised public service. 33% considered payment would attract more professionals and people with a business background and 28% agreed that board pay would result in greater commitment. The potential problems or drawbacks of board payment were considered to be: loss of voluntary ethic (80%); would attract the wrong type of person (58%); cost and use of funds that could otherwise be put to better use (49%); and potential blurring of staff/committee distinction (37%). Overall 58% of respondents felt there were more disadvantages than advantages of payment, 34% felt there were more advantages and 8% felt the arguments were evenly balanced (p32).

Fourteen of the largest housing associations (accounting for more than 20% of the housing association stock) commissioned research from Bath University to consider the state of governance in housing associations and appointed a panel of experts in governance theory and practice to oversee the study and make recommendations. The study advised “caution” with regard to the introduction of payment of board members both questioning the necessity for payment in order to attract sufficiently qualified people and suggesting “there may be an

inverse relationship between paying salaries and attracting those people who have most to offer the housing association movement” (Klein and Day, 1994). The advisory panel concluded that board payment “might indeed assist in recruitment, but that the price in terms of public perception is too high” and it recommended that “board members should not be paid salaries or fees” (Charkham, 1994).

The NFHA Lawyers’ Group submitted evidence that highlighted the potential legal obstacles and consequences of introducing payment for board/committee members, including the prospect of increasing likelihood of higher standards of duty being applied if they were being paid (NFHA Lawyers Group, 1994).

The conclusions of the NFHA Inquiry have been described as being “rather bland” and “vapid” (Malpass, 2000. p258) and its “recommendations were by no means radical” (McDermont, 2010). The Inquiry found that “the most persuasive argument in favour of payment ... is that it would make it easier to establish a formal contractual relationship between the association and its board members”. It also considered that “people who can only be attracted by payment may not be best placed to balance social with financial objectives” and there was “little evidence that associations have not been able to attract competent board members”. Ultimately the Inquiry concluded that the case for payment was “not proven” but left the door open for the Housing Corporation to make a determination to permit payment if the Inquiry’s other recommendations did not have the desired effect of improving governance (National Federation of Housing Associations, 1995a, p40).

Although the Hancock Inquiry provided a useful forum for reviewing the then current and future governance of housing associations, it was not decisive (Malpass, 2000). It can be seen as having initiated the debate about board member payment rather than bringing it to an end. Concerns continued to persist and it was suggested that the “window of opportunity” for housing associations to influence their future governance and accountability might not remain “open for too long” (Davis and Spencer, 1995).

The Committee on Standards in Public Life (Nolan Committee) was established in 1994 to report and make recommendations to maintain standards and confidence in the probity of public bodies. After first considering the affairs of Parliament, Ministers, Civil Servants and Executive Non-Departmental Public Bodies (quangos) (Committee on Standards in Public Life, 1995), the Committee turned its attention to 'Local Public Spending Bodies' for its second report (Committee on Standards in Public Life, 1996). Housing associations were included within the scope of this review as "not for profit bodies which are neither fully elected nor appointed by Ministers, but which provide public services ... which are largely or wholly publicly funded" (Committee on Standards in Public Life, 1996, p9). The Committee received oral evidence from the many of the same people who had given evidence to the Hancock Inquiry including Sir David Hancock, representatives from the National Federation of Housing Associations, the Housing Corporation, the Chartered Institute of Housing, the Joseph Rowntree Foundation, Professor Klein from University of Bath and representatives from 3 housing associations.

Despite expressing satisfaction that most housing associations were well run, the Nolan Committee was concerned that the "boards of housing associations are largely self-appointed" and as a result their "accountability can be rather narrow and limited" (1996, pp81-83). It was recommended that "housing associations should be encouraged to develop membership schemes as a means of increasing accountability" (1996, p84). On the issue of board pay the Committee on Standards in Public Life was very clear in its view that "board members should continue to be unpaid, that the principle of voluntary service by board members should remain firmly in place, and that no discretion should be given to individual organisations in this matter" (1996, p86).

It might have been expected that this clear stance by the Nolan Committee would have ended the debate about board payment. However, in a follow up report by the Committee on Standards in Public Life (1997), despite endorsing the principle of voluntary service, it still reported the view expressed by the, now renamed, National Housing Federation (NHF) that "the

debate continues". It is unclear the extent to which this was a genuine concern or whether the NHF was itself making this into an issue. The views expressed by the Independent Housing Ombudsman, however, were very clearly in favour of payment, stating that "board membership relies too much on goodwill and public spirit" and as a result "there is a risk of perpetuating paternalism instead of promoting professionalism" (Committee on Standards in Public Life, 1997, p35).

(v) New Public Management, Professionalisation and Pay: 1997 – 2003

Tony Blair's New Labour election victory in 1997 followed four successive terms of Conservative government that had given housing associations a central role in the provision of social housing. Yet, despite the rhetoric of change and transformation and the declaration that New Labour was a "Modernising Project" (Newman, 2001), there were no immediate changes in housing policy with no major announcements or Green Papers on housing policy from May 1997 until June 1999 (Murie, 2008). Tony Blair had, however, made it clear that there would be no return to the model of local authorities as comprehensive service providers and the future lay in stronger and more effective relationships with non-municipal providers (i.e. housing associations) (Blair, 1998).

New Labour's 'Third Way' approach (Giddens, 1998) was heavily influenced by the principles of New Public Management (NPM) (Hood, 1991) and the 'Reinventing Government' ideas advocated by Osborne and Gaebler (1992). This sought to change the role played by government and make it more entrepreneurial by adopting principles and practices from the private sector and applying them in the public realm. This included separating purchasing from providing and the creation of quasi markets via targets and performance measures.

New Labour committed to continuing (even accelerating) the programme of stock transfers and was keen to adopt the revisions to the stock transfer model introduced by the Housing Act 1996 that allowed for transfers to non-charitable housing companies with representation of local councillors and tenants on their boards. Although transfer of local authority stock was not compulsory it was heavily incentivised by denying local authorities the investment needed to modernise their properties whilst setting a Decent Homes Standard in 2000 that all social housing would be required to meet by 2010 (ODPM, 2002).

Attempts were made to overcome the loss of electoral accountability when services were devolved from local authorities through the development of a 'stakeholder' concept (Hutton, 1995; Hutton, 1997; Brown, 1999) portrayed as a "complex web of accountabilities and relationships" (Ashby et al, 1997). This also resulted in the Housing Corporation adopting an ever more prescriptive approach to setting performance standards and expectations (Malpass, 2000, p248) as well as encouraging boards of housing associations to prepare themselves for the challenges that would lie ahead (Gillanders, et al, 2000; Tierney and O'Neill, 2001).

This new approach was implemented via the new chair of the Housing Corporation, Baroness Brenda Dean of Thornton-le-Fylde, a former trade union leader who brought a great deal of energy, tenacity and her own personal style to the role. Her approach was more one of "tough love" than of "nurturing", declaring that the role of the Housing Corporation was to be the regulator of housing associations not a "friend or representative" (Murie, 2008).

An early aspect of the "Brenda Agenda"³ was "to reverse tendencies to discourage getting close to local authorities or working with tenants' associations" (Murie, 2008, p212), but it wasn't long before attention also shifted to how housing associations were being governed and the perceived need for this to be professionalised.

³ The term "Brenda Agenda" was adopted by the Housing Corporation itself to reference the governance agenda being pursued by its Chairman [sic] Baroness Dean (Housing Corporation, 2002a)

Just when it might have been considered that the skirmishes over the issue of housing association board pay had been settled following the National Federation of Housing Associations' Hancock Inquiry (1995a) and the reports of the Nolan Committee on Standards in Public Life (1996; 1997), the push for payment was started up again by the Housing Corporation.

Modernising Governance – The Push for Payment

The declaration of the Housing Corporation's intent to professionalise housing associations came with the publication of 'Modernising Governance: starting the debate' (Housing Corporation, 2000). This was a scene-setting document, based on interviews with 40 chairs of housing associations. Its starting assumption was that for housing associations to be effective they needed to have boards made up of "suitable people with the right skills and experience" and critical to this was ensuring that they were "recognising and rewarding board members appropriately".

The Housing Corporation perhaps realised it couldn't rely on just a limited set of views and therefore commissioned a wider survey of chairs and chief executives from a representative sample of 193 housing associations. The report of the survey, 'Modernising Governance: reporting the debate' (Compass Partnership, 2001a), recognised the complexity and tensions of balancing a voluntary sector ethos, commercial imperatives and public service regulations and policies. The questionnaire, however, had only focused on the recruitment, reward, recognition and management of board members.

The results did not deliver the Housing Corporation a killer blow in favour of board payment that they may have been hoping for, with only 6% of respondents indicating payment was the issue that they considered needed to be addressed to tackle the governance challenges they faced (Compass Partnership, 2001a, p21).

Maybe to deflect attention away from the unpalatable results of the Compass Partnership survey, the Housing Corporation published a Discussion Paper 'Modernising Governance: an enabling approach' (Housing Corporation, 2001) on the same date. This recognised that "the governance of housing associations is not in crisis" yet still maintained that "the emergence of larger, more diverse organisations has resulted in a need for boards to be managed more professionally" (Housing Corporation, 2001, p5).

The Discussion Paper recommended the adoption of a less prescriptive approach to governance, but was light on detail about what this would mean other than to cite the Combined Code (London Stock Exchange, 1998) applicable to listed companies as an example of good practice. The only matter of real substance dealt with by the Discussion Paper was to invite comment on options for payment of board members.

The Housing Corporation initially only proposed to allow 6 weeks for responses to be made to the Discussion Paper (rather than the normal 12 week period) but after receiving many representations it did extend the period allowed for comment (Compass Partnership, 2001b; Tickell, 2001). The response to the Discussion Paper from the National Housing Federation (Tickell, 2001) acknowledged that the question of board pay was one that “gives rise to strong views on both sides”, but that the National Housing Federation’s view was still that “the arguments against remuneration remain convincing”. The National Housing Federation explained its reasons for its objection to the introduction of pay for board members. One of these was that charitable housing associations should be subject to the same rules on payment as are applied to registered charities by the Charity Commission and pointed out that “the requirements of general charity law will continue to apply in addition to any guidance issued by the Corporation”. It was also suggested that the introduction of board pay would “be likely to endanger the good reputation of RSLs ... and thus be likely to prejudice the success of the government’s transfer programme”.

Compass Partnership were commissioned to analyse the responses to the Discussion Paper, but before their report was issued there were already indications that the Housing Corporation and its chair, Baroness Brenda Dean, was determined to “push through” proposals for “professional, paid boards with fewer members” and that “dissenters would be ignored” (Bright, 2001).

There were 185 responses to the Discussion Paper, but the analysis of the responses reported in ‘Modernising Governance: an enabling approach’ (Compass Partnership, 2001b) pointed out that this was only 9% of all housing associations and not a representative sample. 90% of the respondents had offered views on the question of payment of board members, but “there was little consensus” and “views were often expressed with considerable conviction”. The view of the Chartered Institute of Housing (Compass Partnership, 2001b, p4) was that the debate should “not get bogged down into a narrow argument over payment of board members which detracts from wider consideration of modernising governance” appeared to be a lost cause. The “Next Steps” identified by Compass Partnership suggested that even though “there is no consensus about the best ways forward ... the Corporation needs to take a view” (2001b, p4).

The next encounter in the drive towards board payment came in early 2002. Baroness Dean was accused of “giving a nod and a wink” to the introduction of board pay when addressing the National Housing Federation’s Voluntary Board Members Conference (White and Sullivan, 2002). However, the official version of the “Brenda Agenda” remained that the Housing Corporation had “no immediate plans to change current practice” on paying board members (Housing Corporation, 2002a).

The case for payment may have been given a boost by support from Richard Kitson, when president of the Chartered Institute of Housing, who said “the Institute welcomes the idea of housing associations being able to pay voluntary board members ... modest payments would help associations to retain the number and quality of board members” (White and Sullivan, 2002). The Chief Executive of the William Sutton Trust (now part of Affinity Sutton) suggested that there was a way to address “the thorny question of whether board members of housing associations should be paid” by permitting “modest payments” of “0.1% of the previous year’s turnover on remunerating board members” but there should be “no compulsion to pay by housing associations or upon individuals to accept payment being offered” (Morris, 2002).

The Housing Corporation then issued a formal Consultation Paper on Board Member Remuneration (Housing Corporation, 2002b). This proposed to permit housing associations to pay their board members up to £20,000 per annum “if they can support their decision with a convincing business case”, but it was made clear that “only key positions in the largest associations would be likely to approach the limit”.

It was noted that “the fact that the Housing Corporation consultation paper seeks views on how to, rather than whether to, pay board members is indicative of a sea change” (Cowan, 2002; Macdonald and Chatterjee, 2002). The fact that the Consultation Paper referenced pay levels for board members and chairs of NHS Trusts, Housing Action Trusts, Rail Passenger Groups and Local Authority Member Allowances (2002b, p13) as comparators made housing association board members seem more like public sector professionals and was seen as a “flouting the voluntary principle” (Weaver, 2002).

Battle lines were soon drawn with many reports of people ready to declare their position.

There were those speaking up for board pay:

- Sebert Cox (Chair of Places for People) “it is not sustainable to rely on voluntary contributions in order to run very substantial businesses” (Weaver, 2002)
- Peter Williams (Deputy Director General of Council of Mortgage Lenders) “funders have always supported the idea of paid boards” (Chevin, 2002)
- John Belcher (Chief Executive of Anchor Trust) “we’re a business ... our non-executive directors should be paid” (Walker, 2003)
- John Edwards (Company Secretary of Notting Hill Housing Trust) “with a paid board expectations of performance will rise. RSLs won’t be able to coast anymore” (Walker, 2003)

There were those opposed to board pay:

- Clare Hepworth (Chair of Three Rivers Housing Association) “it’s a retrograde step ... to be paid ... goes against the whole spirit of public and voluntary service” (Weaver, 2002)
- Simon Dow (Chief Executive of Guinness Trust) “Guinness Trust already have a queue of extremely qualified individuals who want to be board members” and “the Trust should be run by people with no financial interests ... it is important to be seen to be working for nothing but your own conscience” (Weaver, 2002)
- Lady Joyce Montgomery (Chair of Harvest Housing Group) was “vehement” in her support for the “voluntary ethos” and considered board payment would “split the movement from top to bottom” (Macdonald and Chatterjee, 2002)
 - Christine Calder (Vice Chair Housing for Women) “I don’t understand what it’s going to achieve. There is a really nasty undertone to all of this – the assumption that people are motivated by money” (Macdonald and Chatterjee, 2002)

And others who were cautious about the potential consequences of board pay:

- Derek Joseph (Director of consultants HACAS Chapman Hendy) “whether or not to pay board members and ... how much ... should be based on an independent assessment of the board” (Macdonald and Chatterjee, 2002)
- Peter Malpass (Professor of Housing at University of the West of England) “if payment of boards results in new blood ... it may be a good thing” (Macdonald and Chatterjee, 2002)
- Jim Coulter (CE of the National Housing Federation) “it’s not the end of the voluntary housing movement ... only around half of associations are likely to take it up” (Weaver, 2002)
- Andrew Cowan (Managing Partner, Devonshires Solicitors) “the levels of payment involved are unlikely to be sufficient to recruit a new breed of professional board member, but are sufficient to establish a nexus of duty” (Cowan, 2002)

The response from the National Housing Federation (Tickell, 2002a) once again made the plea that “any Housing Corporation initiative on payment of board members must be fully supported and actively endorsed by the Charity Commission”. The proposals in the Consultation Paper (Housing Corporation, 2002b, pp3-4), however, appeared to accept that housing associations that are registered charities would be subject to the separate and more stringent test in order to permit payment of charity trustees specified by the Charity Commission. This therefore created a dual standard and different interpretation of charity law for housing associations as exempt charities that set them apart from the rest of the charity sector (Chevin, 2002).

In June 2003 the Housing Corporation simultaneously issued a Summary of Responses to the Consultation Paper (Housing Corporation, 2003a) and a Regulatory Code Good Practice Note on how housing associations should go about deciding whether to pay their board members and ensuring that payment would result in improved board performance (Housing Corporation, 2003b). The decision to permit the payment of housing association board members had effectively been made.

There were 260 responses to the Consultation Paper (235 from housing associations) but comments were received from 80% of large associations with more than 5,000 units and their views were clearly referenced in the analysis of responses (Housing Corporation, 2003a). Although the Housing Corporation was explicit that it had not asked for views on the principle of payment, two thirds of respondents had given their opinion and it openly acknowledged that there was “still no consensus” and “43 respondents said that their own board had been divided” on the issue.

The National Housing Federation had clearly been told that the writing was on the wall and board payment was going to be introduced as the Regulatory Code Good Practice Note made reference to the guidance booklet, ‘To Pay or Not To Pay? The Principles and Practicalities of Board Member Payment’ (Ashby and Ferman, 2003), that they had already produced and that had been funded by the Housing Corporation.

The final determination was made on 4th July 2003 when the Chairman of the Housing Corporation, Baroness Dean, signed the order permitting housing associations to pay board members up to £20,000 per annum.

(vi) The Thin End of the Wedge: 2003 – 2008

There was a continued drive for housing associations to become more efficient and deliver more, with a belief that this would be achieved with bigger and more business like organisations. In November 2002 the Housing Corporation had issued a discussion paper that proposed rationalisation and restructuring of the housing association sector to explore the potential for mergers and formation of group structures in order to improve efficiency and performance (Housing Corporation, 2002c). A new system of allocating funds for future development projects was also introduced that concentrated public subsidy in the hands of a smaller number of “the best performing associations” (Housing Corporation, 2003c; Zitron, 2004) with 80% of the funding in the 2004-2006 programme going to just 70 “lead partner” associations. Rather than have some 350 separate housing associations each with their own development team, smaller associations were encouraged to join consortia or to merge with associations that had been selected as lead partners.

In order to introduce an element of competition and market testing of housing association efficiency, the Housing Act 2004 also made provision for public funding to be allocated to private house builders who were allocated some 2% of the £3.9 billion in the 2006-2008 programme (Housing Corporation, 2006b; Mullins, 2010).

An attempt was also made to measure the comparative efficiency of housing associations, but even after taking account of regional factors, different types of housing and the impact of scale, the results were still affected by too many other factors to provide a conclusive assessment (Hargreaves et al, 2004).

The growth in the scale of the biggest associations was boosted by mergers and formation of group structures with the turnover of housing associations with more than 10,000 homes growing by one third in the 3 years from 2005 to 2008 (Purkis, 2010; Mullins, 2010). Housing

associations were encouraged to consider what more they could and should be doing to “sweat their assets” and unlock the financial strength in their balance sheets (Stothart, 2007).

The report of the Commission on the Future Shape of the Sector (Graham, 2006), established and sponsored by London & Quadrant Housing Association, proclaimed that “the largest associations [those with more than 25,000 homes] have important natural advantages” (p3). The Commission saw the potential for acceleration in the pace of sector consolidation but also warned of trying to “face tomorrow’s problems using yesterday’s structures, methods, technology and mind-set” (p4) and saw the need for governance arrangements “to catch up with the dramatically different operating conditions associations are working with today” (p22). It concluded that “the biggest associations will be comparable in turnover to sizeable plc’s and ... boards will have to reflect that reality ... with paid non-executives chosen specifically for their skills and expertise and ... the size of boards in many large associations is likely to shrink” (p22). But the report noted that “while some associations have already gone down the payment route, this has not always been accompanied by a major change in expectations” (p23).

As well as the organic growth of housing associations the programme of whole and partial transfers of housing stock from local authorities was continuing. In 1997 22% of social housing was rented from housing associations, but by 2008 the number of households renting directly from local authorities had fallen by almost 50% and for the first time there were more properties being rented from housing associations than from local councils (DCLG, 2015).

In 2003, in an effort to unify the sector and overcome perceptions that housing associations had lost their independence, the National Housing Federation sought to “rebrand” and demonstrate the value of housing associations with the slogan “iN Business for Neighbourhoods” (National Housing Federation, 2003). This embraced the idea that housing associations were both businesses and also had a wider role to play in shaping and supporting communities, even though these dual goals often proved difficult to reconcile (McDermont, 2010, p160).

Beyond Board Payment – Considering the Consequences

The order permitting payment of housing association board members was signed by Baroness Brenda Dean in the final months of her term as chair of the Housing Corporation. It was apparently “no secret” that her successor as chair, Peter Dixon, was opposed to the payment of board members, but he conceded that it would not be appropriate to try to rescind the policy once the decision to pay had been made (Bennett, 2003).

Allowing housing associations to pay board members had removed the excuse that lack of pay was a barrier to improved governance (Ashby, 2003), but there was not an immediate rush by housing associations to pay their board members (Housing Corporation, 2004).

Even though a number of housing associations had been pushing and waiting for payment to be introduced, within the first 6 months only 5 housing associations were making payments to board members and after 12 months there were 25 housing associations paying their board members with a further 6 having taken the decision ‘in principle’ to introduce payment. 11 of the 25 making payment in the first year were within the largest 100 housing associations. The Housing Corporation concluded that after one year it was still “too early to draw any robust conclusions from the effect of payment on governance performance in the sector” (Housing Corporation, 2004, p4).

The take up of board payment was not systematically monitored or reported by the Housing Corporation. The human resource consultancy Insight produced a series of reports that provided periodic indications of the implementation of board member pay from 2004 to 2009 (Insight, 2004; 2005; 2006; 2007; 2008; 2009). Each report provided an impression and assessment of the position and approach to board member payment, but because there was little consistency of scope and analysis from one report to the next, it is difficult to use the data from these reports to demonstrate any particular trends or relationships. The headline figures the Insight reports provided for the take up of board payment from the housing associations responding each year were:

Year	2004	2005	2006	2007	2008	2009
% Paying	6%	14%	19%	27%	27%*	39%

* (39 out of 50 housing associations that said they had introduced payment in the 2007 did not participate in the 2008 survey)

In 2006 Rosie Colls, a governance consultant with the Board Development Agency, claimed there was “a growing momentum within housing associations to pay board members” and, even though she was reporting on a survey that indicated only 57 associations had decided to pay, implied that the burden of proof had shifted saying “it may be nobler to stick with voluntarism, but if you do, you will need to prove its worth in the face of growing competition” (Colls, 2006).

A further Good Practice Note on Board member remuneration was issued by the Housing Corporation in 2007. This made reference to the need to consider the guidance in the National Housing Federation’s booklet “To Pay or Not to Pay” (Ashby and Ferman, 2003), but was also clear that it did “not expect an association to submit its business case ... for scrutiny” (Housing Corporation, 2007, p2). As well as confirming an increase in the maximum amount that could be paid to any board member to £25,000 from 26th June 2007, the Good Practice Note also suggested an increasingly permissive approach was being adopted to board payment and indicated that even if an association just wanted “to reward their current board for their commitment and hard work ... this may be acceptable if seen in the context of continuous improvement” (Housing Corporation, 2007, p2)

In 2009 the National Housing Federation updated its advice and guidance on the Principles and Practicalities of board member pay (Ferman and Appleby, 2009). This included the results of a survey and two focus group sessions held in 2008 to indicate the response to the introduction of the power to pay board members and whether those associations that were paying had achieved the benefits they expected. 78 (36%) of the 218 respondents had introduced payment for board members, with incidence of pay considerably higher amongst larger housing associations and groups. For organisations with a turnover of over £100 million 94% were paying all or some of their board members, for organisations with a turnover of £50-£100 million 70% were paying board members and for £25-£50 million 62%. 58% of housing associations that were paying felt the business case to justify payment had been achieved, 30% said it was partially achieved, 4% not achieved and 8% declined to comment (Ferman and Appleby, 2009).

In 2010 the consultancy Boardview conducted a survey of housing association board members, chief executives and company secretaries, but it is hard to support its claim to provide a “comprehensive evaluation” as it is based on a total of 95 responses from just 25 organisations (Misra, 2011). Inside Housing concluded that the jury was still out on the

question of board pay and that it was an issue that continued to produce divided opinions with only 45% of respondents agreeing that board members should be paid (Thorpe, 2011). Also 42% of board members and 48% of chief executives and company secretaries did not consider board member payment was effective in improving board performance or the recruitment and retention of board members, although 67% of paid board members did feel board pay was effective (Misra, 2011).

In 2013 the National Housing Federation conducted a further survey and held focus groups to consider the question of board member pay (Burrows and Manning, 2014). 109 (52%) of the 210 respondents had introduced payment for board members with incidence of payment more evident in larger housing associations. 100% of participating housing associations with a turnover over £250 million had paid board members, between £100-£250 million this was 88%; £50-£100 million 86% and £25-£50 million 74%.

The accountants Grant Thornton have produced reviews of governance in the housing sector in 2014 and 2015 (Grant Thornton, 2014; 2015). In 2014 this found that 83% of the largest 60 housing associations pay their board members and this % remained the same in 2015.

A summary of the results from the different surveys is provided in **Appendix 3**

Patterns of Payment for 210 Largest Housing Associations (2014)

Because surveys provide only a partial, incomplete and often anecdotal picture of board payment arrangements, further research and analysis was undertaken as a part of the preparation of this thesis to provide a more comprehensive assessment of the incidence of board member remuneration for the largest 210 housing associations. The largest 210 housing associations represent only 13% of the 1,575 registered housing associations, but between them they account for more than 90% of all housing association properties and have a combined turnover of over £16 billion.

The analysis was based on data collected from the annual accounts and financial statements for the financial year ending in 2014 for the 210 largest housing associations as identified from the data in the 2014 Global Accounts of Housing Providers (Homes and Communities Agency, 2015e). There are a few gaps in the data where accounts were not made available via the organisation's website or where the information disclosed meant it was not possible to identify the amounts paid to individual board members.

Many large housing associations are part of a group structure and where this is the case the analysis is undertaken for the board of the group parent body with figures showing the consolidated results for the whole of the group.

Charts of the data from this analysis and further commentary is provided in **Appendix 4**. For convenience data from the 210 organisations has been divided into three sub-sets of 70 for the purpose of analysis and presentation of the data in chart form.

Comparison of Turnover and Total Board Non-Exec Pay

Incidence of non-payment tends to increase as turnover decreases and the average level of board pay decreases as turnover decreases.

The significant difference in scale (and for the very largest housing associations in particular) across the range is apparent from the difference of £529m between the turnover of the largest and the 70th largest compared with differences of £30m between the 71st and 140th and £17m between the 141st and 210th.

Table 2.1: Comparison of Turnover and Total Board Non-Exec Pay

Range	Turnover (£ million)	Number with Non-Paid Board	Average Total Board Pay (£,000)
1 – 70	592 – 63	10 (14%)	77
71 – 140	61 – 31	16 (23%)	36
141 – 210	31 – 14	27 (39%)	25

Comparison of Turnover/% Profit and Total Board Non-Exec Pay

There does not appear to be any clear relationship between turnover and percentage profit or between board payment and percentage profit. Some of the higher percentage surplus figures are recorded by organisations at lower end of the turnover range.

The housing associations with the 2nd and 3rd highest percentage profit in the top 1-70 organisations ranked by turnover don't pay their non-executive board members, but one of the ten housing association in this range that didn't pay their non-executive board members was one of just three housing associations reporting a net loss.

Table 2.2: Comparison of Units Owned & Managed and Total Board Non-Exec Pay

Range	Units Owned or Managed	Number with Non-Paid Board
1 – 70	97,984 – 12,474	11 (16%)
71 – 140	12,465 – 5,589	16 (23%)
141 – 210	5,549 – 1,694	26 (37%)

As with the comparison of turnover and total board non-executive pay the incidence of non-payment tends to increase as numbers of units owned or managed decreases and the average level of board pay also decreases as numbers of units decrease.

The significant difference in scale (and for the very largest housing associations in particular) across the range is apparent from the difference of 85,510 units in the size of the largest and the 70th largest and differences of 6,876 units between the 71st and 140th and 3,855 between the 141st and 210th.

Size of the Board in Comparison with Turnover and Number of Employees (FTE)

The number of employees of housing associations is not necessarily just related to the numbers of units owned or managed, as housing associations with large numbers of employees tend to also be major providers of care services. The figures for numbers of employees (based on FTE full time equivalents) also shows a particularly significant differential in scale, especially across the largest to 70th size range, in terms of numbers of employees.

The size of boards is, by contrast, consistently positioned in the range of 9 to 12 board members for most of the 210 housing associations in the study. In the range 1-70 there are 9 housing associations with more than 12 board members and 6 with under 9 board members; between 71 and 140 there are 6 with more than 12 and 4 with under 9; and between 141 and 210 there are 7 with more than 12 and 6 with under 9.

Board Composition – Executives on the Board

Even though most of the 210 housing association boards now pay their non-executives the majority of boards still do not include any executives. Data on board composition was only available for 203 of the 210 housing associations. Of the 203: 123 (61%) didn't have any executives on the board; 52 (26%) had just one executive (the chief executive) as a board member; 19 (9%) had two executives; and just 9 (4%) had more than two executives on the board. All but one of the 9 housing associations with more than two executives on the board were in the largest 70 by turnover.

Proportion of Paid and Non-Paid Non-Executives by Organisation Status

There are a total of 2,043 non-executive board members who serve on the boards of the 203 housing associations for which data is available. Of these 740 (36%) are non-paid and 1303 (64%) are paid. But the proportion of non-executive board members who are non-paid or paid varied by the charitable status of the organisation.

For not-for-profit (non-charity) organisations the ratio of paid to non-paid is highest with 80% paid and 20% non-paid, but for registered charities the proportions are 57% non-paid and 43% paid. The largest number of non-executives (1252) serve on exempt charity housing associations of which 33% are non-paid and 67% paid.

Comparison of Total Board Non-Exec Pay with Chief Executive Pay

When the total pay for all non-executive board members is compared with the pay of the single highest paid executive (chief executive), without exception the pay of the chief executive is higher. The two housing associations that pay particularly high salaries to their chief executives are also the two housing associations with the highest total non-executive board pay, but there does not appear to be a general link between whether non-executive board members are paid or not or their level of pay and the pay levels of the chief executive.

Chair Pay as % of Average Pay of Paid Non-Executives

When the pay of the board chair pay is compared as a % against the average pay of paid non-executives on the same board the norm appears to be for the chair to be paid double (200%) of the pay of other paid non-executive board members. The maximum difference is 300%.

Conclusion

Whilst this analysis provides a useful and informative overview of position and profile of variables amongst the largest housing associations, it does not provide any answers about why housing associations pay the sums that they do and the impact and implications of these payment arrangements.

(vii) A Brave New World: 2008 – 2015

The assessment by the outgoing editor of Inside Housing, in December 2008 was that the sector still had its “head above water” but was “palpably different from ... the 1990s”. Although housing associations were “on the whole more efficient sleeker beasts ... that can cause problems, with some claiming ‘fat cat’ associations have lost their soul” (Murray, 2008).

Following the recommendations of Review of Social Housing Regulation chaired by Martin Cave (Cave, 2007) the Housing Corporation was disbanded with effect from 1st December 2008 and two new bodies established under the Housing and Regeneration Act 2008.

The Tenant Services Authority (TSA) was established as a single regulator for all social housing (covering local authorities, Arm’s Length Management Organisations (ALMOs) as well as housing associations) and the Homes and Communities Agency (HCA) was set up to fund and promote the development of social housing.

Concerns were expressed by the National Housing Federation that the powers of control and supervision over the operation of housing associations contained in the Housing and Regeneration Act 2008 could undermine their status as independent organisations and risked housing associations being classified as public bodies, but the government was reluctant to give up regulatory powers of control following the collapse and insolvency of Ujima housing association in 2007 (Cooper, 2008). Questions about the independent status of housing associations were also raised in cases about whether housing associations are public bodies. In *R (Weaver)-v- London & Quadrant Housing Trust* [2008] WLR (D) 207, it was held that housing

associations are acting as instruments of government policy when allocating and terminating social housing tenancies so would be subject to public law duties and responsibilities when performing such functions.

The Tenant Services Authority removed virtually all of the prescriptive regulations and requirements that had been put in place by the Housing Corporation and instead required each organisation to assume responsibility for ensuring it was being effectively governed and for boards to demonstrate that they were in control and accountable to their tenants through a process of “co-regulation” (Tenant Services Authority, 2010). This placed an increased responsibility on the boards of housing associations and encouraged the adoption of a more business and commercial approach to management and governance (Hutchinson and Ward, 2010).

The life of the Tenant Services Authority, however, was short. Following the formation of a Conservative – Liberal Democrat coalition government in May 2010 it was announced that the TSA would be abolished after a rapidly conducted Review of Social Housing Regulation (DCLG, 2010) as part of a programme across government of reducing the number and cost of quangos. The regulatory functions of the TSA were to be vested in a statutory committee within the HCA that was separate from the HCA’s investment functions. Consumer regulation was limited and refocused only on setting clear service standards and addressing serious failures while “in order to maintain lender confidence and protect taxpayers proactive economic regulation of housing associations should continue” (DCLG, 2010).

The coalition government also cut grant funding for social housing by £230 million as part of a £780 million cut in funding for the Department of Communities and Local Government, but to compensate for this housing associations were allowed to charge higher ‘affordable rents’ (set at up to 80% of the market rent). As a consequence many housing associations have opted to move into commercial markets and develop more properties for sale or market rent alongside a diminished programme of social housing development.

(viii) More to Come: Post 2015

Research for this thesis was conducted prior to general election of May 2015, but the influence and impact of shifts in policy and financial pressures have continued to subject the housing association sector to challenges and change. This in turn emphasises the requirement for understanding and clarity about how housing associations should be governed (Harvey, 2015).

There were warnings before the 2015 election “that the next election is going to be a watershed. ... either going to go in ... a direction where housing associations are really back to being social with a little bit of commercial added-on, or they’re ... going to become commercial developers where the social mission is ... lost” (Clive Betts M.P. at 2014 Labour Party Conference quoted in Rutter, 2014). Indeed after the election it soon became clear that any previous political consensus about the role and position of housing associations had come to an end. In the first budget of the Conservative majority government on 8th July 2015 the Chancellor of the Exchequer, George Osborne, effectively tore up the previous rent settlement for housing associations made in 2013 which had promised rent rises of CPI (Consumer Prices Index) plus 1% for ten years and instead imposed a rent reduction of 1% for the next four years. The housing association sector was also subject to criticisms in the media and portrayed as being complacent, cosseted and inefficient (Clark, 2015; Ebrahimi, 2015) and portrayed as being a part of the housing problem not a mechanism for improvement. In this there are echoes of the criticisms that had been previously been levelled at local authorities and which prompted the adoption of housing associations to provide an alternative solution.

Even though it was a commitment in the Conservative Party Election Manifesto (2015, pp51-52), the National Housing Federation sought to block plans to introduce a right for housing association tenants to buy their properties at a discount. But when it became clear this would not be successful, the National Housing Federation negotiated for housing associations to implement the right to buy on a voluntary basis ahead of being compelled to do so by legislation. This was done in the hope it would still enable housing associations to assert that

they were private independent bodies and not puppets of government. Although, in a rushed ballot, a majority of housing associations, accounting for the bulk of housing association properties, were persuaded to approve the deal (Zeffman, 2015), this did not stop housing associations being declared to be public bodies by the Office of National Statistics (ONS). This decision was in fact based on the extent of the regulatory controls and powers reserved to government under the Housing and Regeneration Act 2008 and not the changes made since the 2015 election (ONS, 2015). The government pledged to reverse this position, but in order to do so it looks set to change the framework and purpose for which the regulator can intervene to hold housing associations to account. It is arguable that the severing of the ties housing associations have to the public sector will result in a move towards the position advocated by the think tank Policy Exchange (Walker, 2014), where housing associations become wholly commercial private sector bodies.

(ix) Assessment

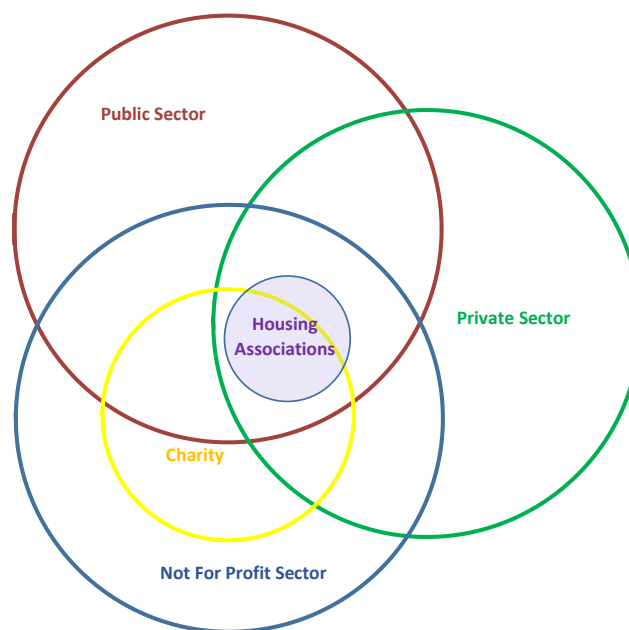
This account of the stages and phases of the evolution of housing associations has explained some of the many influences and incentives that may have led housing associations to their current positions. The introduction of the potential to pay housing association board members was just one of an array of changes that may or may not have altered the nature and character of housing associations. The significance of these factors and the extent of their impact will inevitably have varied according to the particular situation and circumstances of different housing associations and as well as the choices they made in response to changing pressures and opportunities. This might suggest that the result would not be a unified or homogeneous housing association sector, but more of a varied and hybrid array of organisations in a continuing state of flux.

Housing Associations and Hybridity

(i) The Essence of Hybridity

The term 'hybridity' is used in a governance context to refer to organisations and ways of working that cut across "state, market and civil society" (Brandsen et al, 2005; Blessing, 2014, p153). Billis (2010, p3) refers to hybrid organisations as those that possess "significant characteristics of more than one sector (public, private and third)". Housing associations are perhaps archetypal hybrid organisations, positioned at the intersection of the private, public and not-for-profit/charity sectors.

Figure 2.1: Location of Housing Associations at the intersection of the Private, Public and Not-For-Profit/Charity Domains (adapted from Cabinet Office (Strategy Unit), 2002)



Hybridity, however, is a difficult term to pin down (Mullins et al, 2012, p407). Housing associations sit in "the confusing middle ground between public and private bodies, whose basic structure is private, but who act wholly or partly for public purposes and are regulated by central government" (Handy, 2000, p110; Alder and Handy, 1997) and have been described as "chimeras" subject to elements of both public and private law (Alder, 1993).

Hybridity is seen as a “slippery concept” that “lacks theoretical purchase” (Skelcher and Smith, 2013) and subject to criticism as “a concept that is widely used but seems to play no useful function in theory building or advice to policy makers” (Skelcher, 2012, p2). Hybridity is certainly a complex concept with inexact boundaries. Brandsen et al (2005, p750) suggest that whilst “boundary problems, fuzziness and changeability may in fact be a defining characteristic of the third sector” they are also attributes that are evident more widely in society and amongst hybrid organisations in particular.

Rather than trying to define housing associations as a “mythical griffin” made up of a mix of “elements from the market, state and non-profit domains”, Brandsen et al (2005, pp759-760) recommend a conception of hybrids as “chameleons” that have the ability to change colour to adapt to the circumstances and challenges of its environment as a key part of their identity.

The characteristics of housing associations and their hybrid nature can be seen as being a direct consequence of their evolution and the effects of the shifting sands and prevailing winds of the social, economic and political environment. Hence it is suggested that hybridisation should be seen as an ongoing process rather than a static position or state of affairs.

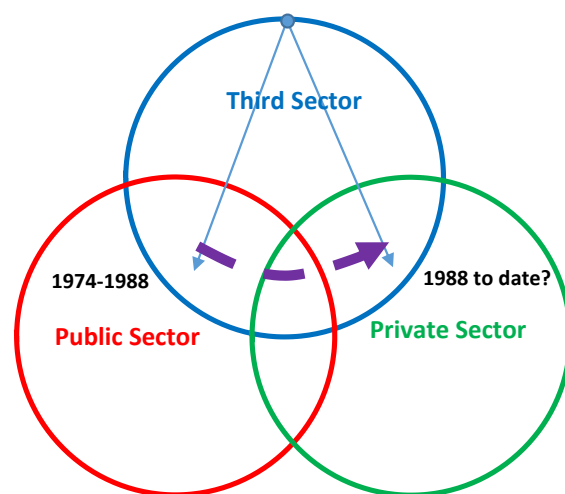
(ii) Swings and Shifts in the Position of Housing Associations

The changing shape, scope and operation of housing associations is influenced by the complex interaction of a range of social, economic and political factors (Cowan and Marsh, 2001, p15) and the effect of “critical incidents” (Mullins and Riseborough, 1997). It is suggested that a dominant feature has been the “impact of political initiatives” (Langstaff, 1992; Back and Hamnett, 1985) and that the housing association sector “in terms of its size, composition, constitution and financial basis is effectively the creation of successive governments since the 1960s” (Malpass, 2000, p265)

Housing associations clearly have been subject to government manipulation through a combination of ‘carrot’ (grant funding and public subsidy) and ‘stick’ (regulation). It would be wrong, however, to suggest that changes were entirely imposed as the result of central government dictat as “it was the housing association sector itself that perceived the need to embrace private finance and business values in order to maintain expansionist strategies” (McDermont, 2007, p72). Housing associations were thus effectively complicit in their own capture and appeared to be willingly managerialised (Walker, 2000).

The shift in the positioning of housing associations has been characterised as a pendulum swing from the public sector to the private sector sphere whilst still retaining their enduring status as independent third sector bodies (Spencer et al, 1995).

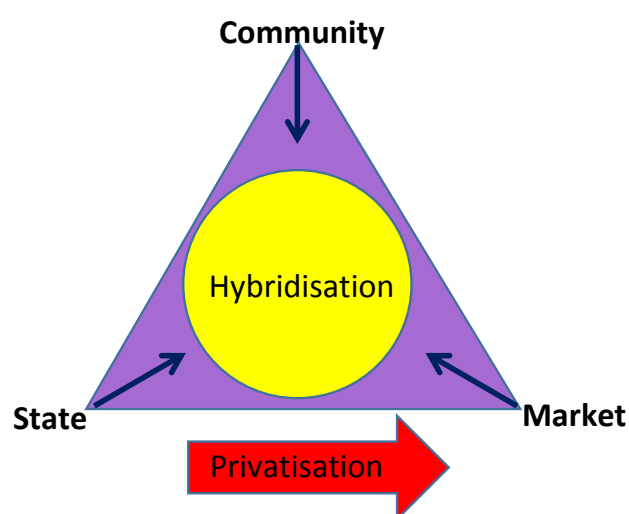
Figure 2.2: Swing of Housing Associations from Public to Private Sector (Spencer et al, 1995)



A criticism of this conception of the shifting position of housing associations as a swing from the public to the private sector is that it was arguably the nature of the public sector that was shifting and changing to become more commercialised rather than housing associations moving from one sphere of influence to another.

Rather than this being a simple process of privatisation with a linear shift from state to market, Mullins and Jones (2015) see the changes occurring in housing associations as part of a process of hybridisation where the competing logics of state, market and community are in a continuous and shifting state of tension (Mullins and Jones, 2015).

Figure 2.3: Alternative Perspectives on Consequences of Hybridity (Mullins and Jones, 2015a – drawing on Brandsen et al, 2005; Czischke et al, 2012).



This raises questions about the status of housing associations and what they have become.

(iii) What is Happening to Housing Associations?

Housing associations are often heralded (especially by the National Housing Federation) as the most successful public-private partnership there has ever been (e.g. Orr, 2015; Heywood, 2013), but equally important has been the insistence that housing associations are and must remain independent (Tickell, 2002b; McDermont, 2010). The National Housing Federation's vision for the future of housing associations is that they "will be widely recognised as social enterprises: independent private bodies that exist for social good" (National Housing Federation, 2013).

The term social enterprise, however, is a fluid concept that is “constructed by different actors promoting different discourses connected to different organisational forms and drawing upon different academic theories” (Teasdale, 2011, p99). The re-labelling of some charities as social enterprises is commonly associated with the mimicking of the business structures, practices and language of the private sector (Dart, 2004).

Language is not simply a medium of communication, it is integral to construction of meaning. Housing research has, however, largely overlooked the role of language in framing the policy discourse and the substantive role played by terminology (Jacobs and Manzi, 1996). Yet as Weick pointed out “what I see ... is dependent on the language in which I think” (Weick, 1969) and Pfeffer quotes the advice of Confucius that the first thing that a ruler should do is “fix the language” (Pfeffer, 1992, p283).

Changes have occurred not just in the size, shape and funding of housing associations, but also, and perhaps with greater significance, in their values and norms with the “mechanisms for the ... governance of housing associations ... transformed to make them look and sound more like ... private businesses” (McDermont, 2007, p76). Reference is now consistently made to professional non-executive directors rather than voluntary members of management committees and the shift in the body responsible for the incorporation of the majority of housing associations from the ‘Registrar of Friendly Societies’ in 2001 to the Financial Services Authority (and in 2013 to the Financial Conduct Authority) is perhaps reflective of this shift of emphasis.

Support for “the privatisation and marketization” of housing associations seems to have become the dominant position with the result that opposition to this view is now “muted and seen as old fashioned” (McDermont, 2007, p71). Some commentators have, however, expressed concern that “big associations have become commercial in character and lost their civil heart beat” (Purkis, 2010) and that by insisting that business considerations must always come first housing associations are forgetting the reasons why they exist (O’Byrne, 2014). By

positioning housing associations as servants and implementers of policy it is suggested the “government risks destroying the very attributes it values in the sector” (Smerdon, 2006) and Hills expressed concern that housing associations risked becoming, like local authorities had been seen previously, as landlords of last resort (Hills, 2007).

Despite their voluntary sector roots and origins and the fact that the majority of housing associations have charitable status, they are generally regarded as being apart from rather than a part of the third sector (Purkis, 2010). Mullins (2010, p5) has characterised housing associations “as the ‘distant uncle’ of the third sector”. It is suggested that this may be due to the “institutional completeness” of the housing association sector, with its own trade body, regulator, policy framework, vocabulary and consultancy organisations (Mullins and Riseborough, 1997; Purkis, 2010). The scale and prescriptive nature of the funding that housing associations have received from public grants, subsidies and private finance has also “contributed to a perceived distancing of housing associations from the broader third sector” (Leach, 2009, p6).

(iv) Trajectories and Orbits of Housing Association Hybridity

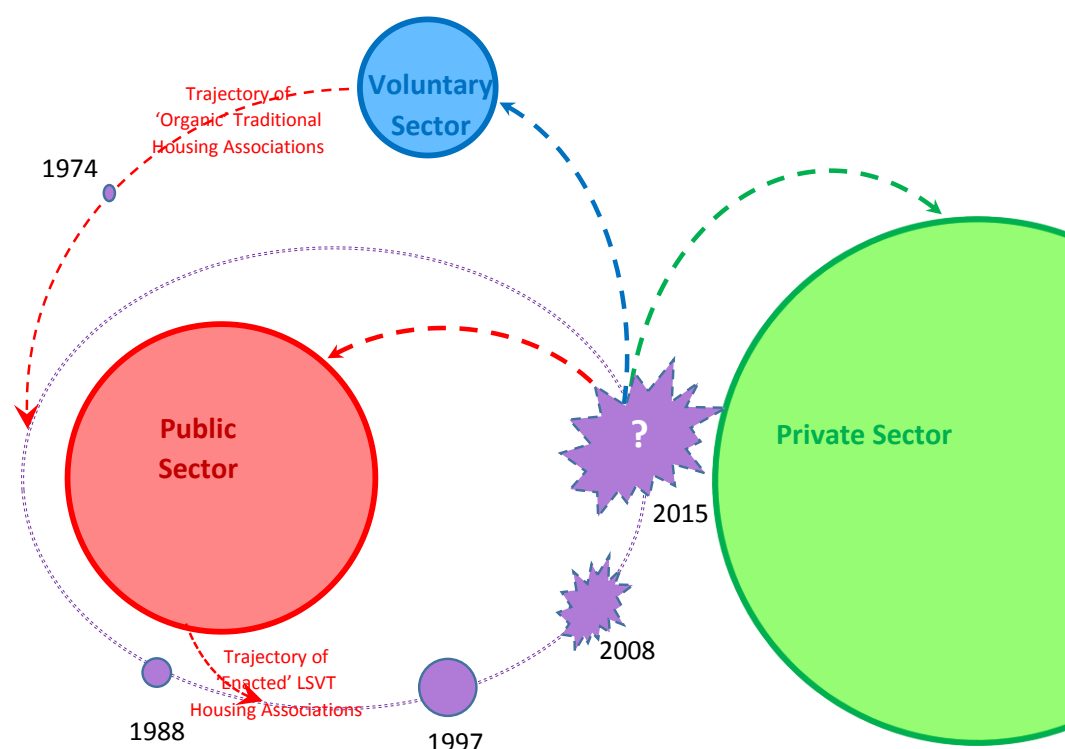
Although it is a bit of a cliché, it is often said that housing associations are at a crossroads, facing big challenges and decisions about their future (e.g. Best, 2000b; Slatter, 2001; Lupton and Leach, 2011; Moore, 2012; Wiles, 2015). This is because “housing associations are torn between market, state and community drivers and ... must make strategic choices ... about where they stand ... [that] are likely to take them into different zones of hybridity” (Mullins, 2015, p15).

Billis (2010, p3) argues that all organisations have “roots” and a “primary adherence” to the distinctiveness of just one sector and that fundamentally different and distinct governance and operational principles apply to each sector. Billis (2010) also draws a distinction between ‘organic’ and ‘enacted’ hybrid organisations. Traditional housing associations can be seen as ‘organic’ hybrids because they were originally formed as voluntary organisations before being hybridised by coming under the influence of the competing influences of the state through public subsidies and regulation and the market in order to access funds and compete for business. In contrast, transfer/LSVT housing associations were created and ‘enacted’ in a hybrid form, with a mix of private and public influences built into their funding, governance and operating arrangements, from the outset (Mullins and Pawson, 2010).

As has been shown, the positioning of housing associations between the domains of the voluntary, public and private sectors is often depicted by means of triangles or overlapping circles (Mullins et al, 2014, p5). Whilst these forms of representation can help to indicate the tensions to which housing associations are subject they also risk over simplifying the dynamics of the shifts that have occurred in the status and position of housing associations.

An alternative means of representing the dynamics of hybridity and how housing associations have been subject to the forces of the different spheres of influence is shown in Figure 2.4 as the orbiting of a primary planet or domain whilst still subject to the gravitational pull from other domains that may influence the future trajectory for the housing association sector.

Figure 2.4: Conceptualisation of the Hybridity of Housing Associations as the Trajectory around and between the Planets of the Voluntary, Public and Private Sectors. (Moore, 2016)



I devised this illustration to show the trajectory and journey (described in the first part of this chapter) that housing associations have been on. Housing associations were only peripheral providers as part of the voluntary sector before they were targeted by government, captured by registration and regulation and catapulted out of a primarily voluntary sector orbit and into the public domain. The combined effect of public funding, regulation and a dedicated trade body meant that housing associations lost sight of their voluntary sector origins as this was effectively eclipsed. From 1988 housing associations began to experience the pull from the private sector and the finance it could offer that acted to draw housing associations, whilst still primarily focused on fulfilling a public purpose and subject to government control, closer towards the influence of market forces. This process continued and the size of the housing association sector continued to grow up to and beyond 1997 with the benefit of public funding and the

addition of transfers of local authority properties to new housing associations. By 2008 the housing association sector had continued to grow and was getting pulled further towards the processes and practices of the private sector, but it also started to look less stable and less like a singular entity when the rigidity and controlling role of the Housing Corporation was removed. In 2015 the future trajectory of the housing association sector is looking increasingly uncertain and unpredictable.

Housing associations do really now appear to be at a crossroads with at least three routes that they could choose (or may be compelled) to follow. Will housing associations become private sector businesses, satellites and servants of the state, or return to their origins as community based voluntary organisations? A further question to consider is whether it is still valid to conceptualise housing associations as one sector. Has the diversity of size, type and ethos within the realm of housing associations reached such a point that it is no longer appropriate to assume there to be one future for housing associations? Has the housing association sector lost its coherence and become more of an 'asteroid cloud' that will fragment with different sizes and types of housing associations taking different trajectories and alternative futures?

Rather than seeking to plot the trajectory of the entire housing association sector perhaps this illustration should be used to chart the course of each housing association. Each organisation will inevitably have its own distinct trajectory and take its own particular course according to its size, set up and circumstances as well as the choices it makes in response to the pushes and pulls it encounters.

This model draws upon the use of a gravitational metaphor in the description of "proximate fields" (Bourdieu and Wacquant, 1992; Martin, 2003), "strategic action fields" (Fligstein and McAdam, 2011; 2012) as well as notions of "sectors" (Scott and Mayer, 1983) and "policy domains" (Laumann and Knoke, 1987).

The illustration also suffers from the same limitations, as other diagrams in that its depiction remains too flat and two dimensional. Whilst the notion of being in a particular orbit takes account of “primary adherence” position proposed by Billis (2010) it fails to recognise or reflect on the changing nature of the position and pull from the domains of the voluntary, public and private sector and they are themselves in a state of dynamic flux and becoming hybridised such that the character of the influence this creates is also continually changing (Macmillan, 2012).

Assessment – The Need for a Dynamic Understanding

The consequence of the acceptance of the ubiquitous nature of hybridity should not lead to a “creeping homogenization” with all organisations seen as operating within and subject to an undifferentiated blend of influences (Hazan, 2015). The danger in the conventional view of institutional logics is that it can imply too much consensus and show too little concern for actors’ positions and understanding of how different people in different positions will vary in their interpretations. Structural accounts tend to underestimate the role that participants play in reproducing and altering perceptions of a system, situation or setting (Giddens, 1984). There is rarely a complete consensus or equilibrium, but rather a continual process of assessment and dynamic interaction with a range of competing influences pulling or pushing in different directions with varying intensities.

This suggests that the focus for this thesis should not be so much on trying to define the policy, structural and political context within which housing associations function, but to consider instead how the changing environment is created and interpreted by the actors who bring it to life. The intention is not to try to predict what will happen next or seek to prescribe how the fields of understanding of how housing associations operate and are governed should change, but there is a benefit in better understanding of the shape and basis for how attitudes and beliefs are constructed in order to help the process of debate and to better align purpose with perception and practice.

This chapter has considered the origins of housing associations and how the actions of successive governments as well as the responses from housing associations themselves has increasingly seen them become the chosen means to deliver public housing policy on the basis that they would do so in a manner that was flexible, innovative and responsive. But, by virtue of the changing scale, role and responsibilities of housing associations there is a risk that these desired qualities may be undermined and that by imposing additional duties, expectations and regulatory constraints on housing associations their previous distinctive and desired qualities are being diminished and they are being re-shaped to resemble major corporations (Rochester, 2013).

Miller and Skidmore (2004) suggest that there is an “allergic relationship” between government and enterprise. Rather than accepting and recognising the inherent hybrid and inconsistent nature of corporate governance, the desire is to standardise. However, like a mythical Hydra, complexity is inherent in the exercise of governance so as each problem heading is tackled and removed more issues and complications appears in its place (Skidmore et al, 2003). The challenge for this thesis therefore is to not to slay the beast but to capture and preserve what Brandsen et al (2005) described as the “chameleon” character of housing associations as hybrid organisations in order to see the different complexions of their governance and expose the attitudes to payment of housing association board members.

Chapter 3

FITTING HOUSING ASSOCIATIONS INTO GOVERNANCE THEORY AND PRACTICE

This chapter addresses the 'means' by which housing associations are governed. It considers the nature of corporate governance and the limitations of adopting a prescriptive approach that defines it as a problem to be overcome rather than a relationship to be developed. It shows how governance has been conceptualised and been developed into a typology of theories with associated practice.

The applicability of theories of governance developed for commercial corporate entities subject to the market for corporate control to housing associations, that as not for profit organisations, do not have any economic owners is questioned as is the validity of the assumption that it is the board that exercises power and control.

It goes on to review the pressures for convergence both of theory and of practice through the adoption of codes and prescriptions. The composition and trends for housing association boards are considered in terms of their size, the tenure, skills and diversity of board members as well as the practice of appointing tenants as board members and including executives on boards before.

It concludes by considering the case for considering case for an alternative and more pluralistic approach that seeks out the paradoxes and behavioural aspects of governance.

What is Governance?

(i) An Elusive Concept

Governance is a concept that has been described as being “popular but imprecise” (Rhodes, 1996, p652) and “notoriously slippery” (Pierre and Peters, 2000, p7) with its vagueness and pervasiveness being a part of the “secret of its success” (Schneider, 2004, p25). It is a term that is now ubiquitous and used across a wide range of disciplines but also with numerous applications and interpretations (Bevir, 2011).

The etymology of the word ‘governance’ comes from the Latin ‘*gubernare*’ (to direct, rule or guide) which was derived from the Greek nautical term ‘*kybernan*’ (to steer, direct or pilot a ship) which was also the origin of the term cybernetics.

Governance is no longer a synonym for government but is still concerned with the “process whereby elements in society wield power and authority” (GWGIIAS, 1996). Kooiman (1999) suggests that one means of distinguishing between uses of the term governance is to consider the context and level of its application, with the application of governance at an organisational level being the concern of ‘corporate governance’.

There is no single or universally accepted definition of corporate governance. As the text box below shows, as there are competing perspectives on the role of the board so there are also differences in the interpretations and descriptions that commentators and organisations have given of what is meant by corporate governance.

Definitions of Corporate Governance

Corporate governance is....

“not concerned with the running of the business of the company per se, but with giving overall direction to the enterprise, with overseeing and controlling the executive actions of management and with satisfying legitimate expectations of accountability and regulation by interests beyond the corporate boundary” (Tricker, 1984, p6)

“setting the company’s strategic aims; providing leadership to put them into effect; supervising the management of the business; and reporting to shareholders on their stewardship” (Cadbury, 1992)

“the exercise of power” (Tricker, 1993, p109)

“the process of supervision and control intended to ensure that the company’s management acts in accordance with the interests of shareholders” (Parkinson, 1993, p159)

“the sum of those activities that make up the internal regulation of the business in compliance with the obligations place on the firm by legislation, ownership and control. It incorporates the trusteeship of assets, their management and their deployment” (Cannon, 1994, p131)

“concerned with establishing a system whereby directors are entrusted with responsibilities and duties in relation to the direction of a company’s affairs ... founded on a system of accountability” (Sheikh and Rees, 1995, p5)

“a collective effort ...to take actions that advance a shared purpose consistent with the institution’s mission” and add that “to govern well is to constantly swim against the tides” (Chait, Holland and Taylor, 1996, p1)

“how a board goes about exercising its authority over an organisation” (Duca, 1996, p3)

“the relationship among various participants in determining the direction and performance of corporations – the primary participants are (1) the shareholders, (2) the management, and (3) the board of directors” (Monks and Minow, 1996, pxvii)

“ensures that the organisation achieves what it should, while avoiding what is unacceptable” (Carver and Carver, 1997, p16)

“a question of striking the appropriate balance between the goals of accountability and competitiveness” (Deakin and Hughes, 1997, p3)

“about power and accountability” (Wheeler and Sillanpää, 1997, p141)

“not necessarily about doing; it is about ensuring things are done” (Adirondack, 1999, p6)

“the system by which business corporations are directed and controlled” (OECD, 1999)

“the framework of accountability to users, stakeholders and the wider community, within which organisations take decisions, and lead and control their functions, to achieve their objectives” (Audit Commission, 2003, p4)

Although there are differences in the definitions of corporate governance, there is still a degree of consensus that at its most fundamental level is about “the exercise of power” (Tricker, 1993) but also includes elements of direction, control and accountability (Hodges et al, 1996, p7; Solomon and Solomon, 2004).

For the purpose of this thesis corporate governance is being defined as the “structures, systems and processes concerned with ensuring the overall direction, control and accountability of an organisation” (Cornforth, 2004; 2012; 2014).

(ii) Origins and Interest

Concern about corporate governance is not a new phenomenon. It is a natural consequence of the establishment of organisations in which there is a separation of the identities and interests of those with ownership and control (Berle and Means, 1932). As long ago as the middle ages this applied to universities and monastic orders whose identity was independent of its membership and where, unlike in a partnership, the assets and holdings were owned by the entities themselves (Monks and Minow, 1995; Kakabadse and Kakabadse, 2001). The advent of limited joint stock companies meant that these conditions became common place which was a cause for concern to Adam Smith (1776) who wrote in ‘The Wealth of Nations’ that “the directors of such companies, however, being the managers of other people’s money than their own, it cannot well be expected, that they should watch over it with the same anxious vigilance with which partners in a private co-partnery frequently watch over their own. ... Negligence and profusion, therefore, must always prevail more or less, in the management of the affairs of such a company”.

Although by the 1930s it was unusual for the owners of corporations to necessarily also be responsible for their management, it wasn’t until the 1990s that a series of corporate scandals, cases of false accounting, fraud or reckless risk taking gave prominence to questions of how the quality of corporate governance could and should be improved (Chhotray and Stocker, 2009; Wearing, 2005). This prompted a series of inquiries and also opened up a growing interest from across the business and academic communities to understand what good corporate governance is and how it can be achieved.

Corporate governance is also becoming an increasingly prominent and important issue for the public and not-for-profit sectors (Hodges, 2005; Osborne, 2010). This has been driven, at least in part, by the adoption of the principles of New Public Management (NPM) (Osborne and Gaebler, 1992; Pollitt, 1996) that has led to the widespread devolution and contracting out of the delivery of public services to a network of arm's length agencies and not-for-profit providers (Rhodes, 1994; Stoker, 1999). But concerns have been raised about the applicability of corporate modes of governance to non-market organisations and the sufficiency and suitability of the mechanisms for direction, control and accountability that they offer (Plummer, 1994; Skelcher and Davis, 1995; Skelcher, 1998).

(iii) Problems and Prescriptions

When things are perceived to have gone wrong whether with the oversight and leadership or performance of housing associations the underlying cause is almost always attributed to a failure of governance (Tickell and Phethean, 2006; Tickell et al, 2015). But, this is said to be true for all organisations (Cullinan and Sutton, 2002) and problems of governance have been described as being “the original sin of all large, modern organisations” (Klein and Day, 1994, p18).

Because the essence of ‘good corporate governance’ is difficult to define, it is commonly assessed by diagnosing and prescribing remedies to address problems that have already been suffered. Each of the series of inquiries into UK corporate governance (Cadbury, 1992; Greenbury, 1995; Hampel, 1998; Turnbull, 1999; Higgs, 2003; Smith, 2003) made specific recommendations and proposed improvements to the systems of regulation and conduct of corporations that were intended to address whatever particular perceived weaknesses in the system was that had just been exposed.

Problems, concerns and inquiries, however, are not confined to the corporate sector. In 1994 the Inquiry into the Competence and Accountability of housing associations and their governance was established by the National Federation of Housing Associations (1995a) because of the increased scale and significance of housing associations and recognition that there had “been a number of mistakes and near disasters which could have been avoided by better governance”. Shortly afterwards the second report of Lord Nolan’s Committee on Standards in Public Life (1996) also examined the case of housing associations as local public spending bodies because of the concern “to ensure local accountability”. The Cabinet Office (2002) similarly also considered a review of the legal and governance framework for charities and not-for-profit sector was necessary to ensure effectiveness and maintain public trust.

In an attempt to learn from past problems a series of reports have been produced that draw out lessons and warnings for others from the experiences of housing associations that have got into difficulty (Ashby and Dudman, 1999; Ashby and Dudman, 2003; Tickell and Phethean, 2006; Underwood et al, 2014; Tickell et al, 2015). But problems still persist and housing associations continue to get into difficulty.

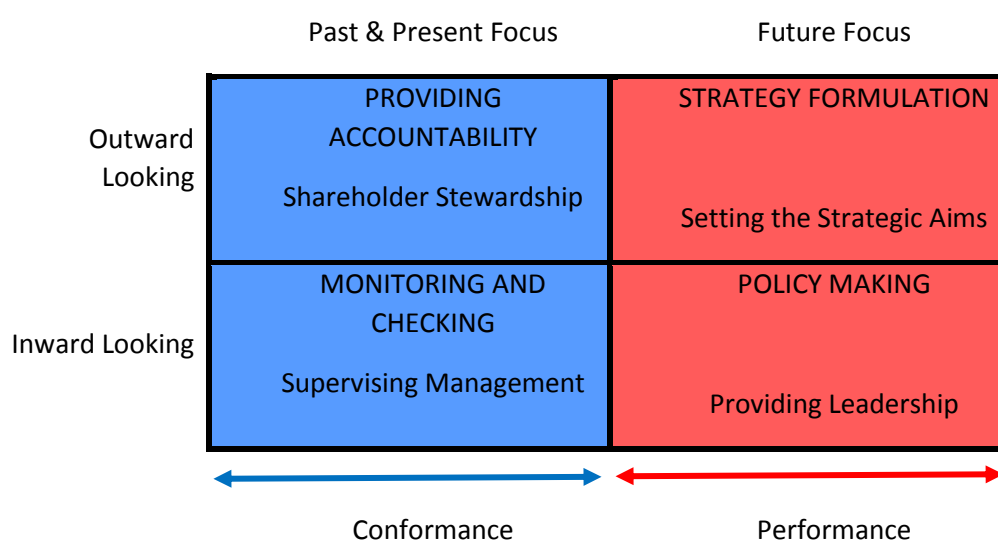
A concern is that much of what is written about the requirements for effective governance is that it appears to be predominantly normative and narrowly prescriptive and so frequently fails to appreciate the importance of the context, circumstances and the myriad of other factors that can influence how boards function and organisations operate. Governance is “an intensely human activity” (Chhotray and Stoker, 2009) and, as there is “no magic formula” for good governance (Greenbury, 1995), prescriptions tend to disappoint.

(iv) Conformance or Performance

By focusing on problem cases there is risk that this gives too much emphasis to the control and compliance aspects of governance.

The Cadbury Report of the Committee on the Financial Aspects of Corporate Governance (1992) stated that the governance responsibilities of boards included: “setting the company’s strategic aims; providing leadership to put them into effect; supervising the management of the business; and reporting to shareholders on their stewardship”. These four aspects of governance correspond to the four quadrants of the matrix of board functions developed by Hilmer and Tricker (1991).

Figure 3.1: Hilmer/Tricker Matrix of Board Functions



The Cadbury Report (1992) and subsequent corporate governance reviews have contributed to the creation of the Financial Reporting Council’s Corporate Governance Code (2014) which focuses on financial, reporting and compliance aspects of governance. The UK position is mirrored in the United States with the enactment of the Sarbanes-Oxley Act 2002 (Pub.L. 107–204, 116 Stat. 745), but in contrast in Australia the Independent Working Party into Corporate Governance (Hilmer, 1993) chose instead to focus on the performance aspects of governance to identify means by which boards could help achieve corporate success. Hilmer (1994) suggested that concern about “rotten apples” should not deflect attention away from the board’s main governance responsibility for leadership and strategy.

Tension between concerns for conformance and performance are also evident in the not-for-profit sector. Drucker (1990) suggested that non-profit organisations “malfunction as often as they function” and the conclusion from a study of board governance of not-for-profit organisations was that effective governance was “a rare and unnatural act” (Chait et al, 1996). But, rather than this causing increased attention to be given to prescribing exactly who should be on a non-profit board, how they should operate and what they should decide, it has been proposed as an alternative that boards should be transformed from passive control mechanisms to become active agents of policy and strategy (Firstenberg, 2008).

(v) Innovative Perspectives and Approaches

Much of the literature on corporate governance is based on normative exhortation about how to achieve success or prescriptions to avoid repeating past mistakes. A limitation of the research that has been conducted on aspects of corporate governance is that it has largely been concerned with trying to prove the applicability and relationships between a narrow array of dominant perspectives (Chhotray and Stoker, 2009; Cornforth, 2014). This is particularly problematic in respect of corporate governance for non-profit organisations, as many of the theories and concepts being tested were developed for private for-profit companies and may not automatically translate and be applicable in a different context.

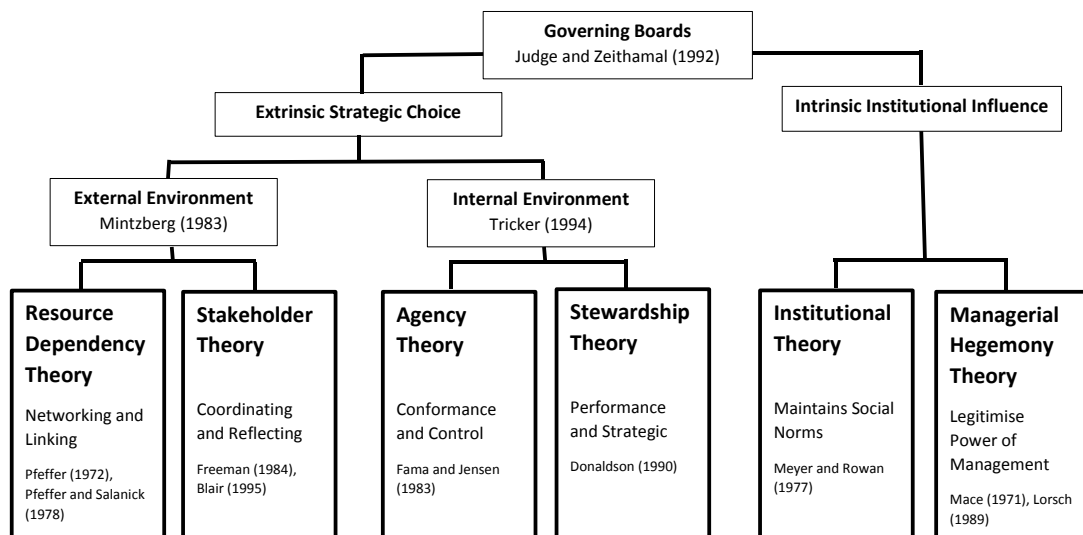
There have therefore been calls for “more of a multi-theoretical and multi-disciplinary” approach (Renz and Anderson, 2014). There is also a recognition that there may not be a grand theory of social enterprise governance (Cornforth, 2004). This thesis is therefore seeking to explore an innovative approach to research design to embrace the tensions, paradoxes and contested meanings that arise in the interpretation and application of governance in the housing association sector.

Governance Theories

(i) Typology of Governance Theories

Hung (1998) used a typological approach, as advocated by Doty and Glick (1994), to identify and distinguish six apparently separate and distinct theories and perspectives on the governance role and operation of boards. This sought to expose the underlying factors and variables applicable to each theory and presented these in the form of a family tree.

Figure 3.2: Typology of Theories of Board Governance (Hung, 1998)



The primary contrast in this typology is the distinction drawn by Judge and Zeithamal (1992) between theories and approaches to the governing role of board that are based on an intrinsic or institutional perspective and the alternative view that the concern of boards is with external influences and strategic choices.

The premise of the **intrinsic or institutional perspective** is that board structures and processes will reflect the need to conform to inherent norms, influences and expectations from within the organisation.

Institutional Theory as proposed by Meyer and Rowan (1977) and Tolbert and Zucker (1996) sees the governance framework within which the board functions is being institutionalised by constraints, pressures and regulations. DiMaggio and Powell (1993) propose how these institutional norms arise by a process of isomorphism as organisations seek to conform to what become accepted norms. By working within and respecting these boundaries, conventions and rules the board maintains stability, achieves respect from external constituencies beyond the organisation itself and so avoids the risk of being blamed if things go wrong (Eisenhardt, 1988).

Management Hegemony takes a different approach and proposes that it is the executives who have the real power and control of the organisation and the role of the board is largely ceremonial and acts as a means of supporting and legitimising management proposals and decisions. Mace (1971) revealed a divide between the myth of the powers and responsibilities of boards and the reality of their performance and what they do in practice. It was suggested that whilst most boards did serve as advisors and act as a corporate conscience to discipline or regulate executive power or act in a crisis they did not normally have any significant influence over strategy or even ask particularly discerning or searching questions. This view was endorsed by Herman (1981), but subject to the assessment that managerial power was always subject to the ultimate constraint and context of the board having ultimate authority. Lorsch and MacIver (1989) also considered governance legalities and realities and concluded that whilst boards of companies often had positional power they were inhibited and restricted from exercising this power except in a crisis. Williamson (1994) similarly distinguished between the visible responsibilities for governance and the reality of the invisible means by which power and control were exercised.

The **extrinsic or strategic choice perspective** assumes that the role and function of the board is not based on inherent controls, norms or constraints, but is instead shaped by responses to factors beyond the board itself. These challenges and opportunities could arise from the nature

of the **internal relationships** (Tricker, 1994), or from the process of establishing connections with **external interests** (Mintzberg, 1983).

Resource Dependency Theory is concerned with the extrinsic focus on making connections with external interests and sees the board as a mechanism for managing dependency and interdependence between organisations by establishing links and overlapping board memberships (Pfeffer, 1972; Pfeffer and Salancik, 1978; Hillman and Dalziel, 2003). The board is thus seen as “boundary-spanning” or “co-optative mechanism” mediating between internal and external interests. However, the extent to which overlapping board directorates is a consequence of a deliberate process or plays any part in influencing or aligning the strategies of the respective organisations, however “remains unmeasured and unverified” (Donaldson, 1995, p153; Hodgkinson and Sparrow, 2002).

Stakeholder Theory proposes that the board should seek to incorporate, reflect or represent within its own membership the views and interests of its key stakeholders (Freeman, 1984; Blair, 1995, Clarke, 1998). Stakeholders are the people, groups or bodies with whom an organisation interacts that have the ability to help or hinder it in the attainment of its objectives and are deemed to have a sufficiently important relationship with the organisation such that they should influence its operations (Post et al, 2002). The case for stakeholder theory is that corporations are more than “bundles of assets that belong to shareholders” (Blair, 1995) so require the board to govern the relationships between all the parties that interact to maximise total wealth and ensure the success for the enterprise, not just be concerned about the value of the shareholders stake. Advocates of a market approach to corporate governance, however, criticise this as “an idea whose time should never have come” (Hanks, 1994) and hold the view that, unless the interests of shareholders take precedence over all other stakeholder groups in the enforcement of corporate performance, funds may be squandered or diverted for the board and management’s own benefit (Berle, 1932; Friedman, 1962; Monks and Minow, 1995). A counter view is that it is only by being responsive to wider stakeholder issues and taking note of

corporate social responsibilities that boards can hope to achieve the goal of profit maximisation (Glasbeek, 1987; Tolmie, 1992).

Whilst adopting an extrinsic and strategic perspective Tricker (1994) suggested the essence of the role of the board in corporate governance should be concerned with the relationships and competing interests within the corporation itself rather than beyond it.

Agency Theory has emerged as the dominant perspective on corporate governance (Keasey et al, 1997). This arises from the separation of ownership and control and the assumption that the actions of managers (agents) need to be controlled to ensure that the interests of the shareholder owners (principals) are protected (Berle and Means, 1932; Fama and Jensen, 1983a). Agency theory is based on an economic perspective and conception of the relationships within an organisation as a “nexus of contracts” (Jensen and Meckling, 1976; Fama, 1980; Fama and Jensen, 1983a, 1983b; Easterbrook and Fischel, 1991). Shareholders are afforded pre-eminent status not only because they are the owners and have an interest in the opportunity to make a profit, but because ultimately they also bear the risk of the corporation making a loss, so therefore have a vested interest in allocating their resources where they will make the maximum return with the minimum risk. The assumption is that a free and efficient market for corporate control will ensure that management does in fact bear the cost and consequences of inefficiency or misconduct (Kosnick, 1987).

Although similar to agency theory, in that it assumes that managers will be prone to self-interest, satisficing or goal conflict, **Transaction Cost Economics** compares market costs with the costs associated with operating particular forms of organisation and governance structures (Coase, 1937; Williamson, 1975, 1985). The focus of transaction cost economics is on attempting to reduce costs “through judicious choice of governance structure (market, hierarchy or hybrid) rather than merely realigning incentives” (Williamson, 1984, p21).

In contrast **Stewardship Theory**, although concerned with the strategic aspects of governance relationships within corporations, challenges the fundamental assumption of agency theory (and transaction cost economics) of the self-interested manager and inherent conflict between their interests and those of owners that can only be curbed by vigilant monitoring and application of incentives and sanctions (Donaldson, 1990; Hilmer, 1993, 1994; Fox and Hamilton, 1994; Davis et al, 1997). Stewardship theory insists that there is “a much larger range of human motives, including needs for achievement, responsibility and recognition as well as altruism, belief, respect for authority and the intrinsic motivation of an inherently satisfying task (Donaldson, 1990, p372; Wood and Bandura, 1989). The benign view of management motivation by stewardship theory favours boards with a majority of specialist executive directors rather than non-specialist independent non-executives. It is, however, recognised that the success of stewardship theory is contingent on perceptions and psychological motivations of managers such that they choose to act as stewards rather than agents (Donaldson and Davis, 1991) and as Cornforth and Macmillan (2014) note, this can be dependent upon the specifics of the particular context and relationships as well as being negotiated and subject to change over time.

(ii) Search for an Integrative Perspective

Whilst each of the theories of corporate governance has some basis for support and can enhance understanding of a particular aspect of the ways in which boards function, none of the perspectives on their own provide a complete picture of the complexities, dynamics and relationships inherent in corporate governance.

The different board roles and drivers identified by each theory are based upon distinct ideologies. Resource dependency theory assumes the ability of influential people and organisations to determine access to resources associated with an elitist class-solidarity perspective (Mizuchi, 1983). Stakeholder and institutional theories, despite being concerned

with a different aspect of board operations, both describe the sociological paradigms by which organisations interact and regulate their environment. Agency theory is an economic analysis of the market mechanism that operates to control the divergent interests that arise from the separation of ownership and control, while management hegemony views the same phenomena from a social structure and power perspective. Stewardship theory has parallels with human relations and the processes for the mediation of power and conflict between constituencies within an organisation. Each theory is effectively an expression of a different perspective that is competing against others for advantage and dominance in the understanding of organisational governance.

The situation is analogous to the position described in the fable of the Blind Men and the Elephant⁴ and the poem by Godfrey Saxe (1863). That tale notes that “each was partly right” about one aspect or feature, but “all were in the wrong” in terms of providing a holistic and integrated understanding. By adopting a theory proving approach researchers risk remaining blinded by their own pre-determined positions and applying an over narrow conceptualisation of the concept of corporate governance (Daily et al, 2003, p379).

Tricker (1994, pp2-3) has warned that academic analysis of corporate governance risks becoming marginalised if it continues to devote its efforts and attention to trying to prove and validate these pre-established theories rather than doing more investigation to seek out and make sense of new evidence. As a consequence, the basis for this thesis is that it seeks to adopt an abductive approach to generate new insights and uses Q methodology to generate a holistic understanding of the many facets and competing perspectives of housing association governance.

There are those that have already been adopting and advocating integrated analysis and multi-disciplinary methods. Hirsch et al (1987) compared economic and sociological approaches. Eisenhardt (1989) espoused the application of agency theory alongside other theories and

⁴ Also referenced in connection with Q methodology in **Appendix 5**

perspectives “to capture the greater complexity”. Chhotray and Stoker (2009) also explored governance theory and practice using a cross-disciplinary approach. But despite this there still continues to be considerable doctrinal dispute about what the key corporate governance research issues should be and means by which these should be exposed and expounded.

Clarke (1998, 2004) suggests a key reason for the failure to establish an integrative understanding and explanation of the way boards behave is the fact that researchers tend to adopt positivist methods to rationalise and define multifaceted and dynamic phenomena. As a consequence much of the literature on corporate governance has been criticised for being normative and prescriptive (Pettigrew, 1992; Stiles and Taylor, 2001) with the role and function of boards being assumed and imputed without investigation of the reality of board behaviours. The call by Heracleous (1999), for fine grained descriptive research to be undertaken, still remains largely unanswered and this thesis is intended to provide one contribution towards addressing that deficit.

Applicability of Theories to Not-For-Profit Housing Associations

(i) Separate or the Same? – Theories of Not-For-Profit Governance

Cornforth (2003, p6) notes that “the governance of non-profit organisations is relatively under-theorised in comparison with the governance of business corporations”. Although the volume of literature and advice provided to not-for-profit boards to follow could no longer be described as “meagre”, the material available is still “typically prescriptive” (Middleton, 1987) and appears to seek to discover a formula for an ideal mode or model of governance. Herman (1989a) also considered that the lack of systematic research was surprising. This is especially so given the increasing application and adoption of corporate governance by organisations in the public and not-for-profit sectors.

The increasing adoption of commercial for-profit corporate governance principles by public and not-for-profit organisations has been described as a process of “boardization” (Wilks, 2007). This mimicry of private sector models is a clear case of “mimetic isomorphism” (DiMaggio and Powell, 1983), but also raises the question of whether the theories developed to explain the operation of for-profit governance are necessarily relevant and applicable to not-for-profit organisations.

The Wolfenden (1978) Report on the Future of Voluntary Organisations has been credited with the creation of the notion of a ‘voluntary sector’ (6 and Leat, 1997), but Hall (1992) suggests that the concept of a separate nonprofit sector was a distinction without substance and an academic invention. Although Carver (1990) claims that the governance of the nonprofit sector is “profoundly different” from the for-profit sector, there are others who suggest or assume that differences are simply matters of degree or circumstance rather than relating to the fundamental nature and character of the organisations (Brody, 1996).

In a commercial corporation a strategy of enlightened engagement and responsiveness to community and stakeholder interests may be seen as the best means for a corporation to achieve its primary objective of profit maximisation and shareholder satisfaction. In not-for-profits the converse applies. Housing associations may need to act commercially and accrue profits in order to be able to achieve their social goals (Goodman v Dolphin Square Housing Trust (1979) 38 P & C R 257), but these profits are not the ultimate objective, only the means to ensure housing associations remain economically viable and have the capacity to grow and improve services for the future. The search for profit is not inconsistent with social sensitivity nor is the absence of profit motive incompatible with sound economic performance, but this does not mean that the governance issues are the same. The demarcation between not-for-profit and for-profit organisations may thus depend more on form than function.

Doubts, however, have been raised about the suitability and effectiveness of trying to impose commercial modes of governance and operation onto public and not-for-profit organisations (e.g. Fram, 1986; Plummer, 1994; Weisbrod, 1998; Harris, 1999; Zitron, 2003; Farrell, 2005).

Despite these cautions, attempts have been made to try to extend and relate the theories of corporate governance in Hung's typology (1998) to the operation of the boards of not-for-profit organisations (Cornforth, 2003)⁵.

(iii) **Non-Distribution Constraint - No Owners/No Accountability**

A defining characteristic of housing associations is that they are not-for-profit organisations. Hansmann (1980) described the "non-distribution constraint" as the essence of the not-for-profit condition because it prevents the distribution of net earnings (i.e. profits) to those who exercise control over it whether they are members, managers, directors or trustees. The non-distribution constraint is intended to provide assurance that not-for-profit organisations will only use funds for their intended purpose⁶ and they will not be syphoned off for personal gain. This status helps nonprofit organisations overcome particular forms of market failure (e.g. where payment is made by a third party; in the provision of public goods; and where services are complex and difficult to monitor) that make it difficult to verify whether the service has

⁵ The following are a selection of papers that have sought to align not-for-profit governance with corporate theories of governance (although in some cases the conclusion reached was that the theory did not fit).

- **Agency Theory (Control Role)**
Hansmann (1980; 1981), Kramer (1994), Abrahamson (1997), Weisbrod (1998), Olson (2000)
- **Stewardship Theory (Strategic Role)**
Drucker (1990), Herman and Heimovics (1990; 1991), Jurkiewicz and Brown (2000)
- **Resource Dependence Theory (Linking Role)**
Useem, (1987), Galaskiewicz (1985)
- **Stakeholder Theory (Coordinating Role)**
Hall (1982), Abzug and Galaskiewicz (2001)
- **Institutional Theory (Maintenance Role)**
Salamon (1981), Skelcher and Davis (1995), Grobjerg (1987)
- **Managerial Hegemony (Support Role)**
Kramer (1985), Platt et al (1985)

⁶ Despite the easing of ultra vires for companies by S. 108 Companies Act 1989 (inserting revised SS35-35B in Companies Act 1985) housing associations that are registered charities or Community Benefit Societies remain subject to the full effects of the doctrine and fiduciary duties that prevent the board from exceeding the scope of its authority

been provided to the requisite standard (Hansmann, 1981; Fama and Jensen, 1983b; Weisbrod, 1998).

Hansmann's analysis (1980; 1981) is based on an economic (i.e. agency/control) perspective. The corporate powers and controls in a for-profit enterprise operate to provide the equity shareholders, as owners whose investment is at risks, with rights to hold the directors to account or exit via the market for corporate control (Berle and Means, 1932; Fama and Jensen, 1983a; Easterbrook and Fischel, 1991). But, because of the non-distribution constraint, there are no economic owners in a not-for-profit organisation.

Although many housing associations (and other not-for-profit bodies) do have members or shareholders, they do not have any entitlement to the organisation's funds or capital so cannot be regarded as true owners because they lack any basis for legitimacy in the contractual web of corporate control (Easterbrook and Fischel, 1991).

In public companies the board has little or no control over the composition of its membership as this is determined by investment and divestment decisions and by the market (Parkinson, 1993). For not-for-profit organisations, because the non-distribution constraint means that there are no true owners, the composition of the membership can ultimately be determined by the board. As a consequence many housing association boards seek to restrict the membership to those they expect to reflect and support the board's own views. Whilst this may avoid conflict it also means that boards face a minimal risk of challenge or scrutiny from their membership and has led to accusations that housing association boards are "self-perpetuating oligarchies"⁷ (Kearns, 1992, p28; Alder and Handy, 1997).

Kearns (1994c) found that the average (mean) shareholder membership of housing associations was 64, but with some significant levels of variation. The National Federation of Housing Associations' Governance Inquiry (1995a, pp16-17) had recognised that "admission of members is controlled by the board so the accountability is circular" so concluded that "although

⁷ This expression had also been used to refer to housing associations by Allan Roberts MP for Bootle (Hansard, 1982)

membership through shareholding can be useful ... it is not a reliable or systematic mechanism of accountability". The Committee on Standards in Public Life (1996, pp83-84), however, took a more positive view and recommended that "housing associations should be encouraged to develop membership schemes as means of increasing accountability" as "a housing association without a broad based membership is accountable ... only to itself".

It has been suggested that the patrons and funders of not-for-profit organisations should be afforded rights akin to those of true equity shareholders and accordingly be able to exercise control (Hansmann, 1980; 1981; Ben-Ner and Van Hoomissen, 1994). In the case of housing associations this would involve giving ultimate control to the government, which is where several commentators have suggested de facto control is already vested (Alder, 1998; Malpass, 2000). However, because housing association boards are ultimately able to determine who their members should be, it is up to the board to decide the extent to which and to whom it is to be held accountable and which interests will be allowed to influence the character and purpose of the organisation (Ebrahim, 2010).

It was because of the lack of accountability and discipline of the market for control over the boards of housing associations that their board members were previously required to serve without remuneration or reward. This was to avoid any accusation of self-serving or self-interest and so as to provide an impartial interface between stakeholder interests and the executive management. But it is supposed that the power to provide remuneration for housing association boards was introduced and felt to be justified, at least in part, because of a recognition that any protection this impartiality provided would not be effective if the board was not sufficiently skilled and motivated to direct the organisation and hold the management to account. This leads on to questions about how effective boards are in reality in exercising control.

Governance Realities - Do Boards Have Control?

The board is typically portrayed as being at the apex of the organisation (Tricker, 1993) and many normative views see the board as being actively involved in directing strategy and structure, responsible for resource management and exercising oversight of performance and delivery by the executive management (Finklestein and Hambrick, 1996; Dulewicz et al, 1995). But the reality often falls short of such expectations and hence the proliferation of guides, checklists and frameworks to help boards to improve (e.g. Donaldson, 1995; Garratt, 1996; 2003; Gould, 1997; Allday, 1997; Renton, 2001; Charan, 2005; Bain and Barker, 2010). Lorsch and MacIver (1989) suggest that too many boards are “acting as the pawns of the chief executive rather than the potentates the law intended them to be”. Mace (1971) and Kosnik (1987) similarly portray boards as being hapless and manipulated by chief executives. Drucker (1974) said board were “an impotent ceremonial and legal fiction” and Bryne (2002) described them as simply “ornaments on a corporate Christmas tree”.

Although the National Housing Federation’s title for its board members’ manual is “In Control” (Ashby, 1996; 2000; 2005) and now “Leadership and Control” (Davey et al, 2011), there have been questions about whether this is a realistic proposition. Malpass (2000, p260) suggests “it is fanciful to think that [board members] are in control of strategy” and Platt et al (1985, p83) found that “because of the almost impossible demands ... many people ... are beginning to question whether the whole idea of effective control by voluntary members is a charade”. It may be unrealistic to expect voluntary boards, with episodic involvement, to manage and control the entire business of large housing associations that now operate in an increasingly complex and competitive environment. But it is not clear whether providing payment to housing association board members will ensure they are any better able or equipped to undertake this responsibility.

As Prentice (1993) states “English company law still clings to the outmoded principle that the board ‘manages’ the affairs of a company, whereas, it is generally accepted that in reality, given the constraints of time, composition and information, the role of the board is a supervisory one involving the monitoring of the performance of executive directors and senior managers”. Because chief executives and executive directors inevitably play a substantial role they will normally be regarded as de facto or shadow directors⁸, even if they are not formally appointed as board members of a housing association.

Malpass and Mullins (2001) echo Mace (1971) in suggesting that the role of voluntary board members in housing associations is “primarily symbolic, providing a fig leaf to cover the unpalatable fact that real power lies elsewhere”. Thus although boards have hierarchical authority, it is the management executives who often have functional control. The relationship between non-executives and executives can be seen as one of latent conflict and power interdependence (Kramer, 1985). The exercise of management’s power and influence over the board, however, has to be subtle and unobtrusive, since there is little scope for them to adopt an adversarial stance of open confrontation as this would be likely to result in their removal by the board. Notwithstanding management’s potential power, boards are still able to exercise control though their capacity to constrain and circumscribe management’s discretion by setting limits and expectations within which management are required to act (Herman, 1981). Thus rather than fulfilling a ‘heroic model’ of nonprofit governance it is suggested that boards may be more effective if they allow the executives to take responsibility for performance but then hold them to account (Herman, 1989b). Hence the suggestion of this being seen as a relationship based on a ‘negotiated order’ (Cornforth and Macmillan, 2016).

It is evident that the reality of how boards function does not always reflect the legality of what the law expects.

⁸ S.251 Companies Act 2006 defines a shadow director as a person in accordance with whose directions or instructions the directors of the company are accustomed to act.

The normal legal standard of competence and commitment expected of a company director (except in an insolvency situation) are not onerous in that they should exercise the skill and care expected in the management of their own affairs⁹. This is a subjective test and board members are not held to a higher standard of knowledge and experience than they actually have except where they claim to have a specific level expertise or ability when they will then be expected to apply it. The duties of board members are also intermittent rather than continuous so only arise when engaged with the affairs of the company and are not imputed to them at meetings when they do not attend. It has therefore been suggested that corporate directors “enjoy virtually complete immunity from liability for good-faith errors of judgement” (Mace, 1976).

Charity trustees in contrast are held to an objective standard and are expected to demonstrate the skills and judgement of a competent business person irrespective of their own experience and are also required to devote as much time to the affairs of the charity as it may require and act without delegation unless this is expressly authorised¹⁰.

The mere fact that a charity is incorporated does not mean that the more onerous trustee standards do not apply¹¹ leaving some uncertainty about the standards expected from the board members of charitable housing associations (Siciliano and Spiro, 1992). It would certainly seem anomalous if voluntary board members in housing associations were subject to higher standards of care and conduct than their paid corporate counterparts¹².

⁹ Re. City Equitable Fire Assurance Co. [1925] Ch.407 now codified in S. 174 Companies Act 2006

¹⁰ The rationale for this differential duty was explained in *Bartlett v Barclays Bank Trust Co. Ltd* [1980] Ch 515 as the primary duty of trustees being to protect the funds of the trust, but for a company the expectation is that the directors will be expected to take risks in pursuit of profits.

¹¹ *Re French Protestant Hospital* [1951] 1 Ch 567

¹² If a problem does occur housing association board members are either likely to be protected by liability insurance or able to rely on the assurances given by Lord Eldon in *AG v Exeter Corporation* 1831 2d Russ 54 that the court “will not press severely upon them when it sees nothing but mistakes” (also S.61 Trustee Act 1925 and S.727 Companies Act 1985)

Governance Codes and Composition

(i) Regulatory Requirements and Codes of Governance

The dominant view about what is considered to be ‘good governance’ from the perspective of both theory and practice is increasingly being defined and applied by codes of governance. Although there is unlikely to be a definitive correct way to achieve effective corporate governance, governments and regulators are nevertheless concerned to ensure that action is taken so that past problems cannot or will not be repeated. Codes of governance have therefore been established to set common expectations and guide how boards should be formed and operate.

Unlike the prescriptive and paternalistic approach to housing association regulation adopted by the Housing Corporation (Murie, 2008), that attempted to pursue and promote multiple agendas and impose ways of working on housing associations (Mullins, 1997), the Homes and Communities Agency’s regulatory requirements are explicitly concerned only with ensuring compliance with economic and consumer standards (Homes and Communities Agency, 2015a). The Homes and Communities Agency has also sought to apply the principles of co-regulation with the expectation that housing association boards will be held accountable for managing their own governance arrangements. It does nevertheless require housing associations to “adopt and comply with an appropriate code of governance”, “assess the effectiveness of their governance arrangements at least once a year” and explain any “areas of non-compliance with their chosen code” (Homes and Communities Agency, 2015b).

The National Housing Federation first produced a code of governance for housing associations in 1995 (National Federation of Housing Associations, 1995b) to reflect the recommendations of the Hancock Inquiry into the Competence and Accountability of housing association governance (National Federation of Housing Associations, 1995a). This has since been updated and revised in 2000, 2004, 2010 and 2015.

In its review of Housing Governance, accountants Grant Thornton (2014) showed that 8 of the 60 largest housing associations (13%) had not adopted the National Housing Federation's Code but had opted instead to follow the Financial Reporting Council's UK Corporate Governance Code (2014) instead. This provides an indication that some of the larger housing associations may no longer regard their primary allegiance and mode of operating as being reflected by the norms and standards of the not-for-profit housing association sector, but are instead looking to commercial and listed companies as their comparators. The Grant Thornton Review (2015), however, noted that in 2015, 90% of the 60 largest housing associations had declared they were fully compliant with their chosen code compared with just 61 % of FTSE 350 companies.

The main concern of codes of governance is not with the outcomes and effectiveness of governance, but with the composition and manner in which boards are constituted and configured as inputs to the governance process. The following sections will therefore consider particular aspects of the composition of housing association boards.

(ii) Size

Board size ultimately represents a compromise between intimacy and diversity (Coulson-Thomas, 1993). This requires a balancing of internal factors influenced by the ideal dynamics of the board as a team and external factors that depend upon the role the board is seeking to fulfil linked to the position and purpose of the organisation. A big board may provide the potential for a greater range of talents, perspectives and connections, but this needs to be set against interpersonal factors such as unity of purpose and team effectiveness that may militate in favour of a relatively small group size (Handy, 1993)

Large groups tend to lack “proximity” between their members (Zander, 1994) which can cause inconsistencies in interpretation and suppressed conflict, due to social pressures to conform that tend to increase with group size (Belbin, 1981). There may also be less opportunity to contribute in a large forum making it more likely that some members could become marginalised or denied a chance to make a meaningful contribution and so weakening their level of engagement (Alderfer, 1986).

Hudson (1995) identified three categories of boards according to size and the role they perform: a “hands-on board” of 7-12 members likely to deal directly with governance decisions; a “representative board” of 12-35 members that ensures a wide range of constituencies and interests are represented, but only likely to address key issues and delegate other matters; and a “policy board” of over 35 members likely to meet infrequently to provide a check on key matters of policy and principle.

Although there is no single ideal or absolute rule that should determine a board’s size, governance codes and commentators often do seek to set parameters or express opinions about what the size of boards should be. These views also change over time. There appears¹³ to be a trend, towards smaller housing association boards (Pawson and Fancy, 2003) and it is suggested that this has occurred “as the emphasis has shifted from a representative body to a skills based group with key functions to perform” (Rochester and Hutchison, 2001, p17)¹⁴.

This is illustrated by the reduction in the size of the board of Anchor Housing Association/Anchor Trust during the period prior to the introduction of board pay in 2003. In 1995 the Anchor board had 22 members (including the chairs of each of its 12 Regional Committees) (Anchor Housing Association, 1995). In 1998 the board was reduced to 15 as the

¹³ Trend in pronouncements of codes and commentators is evident, but it is more difficult to ascertain the extent in the actual trend and if there is an actual shift towards smaller boards because of a lack of comprehensive analysis of the composition of housing association boards since the survey undertaken by Caincross and Pearl (1983).

¹⁴ The trend towards smaller ‘corporate’ boards for larger housing associations appears to be in contrast to the charity sector where evidence suggests that larger charities tend to have larger boards and between 1994 and 1999 the average size of charity boards actually increased (Cornforth, 2001; Kirkland and Sargent, 1995).

Regional Committees were disbanded when the organisation moved to a management structure based on different business functions (Anchor Trust, 1998). By 2002 the 15 had become 13 due to attrition (Anchor Trust, 2002), at which point Anchor decided to adopt a 'corporate' model of governance with a board of 6 remunerated non-executives plus 2 executives (Anchor Trust, 2003).

In 1995 the National Federation of Housing Associations' Code of Governance (National Federation of Housing Associations, 1995b) said that "Boards should have at least 7 members. Boards with more than 15 members (including co-optees) should ... consider whether a smaller number of members would better serve the interests of effective decision making" (paragraph 3.4). However, the latest version of the National Housing Federation's Code of Governance (National Housing Federation, 2015) states that "Boards should have at least 5 members and no more than 12, including any co-optees" (paragraph B4).

Results, considered in **Chapter 2** and **Appendix 4**, from the analysis of the financial statements of the largest 210 housing association groups responsible for over 90% of housing association properties, show that most of the large housing associations (172 out of 210) have boards of between nine and twelve members. Only 22 (10.5%) have a board of more than twelve members and 16 (7.6%) have a board of fewer than nine members.

(iii) Tenure

Board transition is acknowledged to be a sensitive issue (Dulewicz et al, 1995). The question of board member tenure and turnover is not an issue or concern that is confined to housing associations and is also an issue for charities (Hind, 1995) and for-profit companies (Plastow, 1993).

In order to make the process of board member replacement and renewal automatic and not linked to personal sensitivities about an individual's performance or contribution, housing associations are encouraged to set absolute time limits on the period for which board members can remain in office. Grant Thornton (2014, p6) report that where housing associations are non-compliant with the code of governance "this is commonly due to non-executive directors' terms of office exceeding the recommended nine years".

Since 2015, the National Housing Federation's Code of Governance is now absolute and explicit that a "maximum tenure must be agreed for all non-executives which must be nine years or fewer" (National Housing Federation, 2015). Previous versions of the National Housing Federation's Code of Governance had merely indicated the importance of board renewal for good governance and recommended that "if a board has a large proportion of long-serving board members ... plans should be made to move towards a more even balance of experienced and new members" (National Housing Federation, 2004) or specified that to support board renewal there "should usually be ... an overall maximum period of board service for non-executive board members of nine years" (National Housing Federation, 2010). The first Code of Governance issued by the National Federation of Housing Associations, however, contained no stipulations about what the maximum length of tenure should be and had merely recommended that each board "should decide and publish its policies for ... overall maximum terms of office for individual board members, the chair and other officers" (National Federation of Housing Associations, 1995b).

Although the Corporate Governance Code for listed companies does not specify a maximum term of 9 years it does state that "non-executive directors should be appointed for specified terms [and] ... any term beyond six years for a non-executive director should be subject to particularly rigorous review and should take into account the need for progressive refreshing of the board" (Financial Reporting Council, 2014).

The Homes and Communities Agency has cited lack of board renewal as a basis for downgrading its regulatory assessment of whether associations are properly governed in a number of cases (e.g. in August 2013 Bournemouth Churches Housing Association received a G2 regulatory judgement because it did not have “an explicit plan for board succession” such that the “independence of the board could be compromised by a lack of challenge to long-standing practices and thinking”) (Homes and Communities Agency, 2013; Morgan, 2014).

The ‘9 year rule’, however, has been and remains contentious. It is seen by some as being damaging by denying housing associations “continued access to the people they needed most with key skills, experience and understanding of the organisation” (O’Byrne, 2014). It has also been called “discriminatory” with suggestions that it prevents complacency rejected because “board members may be just as likely to accept longstanding practices and thinking if they are relatively new than if they have been around for years” (Bogle, 2013).

The case for refreshing the composition of boards is that “strong norms and values can develop within boards resulting in differences of opinion and debate only occurring around a narrow range of issues. If new people join a board there is a greater chance of these norms being tested and checked to ensure they still remain valid and appropriate to changing conditions and circumstances rather than simply being taken for granted” (Moore, 2015). Because making changes to the composition of the board can be contentious with incumbent board members often reluctant to relinquish their position of power and influence, the National Housing Federation concluded that it was necessary to have an arbitrary rule that forced housing associations to limit board service. Having to resort to arbitrary measures, however, implies that the Board is not otherwise capable of controlling its own membership sufficiently in order to remove intransigent board members or to be able to secure the continuation of effective, diligent and valued board members when appropriate. It also raises the question of why the same case and pressure to force a process of refresh and transition is not being applied to the tenure of executive directors and chief executives (Moore, 2015).

(iv) Skills

Sir Richard Greenbury (1995) considered that “the most important factor governing a successful board is ... the quality of the board itself. If the members of the board are all people with a strong commitment to the company and a real knowledge and experience of its operations the constructive discussion will be possible and sound decisions can be reached”. It is also suggested that despite the increased attention and focus on matters of corporate governance, problems will persist until the quality of people serving on corporate boards is improved (Pozen, 2010).

Chevin (2013, p33) suggests that “as housing associations take on bigger risks, gear themselves up and start branching out into new areas, the biggest concern ... is whether they have the requisite skills at board and management level to thrive in this new world”.

Board skills have tended to be assessed in terms of professional or managerial competencies rather than on the basis of attitude and outlook. At the time when the National Federation of Housing Associations commissioned the Inquiry into Housing Association Governance (National Federation of Housing Associations, 1995a), the Housing Corporation was monitoring the composition and competence of housing association boards according to seventeen different categories of skill or experience (Housing Corporation, 1994)¹⁵. The conclusion of the Inquiry was that “competence ... goes beyond particular skills. It includes the ability to understand the impact of the association’s work on local communities and those that it seeks to serve. It requires a high level of commitment and cohesion in pursuit of shared goals” and recommend a “wide definition of competence rather than a narrow one that is limited to identifying particular professional skills” (National Federation of Housing Associations, 1995a, p26).

¹⁵ (1) Housing or Estate Management; (2) Property Management or Maintenance; (3) Property Development; (4) Financial Management or Accountancy; (5) Private Finance or Banking; (6) Public Sector Housing; (7) Legal; (8) Special Needs Housing; (9) Community Care; (10) Local Government; (11) Central Government; (12) Housing Associations or Housing Corporation; (13) Organisational Management; (14) Personnel or Staffing; (15) Charitable Fundraising; (16) Press and Public Relations; (17) Tenants or Leaseholders of the Association

Evidence submitted to the National Federation of Housing Associations' Governance Inquiry included data from a survey of the composition of housing association boards drawn from a sample of 303 associations (Kearns, 1994b). This showed that 19% of board members were from the housing sector and 12% from a finance background. At least 39% of board members had a degree and/or professional qualification which was twice as many as in the general population (Thomas et al, 1994). The conclusion drawn was that "most associations already have several professionals ... on their committees and most also have relevant skills from housing, construction and finance" such that "financial inducements ... are certainly not necessary to recruit people with a private sector professional or managerial background" (Kearns, 1994b, p34).

This view was subsequently corroborated by a comprehensive survey of housing association board members, commissioned by the Housing Corporation in 2003 immediately prior to the introduction of board payment, which found a "growing professionalisation of housing association governance", with 81% of board members who were still working having managerial, executive or professional/technical roles and 47% of board members with a degree (Caincross and Pearl, 2003).

A study of boards of housing associations had proposed that the essential attributes of good board/committee members (in order of importance) were: "Purpose (understands the aims of the association); Motivation (keen to devote enough time and effort); Temperament (fits into the group); Nous (gets to the heart of the matter); Experience (knows about people) and Expert (has a particular skill)" (Platt et al, 1985, p42). But it suggested that when looking for new board members these criteria are too often applied in reverse order such that "people are usually sought for their experience ... the coincidence is of the personalities"(Platt et al, 1985, p42).

Accountancy firm KPMG, however, claim that problems arise because boards lack key expertise and housing associations should therefore “aim to have at least one executive and one non-executive director with specialist knowledge in an area, plus other board members with reasonable awareness” in order to achieve an appropriate level of executive challenge (Wilson, 2014). Housing associations are still encouraged by the regulator to ensure they undertake regular board skills assessments and have a membership that “covers all the necessary bases” and a number have received regulatory downgrades as a consequence of failing to ensure their board had members with adequate finance, commercial or treasury expertise (Morgan, 2014).

(v) Diversity

The National Housing Federation’s Code of Governance states that housing associations need “a board which includes people from diverse backgrounds and with diverse attributes to help ensure healthy debate and challenge, and a range of perspectives” (National Housing Federation, 2015).

The leaders in the housing sector were characterised by a past President of the Chartered Institute of Housing, Steve Stride, as being “too male, too pale and too stale” prompting the launch of a drive to improve diversity amongst the leaders in the sector (McKenna, 2015; Chartered Institute of Housing, 2015).

When Cairncross and Pearl (2003) did their study of housing association board composition they found that 70% of board members and 78% of board chairs were men. The largest age group of board members was the 55 – 64 year olds (33%) with 26% aged 65 or above. 85% of board members (90.5% excluding board members from specifically Black and Minority Ethnic (BME) housing associations) classified themselves as being White: British.

One of the justifications proposed for the introduction of payment for housing association board members was that it would “broaden the diversity of board membership” (Compass Partnership, 2001b) although only 9% of housing associations favoured payment as a lever to address recruitment challenges (Compass Partnership, 2001a).

A survey of 40 UK housing associations, undertaken for Inside Housing by the Board Development Agency, provided the basis for the headline that “Boards shrink for housing associations, but diversity is static” (Hilditch, 2014). This was, however, based on a rather opportunistic approach to sampling of housing associations from England, Scotland Wales and Northern Ireland so that even after a further 40 responses had been obtained the number of responses was “too small to be able to draw statistically significant conclusions” (Atkinson and Harling, 2015). The results reported were that: 34% of board members were women, 22.5% (9 out of 40 associations) had female chairs; 11% of board members were from black and minority ethnic (BME) backgrounds; and the average age was 56 (Hilditch, 2014; Atkinson and Harling, 2015).

The Grant Thornton Housing Governance Review 2015 was based on a desktop review of the financial statements of the largest 60 English housing associations (Grant Thornton, 2015) and was able to make comparisons with the results from the equivalent study undertaken in 2014 (Grant Thornton, 2014). This found that 34% of the board members of these largest housing associations were female (up from 28% in 2014) and 30% of chairs were female (up from 20% in 2014). This appears to be replicating the trend in the corporate sector where female representation on FTSE company boards has also been increasing, albeit from a very low base (Vinnicombe et al, 2015).

Whilst the degree of “demographic diversity” achieved through factors such as gender, age and ethnicity is relatively easy to measure, it is more difficult to assess, yet arguably more important to understand, the extent to which a board demonstrates “cognitive diversity” in how its members think, comprehend and interpret their role and the purpose of the organisation

(Forbes and Milliken, 1999). Too much cognitive diversity can lead to conflict and a lack of cohesiveness, but too little can result in an absence of challenge and complacency. The key therefore is to try to achieve and maintain the optimal degree of cognitive heterogeneity to maximise the board's potential (Treichler, 1995). But maintaining a diverse board can also be a challenge as research suggests that diverse groups tend to have lower levels of satisfaction and higher rates of member turnover than more homogeneous groups (Milliken and Martins, 1996).

(vi) Tenant/Resident Board Members

The Nolan Committee on Standards in Public Life (1996, p82) considered that there were “advantages to be gained from ensuring tenant representation and involvement in the management of the housing association and that all associations should have a coherent strategy for achieving this”, but also said that “tenant involvement at board level will not usually be enough on its own”.

The Housing Corporation (2006a) set an expectation that all housing associations with more than 250 properties would have tenants on their boards. Although, because of the wider remit of the Tenant Services Authority (TSA), it could not mandate that tenants were represented on the boards of all providers, the TSA did require them to “support co-regulation with their tenants” and achieve this by offering “a wide range of opportunities to be involved in the management of their housing, including the ability to influence strategic priorities” and “ensure that any changes to tenant involvement in governance ... leads to an enhancement of the overall effectiveness of their approach” (Tenant Services Authority, 2010).

The role of tenant board members in the governance of housing associations, however, has been and remains “ambiguous and contested” (Bradley, 2008). Tensions arise because on becoming board members tenants are required to adopt a “neutral” or “universal” perspective as a board member setting aside their own position and giving priority to the interests of the

organisation (Cowan et al, 2006; Bradley, 2011). Tenant board members in effect become “representatives without the means to represent” (Clapham and Kintrea, 2000, p547).

Caincross (2004) found that “tenant board members ... have a very different profile and consequently different experience and skills ... far removed from the white collar professional expertise of the majority”. There is a greater gender equality amongst tenant board members (53% male, 47% female) and a slightly older age profile with 40% of tenant board members aged 65 or over (Caincross and Pearl, 2003). The marked difference of tenant board members, however, is in respect of their job roles and qualifications. 86% of working non-tenant board members are in managerial or professional occupations, compared with 41% for tenant board members (Caincross and Pearl, 2003). 3% of working non-tenant board members have manual occupations, compared with 18% for tenant board members (Caincross and Pearl, 2003). 54% of non-tenant board members have a degree, compared with 12% for tenant board members (Caincross, 2004). A consequence of this difference is that “tenant members have found themselves less and less able to take part in discussions of finance and other increasingly technical matters” (Billis et al, 1994).

To address these tensions the Audit Commission recommended that tenant board members should be recruited by selection interview rather than by election (Audit Commission, 2004) and a review of Housing Corporation regulation proposed that residents might make a more valuable contribution on boards of parts of organisations responsible for direct service delivery rather than on strategic boards (Elton, 2006).

The Commission on the Future of the Sector, established by London & Quadrant (Graham, 2006), rejected the whole notion of tenant board membership as being incompatible with efficient business operations. This reflected the shift by many larger housing associations away from “representational” forms of tenant accountability and towards a more “consumerist” approach with a focus on surveys and quantitative measures of tenant satisfaction (Mullins and

Murie, 2006; Mullins, 2010). Concerns are, however, still raised that “tenant representation is being sacrificed” and subject to “a subtle and slow death” by the rhetoric of professionalised and skills-based governance being promoted by the Homes and Communities Agency and the National Housing Federation (O’Byrne, 2015).

(vii) Executives on Boards

Although the Committee on Standards in Public Life (1996, p86) saw no need for a “change in the practice that chief executives of housing associations are not board members” it felt that “regulators should be prepared to approve rule changes which permit this”. The earlier National Federation of Housing Associations Governance Inquiry (1995) had also not been persuaded by the arguments in favour of unitary boards of which senior staff are members as well as non-executive members, but had similarly felt it would be “wrong for this form of governance to be denied to associations that find it attractive” (paragraph 4.10, p18). Opponents of unitary boards had, however, put their case forcibly, maintaining that a board entirely of non-executives was “an important protection for the voluntary tradition of housing associations” (paragraph 4.9, p18).

The Grant Thornton Housing Governance Review (2015) found that 19 of the 60 largest housing associations had exclusively non-executive boards. The analysis of the financial statements of the 210 largest housing association groups (**Appendix 4**) shows that 123 out of 203 (over 60%) of associations still had exclusively non-executive boards and only 9 (less than 5% had more than 2 executive board members). Thus despite the shift towards paid non-executives by many housing associations, the composition of boards has largely remained unchanged indicating the introduction of pay may not necessarily have resulted in a complete move towards a corporate model of governance.

Assessment - An Alternative Approach?

This thesis seeks to explore the extent to which the features of board size, tenure, skills, diversity and extent of the practice of representation of tenants and involvement of executives on boards of housing associations is significant in shaping the conceptions of the role of the board and attitudes to payment. Pfeffer, (1972), however, noted that the composition of the board was related to the social context in which the organisation is embedded. Common criticisms of theories of corporate governance are that they appear “one-dimensional” (Cornforth, 2003), “overly narrow” (Judge, 2009) and to “under estimate the complexity” involved (Clarke, 2004).

Thinking about corporate governance across all sectors appears to have become dominated by an economic Anglo-American perspective (Learmount, 2002). But the assumption that globalisation means that there will inevitably be a convergence to this dominant model of governance has been challenged as being culturally insensitive and ill-conceived (Branson, 2001). Corporate governance cannot be seen in isolation from the cultural and institutional context in which it operates (Charkham, 1995; Guillén, 2000; Clarke, 2004). The case for the convergence of governance theory does not therefore appear to be credible (Romano, 1993; Clarke, 2004). It is therefore proposed that particular caution is needed before assuming the applicability of for-profit models of governance to the housing association and not-for-profit sectors.

Governance ultimately is the means by which hybridity is enacted and organisations make sense of alternative conceptions of how the board should be constituted and the role it is required to perform. The challenge is to resolve, and either recognise or reject, the competing influences and perspectives boards face about how this should be done.

It has been suggested in order to do this “corporations need to adopt governance models that are more holistic in their approach, pluralistic in representing varying interests, egalitarian in the treatment of stakeholders and essentially more collaborative in their mode of operation” (Barratt and Korac-Kakabadse, 2002) and that a “more holistic approach ... provides a better account of the interdependencies of corporate governance practice” (Filatotchev and Boyd, 2009).

Tricker (1993) described corporate governance as “the exercise of power”. Finkelstein (1992) had argued that power is a relative concept capable of only being understood in context. This view was supported by Pettigrew and McNulty (1995) stating that power in one setting is not transferrable to another because it is “inherently situational, it is dynamic and potentially unstable”. Thus Stiles and Taylor (2001, p22) suggest that any study of the functioning of boards needs to take account not only of the structural dynamics of governance, but also the behaviours and relationships that influence how power is perceived and exercised in the carrying out of the board’s tasks by the members of boards.

Rather than seeking a “grand theory” of governance, Cornforth (2004) proposed drawing insights from multiple perspectives. Cornforth (2003) also applied the paradox approach adopted by Morgan (1986) to the study of organisations and developed by others (Hampden-Turner, 1990; Handy, 1995; Lewis, 2000) to the study of governance. This advocated exposing, exploring and embracing the contradictions of governance rather than assuming they did not exist, were not significant or by making simple either/or choices between them.

Mullins (2014) identified particular tensions in the housing association sector regarding scale and group consolidation, between representational and professional boards and the competing logics of business efficiency and local accountability. It is unlikely that these are the only tensions and paradox that exist, hence the call for “more in-depth qualitative ... research ... to examine how different actors involved in governance interpret and react to contextual factors” (Cornforth, 2012). This is what this thesis is seeking to address.

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Chapter 4

POWER OF PAYMENT AND CONSEQUENCES OF COMMERCIALISATION

This chapter considers how perceptions of the governance role of boards and attitudes to payment may be shaped or influenced. It is wide ranging in its scope in order to indicate the pervasiveness of powers that contribute to the conditioning of understanding and creation of particular opinions, attitudes and beliefs.

It assesses the significance of money and payment as a motivator or potential inhibitor of housing association board member commitment. It asks whether payment will make board member exit more or less likely if problems occur or if payment buys loyalty and if so whether this is with or without a willingness to exercise voice.

It notes the trend towards commercialisation and asks if this is making housing association board membership more of a 'calculative practice'. The potential consequences of professionalisation, the influence of New Public Management thinking and the dominance of neoliberalism are assessed in terms of their impact on the hybrid positioning of housing associations. Are housing associations and their boards being drawn towards a commercialised market position and away from the voluntary and public spheres?

Foucault's thoughts on power and control are used to question whether housing association payment is being used as a means of influence and control. This raises the importance of recognising and understanding the effects of different institutional logics and tensions between perspectives that persist about the nature of housing associations and how they should be governed.

Money, Motivation and Meaning.

Money is more than a medium of material exchange, it can be the source of complex psychological change (Lockhart, 1983). Money is highly symbolic yet full of contradictions. It is desired, hoarded, seen as a proxy for success and can even be as addictive as a drug (Slater, 1980; Lea and Webley, 2005; Skidelsky and Skidelsky, 2012), yet it can also be regarded as being dirty, tainting and vulgar (Needleman, 1991; Weatherford, 1997).

The detached technical language of accountancy and economics creates a separation of payment from consideration of the emotion, messiness and tensions that money can create (Simmel, 1900; Zelizer, 1994, 2011). Dodd (2005) suggests that money needs to be seen as a conduit of social relationships that can change according to how and when it is offered and accepted. The transfer of money is also often distanced from the service or benefit being paid for in order to sanitise transactions from being measured on an entirely financial basis (Lockhart, 1983; Wilson, 1999). Because money can be used as a mechanism of control (Zelizer, 2011), then the timing and way money is given, by and to whom can all be significant in defining the relationships and behaviours that are created as a consequence.

It is interesting therefore that over 98% of housing associations appear to pay their board members on the basis of a fixed annual fee with just 1% linking payment to attendance at board meetings and none linking pay to performance or paying on the basis of an hourly rate (Burrows and Manning, 2014). Does the way that payment is provided suggest that it is being seen as signifying status for housing association board members rather than as consideration and compensation for attendance and commitment or does it merely reflect the norms that have become established for payment?

Conventional economic theory, however, does not recognise or take account of any social or psychological factors or consider the morality of money. The notion of 'homo oeconomicus' is based on the assumption that people operate consistently as rational and narrowly self-interested agents that are devoid of emotion. In order to allow the forces of demand, supply and pricing to most efficiently determine the way in which resources are allocated, used and controlled it is argued that all other considerations should be excluded (Friedman, 1953, 1962; Becker, 1976).

Financial incentives, however, do not operate in a social vacuum. If behaviour was entirely determined by price signals and financial incentives, people would always be expected to work longer and harder if they could be paid more as a consequence. The findings of experimental psychologists and observations of social anthropologists suggest that, contrary to economic theory, extrinsic rewards (particularly in the form of money) can undermine and 'crowd out' intrinsic motivation (Frey and Jegen, 2001).

Titmuss (1970) in 'The Gift Relationship' presented a convincing case for saying that paying for blood could reduce or even eliminate a general willingness to donate. This was based on a premise that payment interfered with cherished social values and norms, even though little empirical evidence was offered to support this assertion. A number of follow up studies did appear to confirm this view (Oswalt, 1977; Gillespie and Hillyer, 2002), but others have since speculated that attitudes amongst the "me generation" have now changed (Hall, 1992) such that some element of incentivisation or payment for blood donation might now have a beneficial effect (Roberts and Wolkoff, 1988; Mellström and Johannesson, 2005; Nilsson-Sojka and Sojka, 2008).

Both Maslow (1943, 1954) and Herzberg (Herzberg et al, 1959; Herzberg 1966) have doubted the power of money and payment as a motivating factor. But it is claimed that pay is still an important issue for employees, despite what people say in surveys (Rynes et al, 2004).

A series of studies and psychology experiments have also suggested that money rewards may under certain conditions have a detrimental effect and interfere with intrinsic motivation (Camerer and Hogarth, 1999; Eckel and Grossman, 2000). This has variously been described as: the 'corruption effect' (Deci, 1971, 1972, 1975), the 'hidden cost of reward' (Lepper and Greene, 1978), the 'over-justification hypothesis' (Lepper, Greene and Nisbett, 1973) or 'crowding-out theory' (Frey and Jegen, 2001).

Although some commentators appear reluctant to contemplate a situation in which economic incentives can be counter-productive (e.g. Prendergast, 1999), it is now widely recognised and accepted that a person can be motivated by various intrinsic factors as well as by extrinsic incentives (Lane, 1991) and it is possible for payments to either 'crowd in' or 'crowd out' inherent motivations (Frey, 1997; Gibbons, 1998; Benabou and Tirole, 2003).

The question therefore arises whether providing payment to housing association board members enhances or detracts from the inherent incentive to perform this important role of social and community benefit.

In some situations intrinsic and extrinsic motivations work together and are "additive" (Becker, 1974; Dermer, 1975) such that pay enhances rather than undermines commitment or performance. Just because a person may be willing to undertake a task without payment does not necessarily mean that they might not perform it better if incentivised by pay (Engers and Gans, 1998; Thompson et al, 2010).

A 'reverse-incentive effect' can, however, occur where there is a dissonance between the nature of the task and the level of remuneration being offered (e.g. if the payment is considered too high for a worthwhile activity or too low for a routine task) (Deci, 1975, Freedman et al, 1992; Snelders and Lea, 1996; Frey, 1997; Frey and Goette, 1999; Fang and Gerhart, 2011). Extrinsic incentives by monetising a relationship can also undermine trust and shift the frame of reference from one of pro-social commitment to one of self-interest (Gneezy and Rustichini,

2000; Heyman and Ariely, 2004; Fehr and List, 2004; Falk and Kosfeld, 2006). Excessive pay can also become counter-productive by creating performance anxieties (Kamenica, 2012) as can any sense that payment is being used as a means to limit or curtail free-will (Deci and Ryan, 1987; Kohn, 1993, Eisenberger et al, 1999).

Lee (2002) suggests that the problem of ineffective incentive schemes may not be that people are badly paid but that they are being paid badly, creating a disconnection between the role undertaken and rewards they receive. Misalignment of incentives can also create agency problems, so if housing association board members are paid they might potentially be tempted to operate to maintain their personal income rather than holding the executives to account on behalf of the organisation's stakeholders (Parkinson, 1993).

It would, however, be wrong to assume that simply because a person is willing to work without payment that their motives are entirely altruistic or that they do not expect to derive any benefit from their efforts and commitment (Gluck, 1979; Hoffman, 1981; Smith, 1982; Manninen, 1991).

Platt et al (1985, p3) identified three motives for voluntary membership of management committees of housing associations as "the desire to contribute to society, the opportunity to exercise power, and the pull of self-interest". Other studies have found the most common reason people give for joining the board of non-profit organisations is a belief in the status and work of the organisation and the importance of the cause it is seeking to address, but they also serve on boards because they were asked to, out of civic duty, to show they had the necessary skills and abilities and for personal development (Smith, 1982; Widmer, 1989; Golensky, 2000, Catano et al, 2001).

It is suggested that people are more likely to volunteer and show greater commitment if the role they are performing is interesting and self-directed rather than being routine or trivial (Chambre, 1991; Wilson and Musick, 1997; Wilson, 2000). Socialisation factors have also been found to be important determinants of volunteer commitment (Latham and Lichtman, 1984; Lyndon and Zanna, 1990; Peterson and Ruiz-Quintanilla, 2003).

Whilst there is plenty of circumstantial evidence of the potential effects of payment on motivation it is not easy to make generalisations. Le Grand (1997; 2003) proposed a classification of people who finance, operate and use the welfare state as “public spirited knights”, “self-interested knaves”, “passive pawns” or “powerful queens” but also acknowledged that this involved a gross over simplification of human motivation and behaviour.

Incentive programmes do not have an immediate and inevitable effect on conduct and performance (Locke et al, 1968; Gneezy and Rustichini, 2000) as well as many other potential factors and influences that can have an impact (Smith, 1982). There can also be a world of difference between what is observed in a laboratory experiment and how people actually behave (Pfeffer and Lawler, 1980; Jenkins, 1986) as well a multitude of reasons and rationales for making payments.

Perhaps it is because of the difficulty of distinguishing between the impact of competing influences and variables that research on the impact of compensation payment remains “sporadic and sparse” (Gupta and Shaw, 2014). Wise (2001, p52) also acknowledged that “it is difficult to quantify the efficiency of trustees or to measure whether paid trustees would be more efficient than unpaid trustees”. Simply asking people if they would be willing to serve on a voluntary basis or only if they were paid is not likely to be particularly informative, especially since what people say motivates them does not always provide a reliable reflection of what they actually do (Rynes et al, 2004; Ariely et al, 2007).

Motivation is thus a multi-dimensional construct composed of many elements of which payment is just one potential factor (Okun et al, 1998; Smith, 2006). It appears that the effectiveness of money as a motivator is likely to be dependent not only upon the socially construction of the situation and the framing of the meaning of payment, but also the characteristics and predisposition of the individual, the setting and circumstances in which it occurs, the attractiveness of the offer that is made and the nature of the tasks being undertaken. Although it may not be possible to provide any definitive formula, it is still worthwhile trying to identify how different factors and influences interact and discover the views of different people about particular scenarios. This will help provide an understanding of the drivers and basis for differences of position and opinion and identify the fields of tension between different board members and housing associations.

Exit, Voice and Loyalty

Hirschman (1970) proposed the concepts of “Exit, Voice and Loyalty” as the alternative responses that firms, organisations and states might experience in situations of decline in order to act as a corrective mechanism. ‘Exit’ is the economic approach in order to allow market forces to take effect. The alternative political reaction is to exercise ‘voice’ to try to secure corrective action. ‘Loyalty’ is a psychological factor that moderates and influences the relative propensity for exit or voice and the manner in which they are exercised.

The exit, voice and loyalty relationship has been applied as a framework for analysing behaviour and interactions in a multitude of scenarios, situations and contexts. One of the original scenarios considered by Hirschman (1970) was the likelihood that investors in companies would exit rather than use their voting rights to control or remove managers who were under performing. Despite evidence that weak corporate governance is a strong indicator of investment risk (Gompers et al, 2003), there appears to be reluctance amongst institutional

investors to exercise oversight and vote against the incumbent management (Parkinson, 1993; Clearfield, 2005). This supports the 'Wall Street Rule' that if there is any doubt about a company's management an investor should sell their stock rather than draw attention to the weakness which might lower the share value and so limit the opportunity or increase the cost of subsequent exit (Jensen, 1993).

The principles of exit, voice and loyalty have also been applied to consider and explain the behaviours and dynamics of board governance (Judge, 1995; Kostant, 1999; Nootboom, 1999; Hooghiemstra and Van Manen, 2002).

Although housing associations do not have economic shareholders, the role of moral ownership may (as discussed in **Chapter 3**) be taken on by the board. This raises concerns about the impact of payment on the motivation and propensity of board members to exercise exit or voice or the character of the loyalty this creates is therefore a significant issue to address.

Loyalty can be beneficial if it acts as a brake on exit and serves to activate voice, but "ties that bind may also turn into ties that blind" (Powell and Smith-Doerr, 1994) as it also risks creating a culture of passive acceptance and tolerance (Aquino et al, 2003; Padilla et al, 2007). Michels' (1915) 'Iron Law of Oligarchy' highlighted the natural tendency for executive elites to control the exercise of power, so if a board is too loyal this can have damaging and destructive consequences (Forbes and Watson, 2010). It is suggested, though, that the exercise of board dissent and management challenge is relatively rare as non-executive board members are effectively controlled by and dependent upon management rather than the other way around (Mace, 1971; Rosenstein and Wyatt, 1997). Although a high degree of mediocrity may thus be tolerated before action is taken to tackle under-performing executives, even a relatively passive board is still capable of having a residual disciplining effect (Warther, 1998).

A passive role, however, is less likely to maintain the commitment and engagement of volunteers (Barakso and Schaffner, 2008; Garner and Garner, 2010). Would offering remuneration to board members make them more or less inclined to challenge when problems occur or to confront ineffective executives? Boards of not for profit organisations that have introduced pay seldom claim that the payment has affected their performance or commitment and insist that it is merely a recognition of their efforts and worth (Strenger, 1996).

Ultimately the determination of whether payment of housing association boards is likely to help maintain an elusive balance between exit and voice will depend upon the context and circumstances of each organisation and the outlook and motivations of the particular board members involved and whether this is aligned with either an active or passive conception of role of the board.

Commercialisation, Professionalisation and Neoliberalism

(i) At What Price?

Levitt and Dubner (2005) suggest that “economics is, at root, the study of incentives” and that “the typical economist believes the world has not yet invented a problem that cannot be fixed given a free hand to design the proper incentive scheme” (p16). Some economists consider that all human behaviour can be determined logically and rationally through a process of the pricing of supply and demand (e.g. Friedman, 1953, 1962; Becker, 1976). Levitt and Dubner (2005, p17), however, clarify that consideration should also be given to incentives that are “social” and “moral” as well as “economic”.

Adam Smith may be best known as an economist and author of 'The Wealth of Nations' (1776), but his first major work 'The Theory of Moral Sentiments' (1759) was concerned with ethics and philosophy. This recognised that no matter "how selfish man may be supposed, there are evidently some principles in his nature, which interest him in the fortunes of others, and render their happiness necessary to him, though he derives nothing from it except for the pleasure of seeing it" (Section 1, Ch 1, p3).

Sandel (2012), however, notes that in recent decades, markets and market oriented thinking have increasingly reached into spheres of life traditionally governed by non-market norms thereby "remaking social relations in the image of market relations"(p51) through the "growing use of monetary incentives to solve social problems"(p51). The "economization" (Çalışkan and Callon, 2009; 2010) of social and political life is seen as being a key feature of the process of neo-liberalisation (Rose, 1999; Brown, 2005; Clarke, 2008, p137).

The process of marketisation, however, is not value neutral. Merely "by calculating and recording the costs of an activity one alters the way in which it is thought about and made amenable to intervention" (Miller, 2001, p393). Calculative practices have now become "intrinsic to and constitutive of social relations ... acting upon individuals and intervening in their lives in an attempt to ensure that they behave in accordance with specified economic objectives" (Miller, 2001). This "induces individuals to think of themselves as calculating selves" (Rose and Miller, 1992) and so act selfishly seek to achieve the greatest economic return. The Archbishop of Canterbury has blamed this marketisation of the public discourse for producing a "motivational deficit" in society (Williams, 2011) and Marquand (2014) has characterised modern Britain as "Mammon's Kingdom" obsessed with the greedy pursuit of material gain.

Ultimately it will therefore be a matter of opinion and personal position that determines whether or not it is considered possible to put an economic price on good governance and to assess if paying board members will help to achieve it.

(ii) Professionalisation of Management

A key rationale for the introduction of payment for board members of housing associations was that it would “help develop professional boards with a greater sense of responsibility” (Compass Partnership, 2001b), but there has been relatively little debate about what the professionalisation of housing association boards would mean and whether it was necessarily a good thing.

Over the latter part of the twentieth century there has been a shift in the understanding and conceptions of the values and ideals associated with ‘amateur’ and ‘professional’ status resulting in an almost complete reversal of meanings. This is evidenced particularly in the realm of sports where the ideals of the amateur “Corinthian Spirit” involving doing things for honour and the love of the sport, appear to have been replaced by a cadre of highly paid celebrity sports stars, where corporate sponsors appear to have more influence than governing bodies and reputations are tarnished by scandals of cheating and corruption (Taylor, 2006; Smith, 2008). Although there is no indication that things could ever go back to how they used to be, the sports writer Simon Barnes (2006, p335) quotes the former manager of the World Cup winning football team, Felipe Scolari, as saying “my priority is to ensure that players feel more amateur than professional ... now there is so much professionalism, we have to revert to urging players to like the game” because the amount of money involved was introducing a fear factor that was impacting on the way players performed. Has the professionalisation and payment of housing association board members had a similar effect and changed the way they behave and perform?

The process of professionalisation has been closely associated with the adoption of the New Public Management agenda (Hood, 1991; Pollitt, 1996). This introduced the conception of “commercialised professionalism” (Hanlon, 1998) and the creation of professionalism as a management discipline (Maile, 1995). Professionalism in this context, however, has been colonised by a managerialism (Clarke and Newman, 1997, p76) and thus been redefined and expressed through a discourse of control, standardisation and the adoption of targets, benchmarking and performance indicators. But, despite the apparent technical nature of the mechanics of audit and monitoring, this is a far from a neutral process and involves adoption of assumptions about the nature of the organisation and interests it exists to serve (Garrett, 1986, p426; Hood, 1991, p8; Pollitt, 1996; Power, 1997; Evetts, 2009). Professionalisation has thus become a means of exercising “control at a distance by inscribing the disciplinary logic of professionalism” (Fournier, 1999, p290; Burchell et al, 1991).

Enabling the payment of housing association board members and classifying them as professionals has had the potential to change the way they see their position and the nature of the role to be undertaken. Hence when Wise (1988) suggested that “unpaid trustees have very limited opportunity to exercise effective operational control”, it was evident, because of the dominant accounting and finance frame of reference that had been established as a consequence of New Public Management thinking, he did not contemplate the possibility that effective governance might not actually require charity trustees to act in an executive capacity.

(iii) Is Neoliberalism Inevitable?

Since the 1980s there has been a marked shift towards neoliberalism in the application of market disciplines and practices to endeavours and activities that were previously not conceived as being within the economic realm (Peck and Tickell, 2002; Sandel, 2012; Brown, 2015).

Neoliberalism is seen as becoming ever more pervasive and promiscuous in its application (Peck, 2013). Neo-liberalism's dominance has arisen in part because it is not one thing, but a complex and messy set of projects (Peck, 2010). As one representation is challenged it has simply been reformed and re-appeared, like a mythical hydra, in even stronger and more menacing manifestation. It thus remains as an on-going and incomplete process (Peck, 2013) and a concept that "lumps together too many things to merit a single identity" (Hall, 2011, p706). This impure and indeterminate nature of neo-liberalism is evocative of hybridity.

Neo-liberalism is both economic and political in its perspective and it seeks to achieve omnipotence by squeezing out other social and subjective discourses along with any incompatible ways of imagining the world (Clarke, 2008; Brown, 2015). This leaves "no uncontaminated form of, or space for, political resistance" (Bondi and Laurie, 2005, p399). The dominance of neo-liberalism effectively creates an "ideological vacuum" (Peck, 2013).

Hirschman (1982) speculated that societies tend to oscillate between the modes of "private acquisitiveness" and "public spiritedness", and that any system was inherently unstable and carried within itself the "seeds of its own destruction". The dominance and triumph of neo-liberalism, however, appears to be so complete that it has led to speculation that it could represent the "end of history" (Fukuyama, 1992) and contradiction of Marx's (1859) prediction that the final chapter would come when communism replaced capitalism. But caution is needed in maintaining such a view as no matter how universal and ubiquitous neo-liberalism may seem now it is important to remember the "no victories are final" and "history is never closed but maintains an open horizon towards the future" (Hall, 2011, pp727-728). Collins (2009) also warns against hubris as a cause of failure for any system or organisation.

Over the past 50 years housing associations have grown, diversified and metamorphosed as a sector so it seems unlikely that the current status, conditions and assumptions about how they should be governed will be the ultimate and final position. It is therefore important to continue

to look beyond neo-liberalism and the current norms and assumptions. By demonstrating that there are different and distinct positions and perspectives that apply to the governance role of boards of housing associations and attitudes to board payment, this thesis is seeking to demonstrate the role that research can play in “increasing critical awareness of the limitations of existing hegemonic paradigms” (Kemeny, 1988).

Control, Consensus and Contradiction

(i) Foucault and Control

The term “governmentality” was used by Foucault (1991; 2008) to describe the scope to exercise power and control the behaviour of others to make them amenable to a particular way of thinking and functioning. This followed on from the distinction Foucault established in his earlier work ‘Discipline and Punish’ (1979) between “repressive” and “disciplinary” power. Repressive power is asserted, suppressive and exercised ‘on’ people. Disciplinary power in contrast operates ‘through’ people not to break them but to shape them in a manner that renders them amenable to control.

Disciplinary power was thought to be confined to what Goffman (1968) referred to as “total institutions”, but Foucault suggested it was far more pervasive and had become a defining feature of modern society (1979, p225).

Foucault (2008) noted the apparent paradox in that the rise of the disciplinary control of society coincided with a shift to a more liberal and less directive form of government and regulation that exercised control by shaping and influencing the operation of other agencies. The notion of “governance without government” thus lies at the heart of Foucault’s concept of “governmentality” (Dean, 2010).

Foucault (2008) also cautioned about the effects of the “permanent economic tribunal” neoliberalism was creating. He predicted it would have “a capacity to crimp, contain and co-opt” other views especially if they appeared to “challenge to the governing imperatives of financialized and corporatized market rule” (Crouch, 2011).

As indicated in **Chapter 2**, the introduction of payments for board members of housing associations was presented as part of a process of modernisation (Housing Corporation 2000, 2001; Compass Partnership, 2001a, 2001b). This could thus be construed as an exercise of power to influence their styles of reasoning and the governing practices of housing associations to make them more like businesses. This had been considered a highly contentious issue, but within ten years of the power to pay board members of housing associations being introduced it has now become accepted as the norm (Burrows and Manning, 2014). Similarly McDermont (2007) notes that “opposition to the privatization and marketization of what we once thought of as public services has become muted and seen as old fashioned”.

This process of “normative inculcation” (Cooper, 1998; Peck, 2010) allows for the exercise of “unobtrusive control” (Tompkins and Cheeney, 1985; Bisel et al, 2007) to achieve the maximum control with the minimum of compulsion or coercion. Hence it was McDermont’s (2007, 2010) assessment that housing associations have been complicit in their own transition towards more corporate and commercial modes of operation.

Foucault maintained that power is pervasive. Power constitutes people and not only shapes our preferences, but also our identities. There is no scope to remain autonomous or detached from the process of influence that is inherent in the power relationships we encounter. The way in which we internalise these norms and standards as part of our behaviour, psyche and mode of reasoning, is what Foucault termed “technologies of the self” (2008). Organisations are also just as susceptible to this influence as individuals (Douglas, 1986). The effects of power, however, are not uniform or universal and hence Foucault recognised that there may still be

“multiple forms of individual disparity” (1983) in the interpretation and response to conditions of power and control. This thesis is therefore seeking to understand the different ways in which the power relationships may be made manifest within the governance role that boards of housing associations perform.

(ii) Convergence or Challenge?

It has been suggested that because housing research has developed from a social administration perspective it remains focused on a search for an ‘objective truth’ and has a tendency to avoid uncomfortable or challenging perspectives (Kemeny, 1988). As already noted there is also a sense of “institutional completeness” to the housing association sector (Mullins and Riseborough, 1997) and a susceptibility amongst housing associations towards a common response to the challenges and choices they face. Thus a survey by housing lawyers Trowers & Hamlin (Doolittle and Secker, 2014) reported evidence of a phenomena of “coalescence” across the housing sector.

Meyer and Rowen (1977) and DiMaggio and Powell (1983) developed theories of “Institutional Isomorphism” to explain the processes by which organisations facing the same set of environmental conditions come to resemble one another and act in similar ways just as occurs with nature (Hawley, 1968).

The three forms of isomorphism (coercive, mimetic and normative) identified by DiMaggio and Powell (1983) have been used by Mullins and Riseborough (1997) to consider the repositioning of housing associations when facing external pressures.

- Coercive isomorphism is linked to the exercise of power and the imposition of regulatory constraints and expectations that create a pressure to conform. Incentives to act and do what is expected may come from the imposition of sanctions on those organisations that do not comply and/or by conferring opportunities and funding for those that do.
- Mimetic isomorphism involves the tendency to replicate and adopt models and methods that have been legitimated or seen to have been successful in other organisations. Mimicry provides a protective shield against the risk of criticism for doing something different that is not tried and tested.
- Normative isomorphism is the process by which people with a common professional training, similar experiences and desire to succeed will tend to elect to do similar things in similar ways because they share a similar conception of the meaning of success or sense of what is considered to be appropriate behaviour. This may also arise because of over-lapping board memberships or the movement of managers between organisations.

An additional fourth isomorphic pressure, that was not considered or discussed in DiMaggio and Powell's analysis¹⁶, is the convergence that might also arise as a result of the effects of competition and market forces whereby less inefficient and effective organisations that do not successfully match market expectations and standards are liable to be taken over or go out of business. In the case of housing associations and not for profit organisations, as there are no economic shareholders, so market pressures may not be as significant a factor which could create a distinction between the perspectives of board members of a housing association and those of a commercial business.

¹⁶ This was because they were specifically intending to suggest alternatives to the "Iron Cage" of markets and competition proposed by Max Weber (1905) as the basis for bureaucratisation of society. They did not therefore consider it necessary or appropriate to discuss the inherent constraints and norms of economization and commercial pressures considered above.

These factors however have been subject to relatively little empirical validation and have been criticised for being too simplistic and deterministic (Billis, 1996; Beckert, 2010; Thornton et al, 2012). It is also necessary also to question whether it is appropriate to seek to establish a single hegemonic discourse or whether there should be a greater heterogeneity of views.

The isomorphism of DiMaggio and Powell (1983) was a precursor to the institutional logics perspective (Thornton et al, 2012). This is interested in understanding the logics concerned with “socially constructed, historical patterns of cultural symbols and material practices, assumptions, values and beliefs by which individuals produce and reproduce their material subsistence, organize time and space, and provide meaning to their daily activity” (Thornton and Ocasio, 1999; Thornton et al, 2012, p51). These logics can also be used to highlight tensions and complexity of the multiple and competing logics and choices that organisations have to negotiate (Thornton et al, 2012). Hence Mullins (2006) considered the impact and interaction of competing institutional logics of local accountability versus scale and efficiency on housing associations. In the process Mullins (2006) also identified a series of alternative conceptions and narratives about the drivers for the development of housing associations from different perspectives. These included: a move away from monolithic state provision (Power, 1987); the erosion of local democracy (Davis and Spencer, 1995); community governance (McDermont, 2004); privatisation (Ginsberg, 2005); replacement of hierarchy with networks (Reid, 1995); and efficiency and modernisation (Housing Corporation, 2005).

Yet, despite the multitude of competing factors and influences there remains a tendency for research and what is written about housing to be positivistic, lack subtlety and freeze out uncomfortable or challenging perspectives (Kemeny, 1998).

Assessment – Perspectives and Power

Each member of the board of a housing association is likely to hold a different perspective and have their own personal logic (Huse, 2007) that determines how they will respond to economic incentives or be driven by other motivations. Housing associations, however, may have been complicit creating the circumstances responsible for a shift in the mentality and assumptions of their governance to become dominated by economic reasoning and financial norms (McDermont, 2007; 2010).

This chapter is also concerned to consider the nature of commercialisation and neoliberalism and the impact these influences may have on the character of housing associations and how they were governed. Foucault (2008) in his observations on the emerging prevalence of neoliberalism in particular showed how power could become pervasive and hidden by being normalised. His conceptions of “repressive” and “disciplinary” power (Foucault, 1979) have also been echoed by Clegg (1989) who distinguishes between two distinct conceptions of power: ‘*pouvoir*’ (the episodic power exercised by a principal over a subordinate) and ‘*puissance*’ (focused on the strategies and techniques of power that are diffused and embedded in relationships). Power is thus an inherent aspect of the challenge of understanding the governance role that housing association boards fulfil.

Because neoliberalism takes effect by seeking to control the discourse that occurs, it leaves little room for alternative conceptions and counter arguments (Clarke, 2008; Brown, 2015). Hoggart (1957) noted the media’s role in creating conformity by propounding a standard view that maintained subservience whilst appearing to excite debate about irrelevant and incidental details. Comfort (1970) referred to this pseudo controversy created between established positions as a form of “irresponsible obedience” rather than the “responsible disobedience” required to question the assumptions and basis of power and control. Mair et al (2015) also distinguished between “conforming hybrids” that prioritise a single institutional logic and

“dissenting hybrids” that seek to recognise and navigate multiple and potentially conflicting perspectives.

Couldry (2010) has argued for “voice” in order to challenge neoliberal norms and give expression to alternative social perspectives. By exposing the nuanced and divergent narratives that exist about housing associations and how they should be governed this thesis aims to look beyond the maintenance of a single hegemonic discourse. Despite assertions to the contrary the neoliberalisation and commercialisation of housing associations is not likely to be an absolute or complete process. The intention of this thesis is consider how participants express their views about board member pay and other aspects of how boards operate and behave in order to gain insights into the effect and influence these have on the effectiveness of housing association governance and the impact of board payment.

Chapter 5

CHOOSING AND USING Q METHODOLOGY

This chapter sets out the challenge of finding a research methodology that would adequately and appropriately address and illuminate the issues and perspectives identified in the preceding chapters. I needed to make sense of the diverse and hybrid nature of housing associations (Chapter 2); the competing theories and conceptions of corporate governance (Chapter 3); and look beyond the dominant discourse of commercialisation and economic incentives (Chapter 4).

The methodology needed to be able to look at the ways in which this context is interpreted and understood by board members and others involved in the governance of housing associations. It also required a study of subjective perspectives that could be undertaken systematically but without losing the subtlety of qualitative insights and a means to simultaneously distinguish between multiple competing influences. The conclusion reached was that the best way to do this would be with Q methodology.

The chapter goes on to explain the components and steps of Q methodology in terms of:

- *Identifying a 'concourse' representing the volume of debate on a topic*
- *Refining the range of views into a sample 'Q set'*
- *Selecting participants as the 'P set' who are the variables in the study*
- *Administering the 'Q sort' to produce and collect data*
- *Undertaking factor analysis to find 'factors' of common perspectives*
- *Analysis, reporting and interpretation to draw conclusions from the results*

It explains the process and the choices that were made both in constructing and conducting the Q study and in correlating and presenting the results.

The chapter concludes by evaluating these choices and the application of Q methodology in terms of how the study was undertaken, who were the participants and what was being considered.

The Potential of Q Methodology

The challenge I faced in designing this research was to find a way to make sense of the diverse and hybrid nature of housing associations (**Chapter 2**), competing theories and conceptions of corporate governance (**Chapter 3**); and alternative perspectives on the significance of commercial pressures and incentives (**Chapter 4**).

I recognised that the meaning of good governance for housing associations and attitudes towards the payment of their board members was likely to be specific and situational. What is considered to be effective will ultimately be a product of the particular time, place and context as well as being dependent upon the individual attitudes and perspectives of the person making the assessment. This led to the realisation that the key to my research was not going to come from me trying to study and define what good housing association governance is or should be, but instead I needed to consider how board members and others involved in the governance of housing associations understand and interpret the tensions and choices that this involves.

I also wanted to answer the call from Cornforth (2014) for more innovative perspectives and approaches to the study of non-profit governance that provided a more holistic view and looked beyond the traditional positivist orientation.

Although Q methodology has been established for over 80 years its potential does not yet seem to have been fully recognised. I wasn't aware of it having been used as a means to understand the competing perceptions of corporate governance or to explore the dynamics of hybridity in non-profit organisations such as housing associations. Q methodology therefore appeared to offer an ideal combination of innovation and integrity of investigation.

The Origins and Essence of Q Methodology

Q methodology arises from the proposition originally put forward by William Stephenson in his letter to the journal *Nature* in 1935 (Stephenson, 1935). It is based on a simple yet innovative inversion and alternative to the traditional approach to factor analysis (i.e. R methodology involving assessment of large numbers of people against a limited number of measures). The evolution of Q methodology, however, was not easy. Stephenson's proposals were initially dismissed as being "at best an interesting novelty" (Brown, 1980, p10). Sir Cyril Burt challenged Stephenson's approach and maintained that R techniques were just as applicable with the "normal data matrix ...turned on its side" (Kline, 1994, p78). There followed a series of articles by Burt and Stephenson each setting out alternative positions that culminated in a joint paper (Burt and Stephenson, 1939) in which they set out twenty points of difference between them. As a result of this difficult reception, it wasn't until 1953 that Stephenson produced his more comprehensive guide: 'The Study of Behaviour, Q Technique and its Methodology' (Stephenson, 1953).

The fundamental difference between Q and R methodology is that instead of being passively subject to measurement, as they would in R methodology, the participants in a Q methodological study actively create an operant representation of their subjective views on a subject, issue or topic by arranging and ranking a heterogeneous set of stimuli. The completed representations of subjectivity that are created can then be subject to statistical analysis because they have been created not from an aggregation of different measurements and criteria (as with R methodological data) but from a consistent subjective first-person perspective. This was referred to by Stephenson as being the measure of "psychological significance" (Burt and Stephenson, 1939, p276).

The essence and potential of Q methodology was thus described by Stephenson as the means by which “If ... any list of heterogeneous measurements or estimates can be arranged in an order of some kind, or in a scale ... [according to] their ... significance for the individual, they may be held to be made homogeneous with respect to that individual. This ... opens the way for many applications of Q technique” (1936, p346).

Q methodology is in effect studying a population of view-points rather than studying a population of people whose views cannot then be reconciled (Risdon et al, 2003). It is this characteristic that makes Q methodology particularly suitable for measuring competing influences, considerations and preferences simultaneously.

Although each element or statement of the Q set is distinct and requires specific consideration, its significance is ultimately only determined by its position relative to the other components in the final array. Q methodology therefore differs from simple scale measures of attitudes (such as that Likert scale) where responses from different participants are collated to generate an average score. With a Likert scale what is revealed is the degree of association with the proposition posed by the researcher compared with the average but there is no consistency of the average or mid-point on the scale. With Q methodology statements are compared holistically with each other and ordered from ‘most’ to ‘most’ according to the participants own subjective point of view so providing the interviewee with an opportunity to identify preferences against competing statements, unlike in a questionnaire where the response to each statement or question is made independently of the previous statement or question. In a Q study the placement of each statement influences the placement of the other statements, generating a greater understanding of individual attitudes and perspectives. As a consequence the statements positioned at the mid-point of a Q sort array are always those with the least psychological significance for any participant with statements extending out from this position with increasing emotional intensity allowing comparisons of view-points to be made between and across participants. (McKeown and Thomas, 2013).

Q methodology thus allows each participant to present their own unique subjective point of view from a self-referential perspective. But, because this is captured in the form of a tangible array, it can also be subject to objective study and quantitative analysis without damaging the potency of the inherent subjectivity as it is the Q sorts, rather than the participants themselves, that are made the subjects of the study.

Unlike some forms of statistical analysis, it is claimed that Q methodology does not dull the subtlety of qualitative insights, as well as having the power to reveal new perspectives and open up new vistas of understanding. Q methodology helps achieve what has been described as “one of the most difficult intellectual feats” of research, namely “to confront a phenomenon, recognise its novelty and then go on to describe and explain this novelty without destroying it with blunt and analytical instruments” (Puchala, 1972).

Q methodology also challenges the validity of traditional atomistic studies where the meaning of each stimulus is considered in great detail but in isolation from the context of other concerns and circumstances. As Wittgenstein (1922) said it is only in the nexus of a proposition that an object has meaning. A completed Q study is thus more than the sum of its parts but also creates the potential to reveal patterns and clusters of understanding from comparison of the Q sorts created rather than vainly trying to prove the validity of one view over another.

The Subjective Epistemology of Q Methodology¹⁷

There is sometimes a temptation for researchers to adopt an aura of authority as the purveyors of knowledge, whilst hiding their own positioned perspectives with passive narration and language of scientific objectivity (Mulkay, 1985; Kitzinger, 1987).

¹⁷ **Appendix 5** is a copy of a paper presented at the 2015 Q methodology Conference that uses the tale of the blind men and the elephant as a metaphor to demonstrate the ontology of Q methodology and some of the epistemological challenges it can help to overcome.

Kant's (1790) conception of a 'universal' man, who "overrides the private subjective conditions of his judgement ... and reflects on his own judgement from a universal standpoint" is not considered to be a realistic proposition. This was also at the heart of Pierre Bourdieu's criticism of the "scholastic fallacy" (Bourdieu, 1998, pp127-140). As Silverman (1974) has acknowledged "there is no neutral ground from which to observe phenomena 'as they really are' or to judge the bias of particular accounts". Instead of trying to recognise and to adjust to overcome bias or subjectivity of views, this should be acknowledged and accepted as "the only way in which reality may be apprehended" (Silverman, 1974).

Although housing associations, their boards and the means by which they are governed and operate are objective realities, they only have meaning or significance in the way that they are perceived and subjectively interpreted. Hence Anaïs Nin (1959) wrote "we don't see things as they are; we see things as we are". That is why access to knowledge of any social phenomena is best achieved through the accounts that people give of their own understanding and ways of conceptualising what they encounter rather than relying on the special insight and expertise of the researcher to inform us of what they think.

Q methodology avoids the need to treat the study of subjectivity as a mental concept where views of participants are inferred or assumed and instead allows subjective perspectives to be made operant and subject to statistical analysis. However, the ability of Q methodology to bridge the dichotomy between qualitative and quantitative approaches has also been the cause of some misconceptions and confusion (Ridenour and Newman, 2008). Q methodology has been described as being qualiquantological because of its combination of qualitative and quantitative features (Stenner and Stainton Rogers, 2004). Brown (2008), however, is more circumspect about such classifications and preferred instead to refer to Q methodology simply as a means for the operant (objective) study of subjectivity. Although some researchers also present Q methodology as a form of mixed methods research (e.g. Newman and Ramlo, 2010) it pre-dates the emergence of mixed methods research in the 1980s and does not sit comfortably

in classifications of mixed methods as a half-way house on a continuum between quantitative and qualitative research (Tashakkori and Teddlie, 2009).

It is, however, suggested that the hybrid nature of Q methodology means that it ought to be discomfoting as it was designed for the very purpose of breaking down the barriers and challenging the logic of testing and verification (Watts and Stenner, 2005). It is because of this and the fact that Q is not simply a technique but also involves an “ology” (Stenner, 2008) that any application of the methodology must give due consideration to the integrity of its underpinning principles.

The importance of maintaining the integrity of underpinning rationale for Q methodology, as a means to study “intra” rather than “inter” individual differences (McKeown and Thomas, 2013), meant that that Stephenson and successive champions of Q methodology (especially Stephen Brown) have been protective of how Q methodology could and should be used. Q sorts were initially used in the fields of psychology and psychiatry as a means of self-reference in order to understand how an individual’s subjective view alters under different conditions of instruction. It wasn’t until the late 1980s and 1990s that Q methodology was effectively rediscovered by Rex and Wendy Stainton Rogers (Stainton Rogers and Stainton Rogers, 1990) and others as a method of social constructionism “capable of identifying the currently predominant social viewpoints and knowledge structures relative to a chosen subject matter” (Watts and Stenner, 2012; 2008). It is perhaps because of the difficult inception of Q methodology that, despite its great benefits, it remains a niche approach with many potential applications still remaining unexplored (Wolf et al, 2011). One such gap that this thesis is seeking to fill is in the application of Q methodology to the study of perceptions of corporate governance and the dynamics of hybridity in the boards of housing associations and attitudes to board member payment.

Design and Conduct of the Q Study

Because Q methodology still remains something of a novelty I have sought to set out and explain each of the component elements of a Q process as well as the basis for the decisions I made in design and conduct of this Q study (as well as providing an overview of some of the key steps and terminology in **Appendix 2**).

The essence of Q methodology involves 6 steps:

- Identifying a 'concourse' representing the volume of debate on a topic
- Refining the range of views into a sample 'Q set'
- Selecting participants as the 'P set' who are the variables in the study
- Administering the 'Q sort' to produce and collect data
- Undertaking factor analysis to find 'factors' of common perspectives
- Analysis, reporting and interpretation to draw conclusions from the results

(i) **Creating a Concourse to set the Scope of Consideration**

The first and essential preparatory stage of the Q process requires the creation of a "concourse" (Stephenson, 1978) of perspectives for the topic or question under consideration. The concourse is the term used for the universe of possible statements, ideas, positions, opinions, theories and points of view on a particular topic. The concourse sets out the "sum of the communication" (Stephenson, 1978), the spectrum of debate and "volume of discussion" (Brown, 1986, p58) on a matter and is intended to reveal all relevant aspects and potential discourses on the issue under investigation.

The process for creating the concourse should ideally be empirically based so that if the process was repeated a comparable set of views would be established. The aim of this is to expose and incorporate into the concourse the entire repertoire of discourses and positions that exist.

In order to seek to identify and capture the plurality of all possible issues and perspectives I explored a mix of sources of insight and approaches that included:

- Review of literature relating to the evolution of housing associations; theories of governance; and studies on the impact of pay on motivation (see **Chapters 2-4**)
- Identification of statements of opinion and arguments expressed about housing association governance and issues of payment in particular in articles from the national press and sector trade publications (see text boxes in **Chapter 2**)
- Extracting and analysing data from housing association financial accounts (see **Chapter 2** and **Appendix 4**)
- Consideration of the results and comments from a number of surveys, questionnaires and focus groups (see **Appendix 3**)

This produced a wealth of valuable data from which it was possible to identify a number of core themes and questions for further examination and exemplification as well as helping to support the review of the context for the development and hybridity of housing associations (**Chapter 2**), the theories and practice of governance (**Chapter 3**) and the implications of motivation and commercialisation on the outlook and approach of board members (**Chapter 4**).

To translate these issues and insights into a concourse of statements I proposed to hold semi-structured interviews to discuss these topics with a panel of ‘experts’ in the field of housing association governance. I selected 12 ‘experts’ on the basis of their position, experience and ability to provide an overview that considered and covered a range of perspectives rather than just putting forward their own position and opinions, but because of this there is a significant representation of lawyers (3), accountants (2) and consultants (3) amongst the 12 experts. The ‘experts’ were deliberately selected on the basis that they would be seen as people who would had credibility as commentators and be able to put forward a number of different and challenging views. The twelve experts were considered sufficient to ensure that a comprehensive range of views was captured and that no key perspectives were being missed.

The twelve 'experts' I selected to interview were:

- **Julian Ashby** - Chair of the Regulatory Committee of the Homes and Communities Agency, founder of consultancy HACAS Chapman Hendy and author of reports on housing association governance and regulation
- **Lord Richard Best** - Cross-Bench Peer with particular interest in housing, previously Chief Executive of the National Federation of Housing Associations, Director of the Joseph Rowntree Foundation and Chair of Hanover Housing Association
- **Jenny Brown** – Partner and Head of Housing for Grant Thornton (Accountants), responsible for annual reports on housing association governance
- **Stephen Bull** – Company Secretary of the National Housing Federation, convenor of Housing association Company Secretaries Forum and responsible for codes of governance and guides published by National Housing Federation
- **Emma Burrows** – Partner for Trowers & Hamlins (Solicitors), employment law specialist and joint author of NHF book 'Board Member Pay: What housing associations need to know' (2014)
- **Rosie Chapman** – Consultant, previously Executive Director of the Charity Commission (with responsibility for policy on remuneration of boards of registered charity housing associations including Anchor Trust)
- **Andrew Cowan** – Managing Partner for Devonshires (Solicitors), specialist in advising housing association boards on governance matters
- **Kevin Gulliver** – Director of Human City Institute (Midlands based community think tank), commentator and campaigner on social housing issues
- **Sue Manning** – Director and Remuneration Consultant for Capita, specialising in Board and Executive remuneration issues in housing association sector and joint author of NHF book 'Board Member Pay: What housing associations need to know' (2014)
- **Andrew Murray** – Managing Partner for Winckworth Sherwood (Solicitors), housing association specialist
- **James Tickell** – Consultant, founder of Campbell Tickell experts in housing association governance and board recruitment, former deputy chief executive of National Housing Federation and author of reports on housing association governance and regulation
- **Christopher Wilson** – Partner and Head of Housing for KPMG (Accountants), auditors and advisors to a number of the largest housing associations

The aim of the interviews was to elicit opinions and insights that would provide a comprehensive concourse of statements that reflected the range of potential factors or considerations at play in determining views about board payment and influences on housing association governance. I, therefore, set the scope for the interviews to ensure the opportunity was provided for the experts to offer their views across a range of perspectives that had been identified as potential influences.

The questions and prompts used as a basis for the exploratory interviews were:

- Tell me your views on the position, status and changes in the housing association sector?
- What influences are changing the hybrid nature of housing associations?
- Is the housing association sector becoming commercialised?
- How important or significant is concern for the quality of governance?
- What lessons can be learnt from past governance mistakes or failures?
- Who exercises power? Are housing association boards really in control?
- What are the arguments for and against payment of housing association board members?
- What does professionalisation involve?
- Does payment take away or erode intrinsic motivation and commitment?
- How should levels of payment for housing association boards be determined?
- Should the same rules apply to the boards of all sizes and types of housing association?
- What is the purpose of the board in a housing association?
- What are your predictions for the future governance of the housing association sector?

A research consent form (see **Appendix 6**) was completed at the start of each interview that explained the scope of the questions and basis for the research being undertaken and to gain consent to record their comments. In particular this made it clear that whilst their participation in the research as experts would be recognised any comments or quotes extracted would not be specifically attributed to any one of the experts without seeking prior and express permission.

The interviews typically lasted for about an hour, but differed in terms of how each participant responded to the prompts and the nature of the views and interpretations they provided.

The recorded interviews were transcribed. Much of each interview dealt with factual accounts, explanations of reasons for holding particular views, or anecdotes about events or situations which exemplified the topic under discussion, but were not suitable as statements of opinion or position that other people could readily assess or evaluate. It was possible though to extract a total of 209 suitable statements of opinion from the transcripts to create a concourse of views. Generating this concourse of statements was quite an involved and intense process, but as Brown (1993) suggests, it is important that “the discourse dictates the sophistication of the concourse”.

(ii) Selecting a Q Set of Statements

It would be impractical to seek to administer a Q study with the entire population of statements so the next challenge was to convert the concourse of 209 statements of opinion and position into a more manageable set without losing the complexity and detail provided by the full concourse.

Although the selection of statements from the concourse for inclusion in the Q Set is said to be of “utmost importance”, Brown (1980) also acknowledges that this remains “more an art than a science”. Brown (1986, p.73) justified a “rough and ready” approach to statement sampling on basis that “there is no standard Q sample for a concourse. Any suitably comprehensive sample is adequate for the purpose of experimentation”.

It is possible to select statements on an ‘unstructured’ basis without reference to any theoretical or conceptual characteristics, but this runs the risk of bias in the sampling or that some opinions may be under or over sampled (McKeown and Thomas, 2013). To ensure the Q Set was both as comprehensive and representative of the entire concourse as possible I found it

was helpful to apply some structure to the sampling process. Because I did not want to impose a predetermined shape and structure on the statements that had been provided, I allowed the categories to reflect the nature and scope of the issues addressed by the concurrence of statements, whilst also recognising that these reflected the range and basis of the prompts used in the interview process. As the selection of statements was refined and consolidated so were the descriptions that were applied to them to produce a final set of 10 statement categories.

- Context of the Governance Challenge
- Commerciality -v- Community
- Accountability
- Regulation
- Board Composition
- Board Responsibility
- Board Performance
- Executive/Non-Executive Relationship
- Impact of Pay
- Incentive and Quantum of Pay

The 209 statements drawn from the interviews were screened and reviewed to remove obvious cases of overlap or where statements just didn't make sense. A few of the statements were also combined and consolidated to create a set of about 100 statements that were then split into groups and categories for further review. All the statements covering the same territory were compared and assessed relative to one another to try to thin down the number of statements whilst still maintaining a set of statements on each issue that was as comprehensive as possible. Finally I tested a number of statements on members of my family and colleagues at work to get their reactions and allow me to make the final selection of those that I considered to be the most pertinent.

The original set of 209 statements, showing the final line up of 57 highlighted, is included as **Appendix 7**.

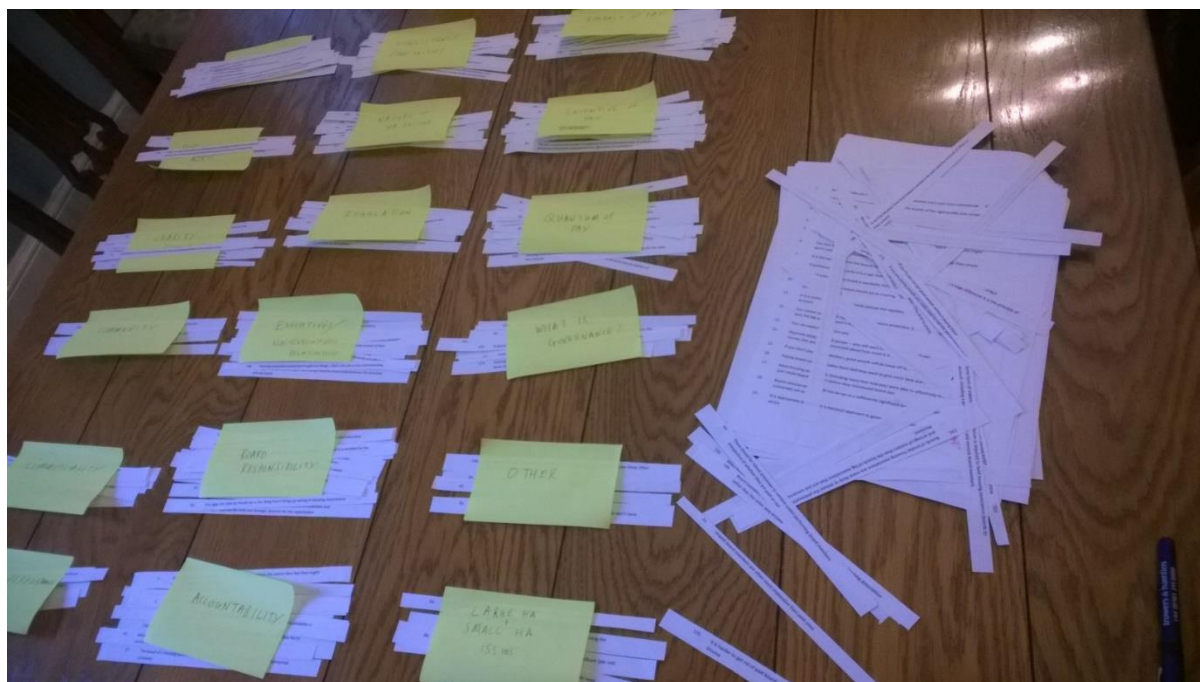
Whilst these categories were selected by me so may be indicative of my own prior position and perspective and impose a scope and focus on the study, Brown (1980, pp188-9) suggests that any concerns about the sampling process for the Q Set influencing the outcome of a study are “spurious”. It is the participants who give meaning to the statements by sorting them and so they ultimately decide how they should be arranged and categorised irrespective of the means used by the researcher to determine which facets of the concourse are included (Brown, 1993).

The key concern therefore is to ensure that the sample is comprehensive in representing the concourse as a whole and includes statements that are as heterogeneous as possible to demonstrate the full range of opinions.

Picture 5.1: Sifting and sorting concourse of statements into emerging categories



Picture 5.2: Reviewing and refining statements within categories



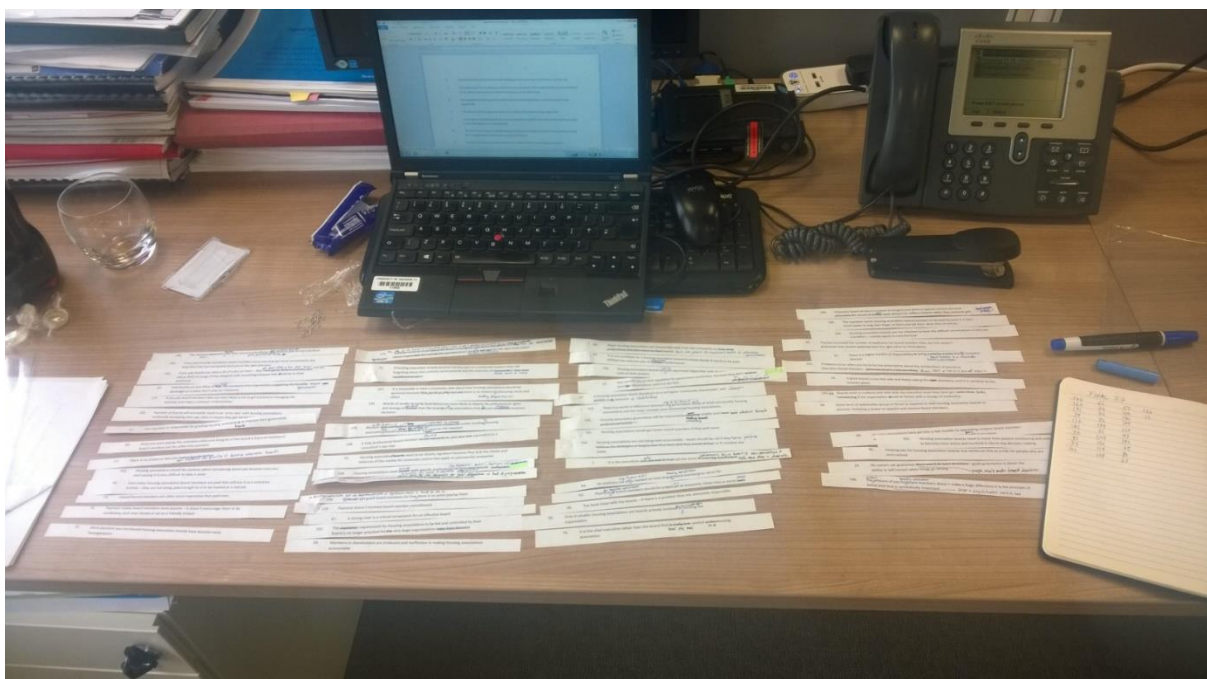
There is no fixed view about the number of statements that should be included in a Q Set, “only rules of thumb” (Watts and Stenner, 2012). Too many items will make the sorting process too time consuming and unwieldy, but too few risks creating a sample that is too narrow and not sufficiently comprehensive to draw out points of difference. Curt (1994, p121) suggests 80-90 propositions is the upper limit of what people can handle, but with 30-40 as the lower end of the range required to still offer reasonable coverage. Kerlinger (1969, p583) uses statistical criteria to advocate a minimum of 60 items and suggest 60-90 as a good range. Schlinger (1969, p54) argues that the number of statements should not overwhelm the respondents and considered 55-75 statements to be ideal. Brown (1980, p200) suggests that Q sets exceeding 60 are rarely required. I had originally envisaged creating a Q Set of 48 statements, but to ensure I included all varieties of statement the final Q Set was slightly larger with 57 statements.

It isn't possible to know how successful the statements in the Q Set will be until they have been put to the test to determine how effectively participants can ascribe meaning and significance to them through the sorting process. It is, though, some conciliation to know that Stainton

Rogers (1995) and Thomas and Baas (1992) both suggest that, no matter how the statements are constructed or presented, participants will still generally be adept at finding a way of imposing meaning onto any set of items they are given.

It is suggested that so far as possible the statements should be presented and used in the “natural” form in which they were expressed “with as little tampering and modification by the investigator as possible” (Brown, 1980, p190). Denzin (1971) suggests this requirement reflects the Heisenberg ‘uncertainty principle’ whereby the act of measurement can overly affect the phenomenon being measured. This is different from the approach to the formulation of statements used in rating scales where the items are rewritten and revised to eliminate ambiguity or any compound propositions. Although the advice from Watts and Stenner (2012, p62) is to keep statements simple and avoid double-barrelled items, Brown (1980, p190) suggests it is more important for statements to “evoke a response”. So, although I did make some minor amendments to a few statements these changes were limited and, as Brown (1980, p200) advocates, “more akin to cosmetics than to plastic surgery”.

Picture 5.3: The final selection of 57 statements being subject to cosmetic refinement



(iii) Recruiting a P Set of Participants

A key feature of Q methodology is that it only needs a limited number of participants as “all that is required are enough subjects to establish the existence of a factor” (Brown, 1980, p192). This is in marked contrast to traditional survey studies that are designed around a limited number of variables but with large numbers of participants being required for the results to be considered reliable and generalizable across the population. In a Q study the statements are selected to be representative of the population of views (i.e. the concourse) and it is the participants who produce the variables, by providing their views and understanding of the topic or problem.

Q methodology only seeks to establish the existence of particular shared viewpoints (referred to as factors), in order to be able to understand, explicate and compare them and is not concerned with trying to determine what proportion of people will represent each of the factors. All that is necessary is that there are sufficient participants to ensure that all relevant viewpoints are represented. Brown (1980, p194) quotes Benedict (1946, p16) who pointed out that, when considering the customs and greetings of Japan, “one quickly reaches the point where the testimony of great numbers of additional informants provides no further validation”.

It is common for the number in the ‘P Set’ of participants to be smaller than that of the ‘Q Set’ of statements (Brouwer, 1999) and it is suggested that there might even be a case for having at least two Q Set items for every participant (Watts and Stenner, 2012). However, because a researcher does not necessarily know how many factors there are going to be in a study there is a temptation and tendency to ‘over sample’.

Extensive and opportunistic sampling is normally only adopted in Q method studies where there are limitations on the ability to effectively locate and select a representative set of participants who are most suited to addressing the research question or issue under consideration.

Since each participant in a Q study produces a variable it is clearly important and desirable to try to select people whose viewpoints matter. In some cases this can involve the selection of participants who belong to a certain group or category and in others it will involve strategic sampling to gather responses from participants across a spectrum of circumstances and characteristics in the expectation that they will present diverse and distinct points of view.

For my study I targeted participants across 4 constituencies:

- The Board and senior executives (11 non-executives and 2 executives) of Housing & Care 21 (a large national specialist housing association with board members who are paid fees towards the top of the recommended scale) [13] (**HC21**)
- The Board and senior executives (11 non-executives and 4 executives) of CDS Co-operative Housing Association (a small South East housing association and provider of management and support to small co-op housing organisations that has just introduced a modest level of board payment) [15] (**CDS**)
- The ‘experts’ who helped provided the concourse of statements. Ten of the original twelve ‘experts’ completed the Q Study [10] (**EXP**)
- A mix of ‘others’ selected to provide a range of views and perspectives including resident board members, professionals, people serving on housing association boards (paid and unpaid), housing association chief executives, company secretaries, academics¹⁸, commentators, consultants and journalists [23] (**OTH**)

*Whilst undertaking this research I was employed as the Chief Executive of Housing & Care 21 and served as a board member and treasurer of CDS Co-operatives Housing Association, but as the researcher I excluded myself from being a part of the P Set. **Chapter 8**, however, does consider my personal perspectives.*

The aim in selecting participants from Housing & Care 21 and CDS was to get as complete a representation of all the members of the Board as possible in order to provide the basis for a

¹⁸ Including one of my PhD supervisors (Professor David Mullins) who also gave permission to be identified

case study assessment. This also helped to ensure that there was no selection bias in only sampling the views of particular board members from these organisations. Although 'experts' had provided the basis for the statements this did not provide them with any greater influence or advantage in their inclusion as participants. The justification for including them as participants, however, was because of their credibility and potential to provide their own distinctive interpretation of governance in the housing association sector. The other participants were selected to try and provide a plurality of views and perspectives and were not only people with whom I had an affinity or strong connection.

I had envisaged eliciting responses from a P Set of 57 participants (to match the size of the Q Set of 57 statements) but ended up with 61 people completing the study. Having obtained more responses than planned it did not seem appropriate to exclude the views of some participants.

Of the 61 participants 24 (39%) were female and 37 (61%) were male. The age range of participants was as follows: 7 (11%) aged under 40; 9 (15%) aged 40 – 49; 25 (41%) aged 50 – 59; 12 (20%) aged 60 – 69; and 8 (13%) aged 70 or over.

All participants were informed of the nature of the study, what Q methodology involved and asked to confirm that they had given their informed consent to participate. Although the consent was given on the basis that participation could be acknowledged and their results shown in the final thesis, a decision was subsequently made not to publish the names of participants and to merely refer to the category they are from (i.e. Housing & Care 21[HC21], CDS Co-operative Housing Association [CDS], Expert [EXP], or Other [OTH]) and a description of their particular position and experience. Details of the 61 participants are included in the **Appendix 8**.

(iv) Q Sorting

Sorting is in essence a rank-ordering procedure in which the statements or stimuli of the Q Set are placed in an order that is significant from the subjective standpoint of each participant (Brown, 1980, p195).

In an intensive personal study the participants can be requested to undertake the sorting process under different conditions of instruction on a number of occasions, but in this study each participant was required to undertake the sorting process only once in order to establish if there are common factors between them. The condition of instruction given to each participant was ***“to arrange the 57 statements based on your personal point of view and perspective formed from your position and involvement with housing association governance”***.

This was not “an intensive analysis, in which several conditions of instruction are utilized” to reveal or probe particular facets of understanding as envisaged by Brown (1980, p261). Participants were thus simply asked to give their general views and opinions and not instructed to relate this to a particular setting, circumstance or context.

The statements were required to be sorted into a grid pattern arranged along a continuum from ‘most disagree’ (–6) to ‘most agree’ (+6). It is traditional and advocated by Stephenson (Burt and Stephenson, 1939) for the grid pattern to be arranged like a quasi-normal distribution, but it has since been acknowledged that they could be arranged in any other way (Block, 2008) or sorted freely allowing participants free choice about how they distribute the statements along the continuum. The benefits and effects of the grid are that it forces participants to choose to position statements at the extreme ends of the scale where they may carry more weight emotionally as well as statistically.

Figure 5.1: Grid pattern for sorting 57 statements

[illegible]

I gave participants two options in terms of the method for completing the Q sort. The first was to have the Q sort administered in person and be instructed on the process required to arrange 57 cards (with the statements of the Q Set printed on them) on a big sheet of paper. The alternative was to do it on-line with the aid of the POET-Q software (Jeffares et al, 2012) developed at Birmingham University, that I was kindly allowed to use free of charge (details available via <http://poetqblog.blogspot.co.uk>).

Because of their geographical dispersal and for general convenience more than three quarters of the participants (47 out of 61) completed the study on-line. A considerable amount of space was needed to complete the study with cards on a sheet of paper but it was, with a bit of planning and anticipation, still possible to undertake the process in hotel lobbies and bars when participants had some free time as well as in an office environment.

Picture 5.4: Sorting with cards whilst at work



Picture 5.5: Sorting with cards whilst at leisure



As well as informing participants of the nature of the research being undertaken, how the data will be collected, used and stored in order to ensure informed consent was obtained, it was also necessary to provide instruction and explain the process for undertaking the Q study.

Participants were asked to read each of the statements in turn and divide them into one of three categories: statements they generally agreed with, statements they generally disagreed with and statements where they were neutral, or undecided. Once that had been completed they were invited to select the two statements they agreed most with from the 'agree' pile and place them in the +6 positions on the grid. They are then asked to pick the two statements they disagreed with most from the 'disagree' pile and place them in the -6 positions on the grid. Then back to the 'agree' pile to pick the next three most agreed with statements for the +5 position before picking three from the 'disagree' pile for the -5 positions. Then continuing to switch between the 'agree' and 'disagree' piles and drawing from the 'neutral' pile until all the positions in the grid have been filled. The participants are then provided an opportunity to review the completed grid and move the position of any statements until they are satisfied with the final result.

The POET-Q follows a similar process with statements being presented and moved into groups before being allocated in turn between agree and disagree ends of the continuum on-line. Van Tubergen and Olins (1979) demonstrated that Q studies could be just as easily done via post as face to face. An initial validation study did not reveal any reliability concerns with computer based Q sorts (Reber et al, 2000). In a conference paper, Liston and Hong (2015) reported preliminary findings of a study that suggested there was a higher propensity to review and adjust sorts that had initially been undertaken on line when they were re-presented with cards than with studies initially undertaken with cards where participants were invited to review their sort. But this study had only considered a very small number of cases and could also be seen as measuring an effect other than the reliability and suitability of the on-line sorting.

Because of the high level of expertise of the participants who elected to complete my Q study on-line and their familiarity with working on computers this was not seen as a second best or compromised option. Although one potential participant reported not being able to submit their completed study (which was potentially linked to a particular configuration of computer equipment) there were no reports of difficulties in understanding the process required to complete the study on-line.

Brown (1980, p200) recommended that Q sorts should be done in person in order to interview and capture other comments from the participants as they undertake the sorting process. This might well help with the interpretation of intensive sorts by an individual, but, for a study with only one sort per participant that is looking to identify factors, primacy is given to the sort that is produced rather than any commentary. All the participants, whether undertaking the sorting process in person with cards or on-line, did though provide a short comment or statement to elaborate and explain the rationale for the picking the statements they positioned at -6 or +6 on the extremes of the scale.

Details of the reasons given for the ‘most agree’ and ‘most disagree’ statements are provided in **Appendix 9**.

Reading, evaluating and arranging 57 statements is not a quick and easy process and typically took participants at least 40 minutes to complete. Although this could be considered quite a task and commitment for busy people with many other calls upon their time, feedback from those who completed the study was very positive with many reporting that sorting the statements had helped them clarify their own views and make sense of their own standpoint and position, which could be considered a worthwhile outcome in itself.

The 47 out of 61 participants who completed the Q study on-line were also asked if they had any “other comments” they wanted to add. Some of the comments identified potential gaps in the set of statements or suggested factors or facets of housing association governance that could have been given more (or less) emphasis. Others mentioned the dilemmas and challenges of positioning the statements. Some participants also took the opportunity to offer their own thoughts on the essence of effective governance and the introduction of pay for housing association board members. Details of these comments are provided in **Appendix 10**.

Approach to Analysis of the Q Study

Having conducted a Q study with the P set of participants to obtain their Q sorts it is necessary to subject these to statistical analysis through the processes of correlation, factor analysis and calculation of factor scores. The purpose of the analysis is to identify distinct viewpoints that exist about the way housing associations are governed and the payment of board members in order to understand the basis for differences and similarities between these competing perspectives.

(i) Correlations and Clusters

The analysis of a Q study involves a process of factor analysis. This is sometimes referred to as 'inverse' or 'inverted' factor analysis because the correlations being considered are between the sorts of the participants rather than a set of variables (Kline, 1994, p78)¹⁹.

Q analysis is intended to provide a "gestalt" and "holistic" perspective (Brown, 1980) and seeks to identify factors or "clusters of subjectivity" (Brown, 1993) from the individual Q sorts. A factor represents a group of respondents who have a particular shared point of view or perspective so are highly correlated with each other but not with others. Q methodology measures the correlation and extent to which each Q sort is associated with each of the factors identified and whether they congregate (i.e. load) on one factor more than others. If people are like minded and have a similar perspective their Q sorts will load on the same factor, but if they differ those differences will be made manifest through their Q sort which effectively expresses a distinctive subjective position that can then be compared and classified in relation to the Q sorts of other participants (Brown, 1980, p208).

Because of the factorial nature of the sorting process Brown (1980) calculated that even a very basic Q sort could generate around 11 times more sorting configurations than there are people in the world. The number of possible configurations in my study is 4×10^{76} (approximately equivalent to the number of particles in the known universe). Given the enormous number of potential variables it might be considered remarkable that discernible patterns of commonality and consensus do in fact arise.

The analysis of data is inherently mathematical and statistical. Brown provides a comprehensive guide to the theoretical basis for the statistical analysis of Q data (1980), but this technical process can be performed with the help of an appropriate software package.

¹⁹ Stephenson challenged Burt when he suggested that Q methodology was based merely on a transposed matrix model whereby data factored by columns in an R mode of analysis was simply being analysed by rows (Burt and Stephenson, 1939).

The package 'PQ Method' (Schmolck and Atkinson, 2014) was used to analyse the results of this study. PQ Method is based on a public-domain FORTRAN program written by Atkinson that has been adapted and developed as a free DOS based application by Schmolck. Full instructions are provided within the application, but Watts and Stenner (2012) also provide a comprehensive guide to using the programme and analysing the output it provides in the form of a text file (so was difficult to format and manipulate for presentational purposes).

I did consider alternative packages such as PCQ for Windows (Stricklin and Almeida, 2001) and Q-Assessor (Reber and Kaufman, 2000), which both claimed to offer greater ease of use and enhanced options to present results, but rejected these because of the additional complication of obtaining and maintaining a licence as well as the expense.

(ii) Centroid and Principal Component Methods of Factor Analysis

PQ method offers two options in terms of the basis on which factor analysis is undertaken. The choice offered between Centroid and Principal Component Analysis is potentially contentious.

When Q methodology was developed Stephenson (1953) used the Centroid method of factor analysis. The name Centroid was a term applied by Thurstone (1947), but Burt (1940) referred to it as the "simple summation model" because of its computational ease. Brown (1980, p209) suggests it was regarded as only an approximation to the more refined methods such as principal axes analysis (Holzinger, 1946).

With the development of more sophisticated computer programs the Centroid method is in many situations being replaced by Principal Component Factor Analysis. A new software package, "qmethod", has been developed by Zabala with additional management functionality provided by Held (Zabala and Held, 2015). This is a windows based program with many positive features to take a lot of the leg work out of setting up Q studies, analysing the results and producing quality output for research and presentation purposes. This was not available when I

was undertaking my study, but it proved to be a major source of contention, when this package was showcased at the 2015 Q conference that this programme only used Principal Component Analysis rather than the Centroid method as the basis for the identification of factors.

The Principal Component Analysis is claimed to be mathematically superior as it provides an invariant and therefore definitive solution to the identification of factors and correlations. But this seems to preclude the inherent variability and exploratory nature of the analysis that is an essential element of Q methodology.

Centroids are effectively 'centres of gravity' that the researcher is seeking to discover in the correlation matrix of all the Q sorts that provides the researcher with the opportunity to explore and interpret the data rather than being presented with a fixed final solution (Brown, 1993).

Kline (1994) offers a point by point comparison between Principal Component and Centroid analysis and the two methods have been shown to produce very similar results (Harman, 1976), but ultimately the choice of approach needs to reflect the nature of the enquiry being undertaken. As my study is essentially abductive in nature and recognises that there may be many alternative ways of understanding the discourse about good governance and whether housing association board members should be paid, I opted for a Centroid approach.

(iii) How Many Factors?

Having determined to use the Centroid method, the next prompt that PQ Method asks is "How many centroids do you wish to extract?"

Since the intention of my research is to not to prove or confirm an existing theory or position, but to explore and identify the potential for new perspectives, I have sought to find as many distinct factors or points of view as can sensibly be supported. Ideally this should also be in a solution that accounts for as much of the variability in the correlation matrix between the subjects in the P-set as possible (Brown, 1980, p209).

Brown (1980, p223) as a rule of thumb recommends starting by looking for seven factors and as a consequence this is the default number of factors for extraction in PQ Method. Although Brown describes seven as the “magic number” of factors, he does recognise that this will not always be the case and that further rumination may indeed be needed in order to find the right number of factors for examination.

Watts and Stenner (2012, p107) suggest an alternative starting point of trying to extract “one factor for approximately every 6-8 participants in your study”, but equally admit there is no science or objectivity in that advice.

A number of formulae and tests have also been proposed to determine the number of factors that should be identified from a set of data.

- **Kaiser-Guttman Criterion and Maximum Variance Explanation**

The Kaiser-Guttman Criterion (Guttman, 1954; Kaiser, 1960) states that the number of factors should be determined by a requirement for the eigenvalue (EV) of a factor to be greater than 1²⁰. A factor’s EV is calculated by summing together the squared loadings of all the Q sorts on that factor. In standard factor analysis the eigenvalue is seen as being indicative of the strength of a factor’s explanatory power, but there are risks that merely requiring the EV to be greater than 1 could lead to the extraction of an overly large number of factors (Kline, 1994).

Watts and Stenner (2012, p105) also suggest it is important for the factor extraction to seek to explain as much of the variability in the correlation matrix as possible, with a result that explains of 35-40% of variability generally being considered to be a sound solution (Kline, 1994). However, in the context of Q methodology Brown suggests that “eigenvalues and total variance are relatively meaningless” (1980, p233).

²⁰ If a factor has an eigenvalue less than 1 it actually accounts for less variance than would be the case for a single Q sort (Watts and Stenner, 2005, note 7; 2012, p106)

- **Humphrey's Rule**

Humphrey's rule states that "a factor is significant if the cross-product of its two highest loadings (ignoring any sign) exceeds twice the standard error" (Brown, 1980, p223). The standard error is $1 \div \sqrt{\text{number of items in Q set}}$. For this study the standard error is $1 \div \sqrt{57} = 0.1325$, so to satisfy Humphrey's rule the product of the two highest loadings on a factor must exceed 0.265.

- **Two (or more) Significantly Loading Q Sorts on each Factor**

The statistical significance of a loading of a Q sort on a factor can be calculated with an equation given by Brown (1980, p222 and pp279-288). A significant loading is calculated as $M \times \text{Standard Error}$ (i.e. 0.1325 for this study) where M is multiplier that has a different value for each degree of statistical significance p .

Table 5.1: Multipliers and Loading Values for different Statistical Significance Levels

Level of Significance	Multiplier	Value of Statistically Significant Loading
$P \leq 0.001$	3.29	$3.29 \times (1 \div \sqrt{57}) = 0.4358$
$P \leq 0.01$	2.58	$2.58 \times (1 \div \sqrt{57}) = 0.3417$
$P \leq 0.05$	1.96	$1.96 \times (1 \div \sqrt{57}) = 0.2596$

For this study a loading needs to be in excess of 0.3417 in order to be considered significant at the $p \leq 0.01$ level and in excess of 0.4358 in order to be considered significant at the $p \leq 0.001$ level.

Brown (1980, pp40-2) was sceptical about using these criteria as rules and was opposed to their arbitrary and formulaic application. He was clear that statistical tests and measures are only guides and not masters so always needed to be weighed up against the substantive meaning and significance of a factor.

As there is no statistically 'correct' solution the decision about the number of factors that should be extracted is ultimately this is a matter of judgement and choice. A range of alternative options were tried and tested against the above criteria. This also included consideration of the number of 'confounded' sorts that were significant of more than one factor and 'non-significant' sorts that were not sufficiently significant for any factor and impact this had on the rest of the study. Neither confounded nor non-significant sorts are used in defining the factors which are constructed from the weighted loadings of only the sorts that are distinctive of a particular factor.

As well as being used to check compliance with the above tests and criteria, the output from PQ method was also used to consider the degree of correlation between factors and the extent and basis for consensus and disagreement to conduct an additional sense check on the results to determine if they would either produce distinctions without substance or miss important subtleties of perspective. Details of this analysis and assessment are set out in **Appendix 11**.

My conclusion was that a five factor analysis (based on loadings at a significance level of $p \leq 0.001$) provides the optimal balance between seeking the maximum degree of explanation of variance between the participants and maintaining the strength of the loadings to give a reliable basis for interpretation and insight.

(iv) Factor Rotation

Watts and Stenner (2012, p114) suggest that the process of factor rotation is easier to demonstrate by doing or showing than by written explanation. They use the analogy of the viewpoint from different positions in a lecture theatre, whereas Brown (1980, pp224-226) tries to illustrate the process by reference to a transparent sphere with the position of the Q sorts represented by little black dots embedded inside it.

The fundamental notion that underpins the process of rotation is that “reality can ... be examined from different vantage points” (Brown, 1980, p226). By the process of rotation the investigator is able to orientate the lines of sight to examine the Q sorts from different angles. As van Exel and de Graaf (2005) confirm, this does not affect the consistency or integrity of the individual Q sorts or the relationship between them and only alters the perspective from which they are observed.

Appendix 12 shows pictures of a model that I constructed to demonstrate the principle of how the orientation and distinctiveness of factors could be altered and viewed differently as consequence of rotation.

(v) Varimax or By-Hand Rotation

PQ Method allows rotation to be undertaken by two possible processes: by Varimax or by-hand.

Varimax is an objective mathematical approach devised by Kaiser (1960) that operates statistically according to Thurstone’s (1947) principle of ‘simple structure’ and described in detail by Kline (1994, p65). Varimax seeks to find the optimal configuration of the regression line through the Q sorts to give maximum distinction between factors so that each Q sort defines (i.e. has a high factor loading) in relation to only one of the factors and the factors are positioned so that the overall solution maximises the amount of study variance that is explained.

The potential criticism of the Varimax approach is that its desire to maximise the degree of variance explained draws it to the mass of Q sorts and where these are positioned and it may as a consequence miss or overlook particular characteristics or nuances. If there is an issue or perspective that is of special interest a manual rotation oriented on that basis might be more appropriate.

Whereas Varimax is atheoretical, 'by-hand' allows rotation to be based on prior knowledge, a preconceived theory or a particular line of enquiry (Brown, 1991; Thompson, 1962). The two approaches of rotation are thus both valid, but deployed for different purposes.

Stainton-Rogers and Stainton-Rogers (1990) suggest that for use of Q methodology as a tool of social constructionist enquiry, Varimax is the preferred basis for rotation as this does not assume or seek to prefer one viewpoint or discourse over another. As my study is essentially abductive and does not have a prior hypothesis about which of the facets or features of board behaviour, configuration or payment should be considered to be of most relevance Varimax was considered to provide the most appropriate method of rotation.

(vi) Output from PQ Method

Having determined the basis for analysis (i.e. centroid), the number of factors to be extracted (i.e. 5) and the basis for rotation (i.e. Varimax), PQ Method provides as an output a series of views of the data.

A copy of the output obtained direct from PQ Method is presented in the following tables:

- Correlation Matrix
- Unrotated Factor Matrix
- Rotated Factor Matrix (with X Indicating a Defining Sort)
- Factor Scores with Corresponding Ranks
- Correlations Between Factor Scores
- Factor Scores - For Factors 1, 2, 3, 4, 5.
- Factor Characteristics
- Descending Array of Differences Between Factors: 1 and 2; 1 and 3; 1 and 4; 1 and 5;
2 and 3; 2 and 4; 2 and 5;
3 and 4; 3 and 5; 4 and 5.

- Factor Q-Sort Values for Each Statement
- Factor Q-Sort Values for Statements sorted by Consensus vs Disagreement (Variance across Z Scores)
- Distinguishing Statements – For Factors 1, 2, 3, 4, 5.
- Consensus Statements

The data in these tables, together with an explanatory note of what each table shows, is included as **Appendix 13**. Interpretation of the results shown in these tables is considered in **Chapter 6**.

(vii) Reliability and Validity

Whereas ‘reliability’ and ‘validity’ are central concepts in quantitative analysis, Stephenson argued “that validity (and reliability) should not be held ... relevant to problems in Q” (Brouwer, 1992, p3).

Brown (1980, p174) suggests that “the concept of validity has very little status [relative to Q methodology] since there are no outside criterion for a person’s own point of view”. Without an external reference point or objective reality it is not possible or practical to assess the validity of the representation of the person’s own point of view. The only sensible test of validity is to ask participants to review their array to see if they are happy with the Q Sort they have produced at the end of the process.

Repeated administration of a Q study to a participant in fact tells you more about the reliability and consistency of the participant’s point of view than it does about the reliability of the test itself (Watts and Stenner, 2012, p51).

Part of the case considered above for selecting the Centroid method rather than Principal Component Analysis as the basis for factor analysis was to recognise the inherent variability of participant responses. This rejects the notion of “closed model” (Cattell, 1965, p198) which assumes no error or variability, preferred by the proponents of Principal Component Analysis that assumes there is a definitive position.

The diagonal of the Correlation Matrix produced by PQ Method shows a series of 1.00s as the perfect way each variable correlates with itself. But “as a practical matter it is doubtful that any person in real life, if instructed to take the same Q sort twice ... would ever correlate with himself [sic] as highly as 1.00” (Brown, 1980, p211). It is suggested that in reality we would expect test-retest reliability coefficients to be in the neighbourhood of 0.80 to 0.90 (Frank, 1956; Hilden, 1958; Steller and Meurer, 1974).

This was demonstrated in my study because one participant did complete the study twice. I had mistakenly indicated to the participant that her on-line Q sort, which she had said she had completed the previous day, had not been recorded and captured in Poet-Q. She therefore repeated the process and submitted a second Q-sort before I discovered that the earlier sort had in fact also been received.

Participants 46 and 47 are thus Q sorts produced by the same person a matter of a day apart. Although the degree of correlation between Q sorts of 46 and 47 at 0.82 is the highest level of correlation in the entire matrix, it is not 100%. This suggests that the factors identified based on the Q sorts are also likely to be dynamic and variable and not fixed positions.

(viii) Review and Reflection on the Q Study

As the details of the steps and stages of this Q study in this thesis have sought to demonstrate, every effort was made to apply Q methodology according to sound principles and to take full advantage of its power and potential. However, this does not mean that the Q study undertaken was not without its limitations and there may be aspects of the study where other researchers (or I with the benefit of hindsight) might have taken an alternative approach. A review and reflection is therefore provided of: how the Q study was undertaken; who were the participants; and what they were asked to consider.

How the Q study was undertaken

In order to find out what the 47 out of 61 participants who completed the Q Study on-line using the POET-Q programme (Jeffares et al, 2012) thought of the process a question at the end asked for any comments or observations. Details of the comments are provided as **Appendix 10**. As well as feedback that was generally positive to suggest the process had been thought provoking and to share a particular perspective, some responses either raised issues with the balance and emphasis within the mix of statements or the difficulty of trying to place and position often quite complex or nuanced statements.

One of the comments added at the end of the Q study asked *‘what angle are you taking? Most of the questions were ones where you could have taken a different side depending on the context within which you were asking the question’*. This is encouraging as it indicates that the statements did not appear obviously biased towards one particular view and had forced the participant to consider their own position. The intention of Q methodology is to be thought provoking as this demonstrates that participants are being forced to surface and order their views.

It is recognised that some of the statements in the Q set contained compound propositions that were potentially ambiguous. Watts and Stenner (2012, p62) consider such “double-barrelled” items to be “problematic”. However, Q methodology is also considered to be a method of “impression” rather than “expression” (Beebe-Centre, 1932; Brown, 1980) so it could also be seen as a positive feature for there to be a degree of ambiguity that allows some scope for participants to interpret and impose their own meaning onto the statements provided.

It is not possible to conduct Q methodology unobtrusively. From an ethical perspective of ensuring informed consent is obtained this is clearly positive. There are also doubts about whether any discourse can ever be entirely natural (Potter, 1997). A Q study, however, has the advantage over naturalistic methods of observation in that it is the subject that creates their own representation of their subjective views and it is not the researcher who has to infer or interpret what they felt or meant. As Curt (1994, p26) states “the attraction of Q method ... is its transfer to participants of at least some of the power to define what constitute the stories being told”.

Danielson (2015), as well as identifying the risk present in any research study that the views participants present may not reflect how they express their views or behave in another context, also advised caution about the disruptive effect that Q methodology can have on those with “carefully formulated arguments” and established views when asked to represent these in an unfamiliar format. This may explain some of the comments in **Appendix 10** from people who said they didn’t feel the statements *‘were expressed in quite the way I wanted’* or raised concerns about *‘how some of the statements were posited’* and one participant who provided 9 bullet points to define how good governance could be achieved.

Critics of Q methodology have suggested the complexity of the sorting task may be beyond the cognitive ability of many people (Bolland, 1995). There is little evidence to support this view and several studies have been undertaken with young children (e.g. Stephenson, 1980; Brown and Brown, 1981).

It is probably fair to say that this Q study was not an easy exercise. 57 statements is quite a lot to have in a Q Set. The statements themselves were also challenging and involved a degree of complexity, but this was because they came from statements made by 'experts' in the governance of housing associations and they may have assumed a level of prior interest and expertise in matters of governance.

There were 8 comments from participants who completed the process on-line, that suggested the process of sorting the statements was challenging (as intended) but none that said the process was too difficult. There were no potential participants who started the process of sorting statements and then abandoned the venture. Several participants also commented that the challenging nature of the questions had really made them think and carefully consider their own perspective and position, which could be considered a positive result in itself.

Who were the participants

Part of the challenge in studying boards and the processes of corporate governance lies in how to gain access to study the elite groups that run organisations (Hertz and Imber, 1995). I was fortunate that because of my position and experience in the housing association sector that I had good connections with a number of 'experts', a range of 'others' as well as a direct relationship with the boards of Housing & Care 21 and CDS Cooperative Housing Association. Although Q methodology demands a lot from participants, I was able to secure the commitment necessary for people to complete the study.

As a housing association 'insider', it could be seen as a problem that the participants I selected would only present the range of views of sector 'insiders'. That, however, was my intention. The participants in the P Set were not just my friends and colleagues but were deliberately selected to give the spectrum of views from those actively involved and concerned (in various capacities) with the governance of housing associations. I only selected participants who were likely to be interested in what makes housing association governance effective and be able to give an informative view on the dynamics of what happens inside the "black box" of the board (Leblanc and Schwartz, 2007).

This study was not seeking to explore the spectrum of views within the wider general population or those who had contact or a relationship with housing associations other than in a capacity concerned with their governance. On this basis, a potential constituency of participants that I did not include in the study were housing association tenants/residents, apart from four current or former resident board members and the four residents of co-operatives represented on the board of CDS Cooperative Housing Association. An alternative approach might have been to develop a concourse and Q Set of statements and opinions from tenants and residents rather than 'experts'. In this respect I could be said to have adopted an elitist perspective, but this was a deliberate decision and was considered to be a legitimate approach as I particularly wanted to understand the views of those in the most informed positions with the power to influence the shape and operation of the governance of housing associations and the housing association sector.

Other potential classes of participant who could have been, but were not, included in the study were representatives from banks and funders who lend to housing associations, local government, central government, housing association staff (other than the senior executive staff who attend board meetings) and suppliers. Some of these constituencies were, however, represented within the secondary characteristics of the participants I selected. Although each of these different types of participant might have brought a different perspective, by adding

more participants from a wider sphere of positions I would have risked losing the focus of the study and making the process of analysis more unwieldy. My key concern is with the competing perspectives that exist within housing association boards about the governance role they perform and attitudes to board payment rather than with the perspectives of the housing association sector from outsiders not directly involved in its governance.

What was being considered

Participants in a Q study can only work with the materials they are given. The concourse for a study is supposed to represent the “sum of the communication” (Stephenson, 1978) on the particular topic under consideration and the Q Set is intended to provide a complete encapsulation and representation of the concourse.

The nature and focus of the concourse will thus determine the range of the statements to be addressed. If an issue was not covered in the concourse it will not be within the scope of the Q study. The concourse for this study sought to elicit views on a range of potential factors or considerations at play in determining views about board payment and influences on housing association governance.

The comments provided by participants who completed the Q study on line (see **Appendix 10**) suggested a number of areas that could have been covered in the study. In particular there are a number of comments about the need for more questions on the relationship between executives and non-executives, the practice of executives from one housing association serving on the board of another, and the issues of parent and subsidiary board relationships. Whilst these are all potentially interesting issues, they are outside and beyond the scope of the research questions I wanted to address so were not a specific focus for this study.

The study, both in terms of the statements (Q Set) and the participants (P Set), was also biased towards larger housing and more traditional housing associations.

There was little input from small housing associations that are numerically greater but less significant in terms of numbers of properties. However, CDS (which accounted for 15 of the 61 completed Q sorts) is towards the smaller end of the housing association size spectrum and falls outside the selection of 210 largest housing associations that account for more than 90% of all housing association properties and were analysed in **Chapter 2** and **Appendix 4**.

There was also relatively little input from or direct focus on the issues relevant to housing associations formed from the transfer of properties from local authority control even though such LSVT housing associations represent an important and significant segment of the housing association sector.

It is accepted that this Q study and thesis may not provide a definitive view or establish a comprehensive position on every facet of housing association governance across the entire housing association sector. However, its intention is to show that there are competing perspectives on the nature and purpose of the governance role that housing association boards perform and different attitudes to board member payment in order to provide a better understanding of both the causes and consequences.

(ix) Next Steps

This chapter has sought to explain the methodology and approach to constructing and conducting the Q study for this thesis. This has thus established the basis for the results generated from the Q study that are considered in the following three chapters. **Chapter 6** considers the results that were produced and what these reveal about perceptions of the governance role of boards of English housing associations and attitudes to board member payment. **Chapter 7** analyses the results from the participants associated with Housing & Care 21 and CDS as the basis for case study assessments. **Chapter 8** then assesses the impact on a personal basis of undertaking the assessment process at different times and under different conditions of instruction.

Chapter 6

RESULTS AND INTERPRETATION OF THE Q STUDY

This chapter analyses and interprets the results from the Q study of all the participants in the P set. It aims to make sense of the statistical data coming out of PQ Method in order to present the 5 Factors identified in a holistic manner that identifies the key influences and distinguishing characteristics of each factor.

The statistical correlation and factor analysis of data from a Q study is not an end in itself, but “merely a way station and a condition through which data must pass on their way to revealing structure” (Brown, 1993, p110). Correlation and factor analysis are “purely objective and technical” in nature (Brown, 1980, p224), but deciding how to present and interpret the outputs they produce is a complex process that needs to reflect the nature of the data and purpose of the research. Although there is “no set strategy for interpreting a factor structure” (Brown, 1980, p247), the analysis that follows has taken note of various suggestions for crib-sheets and strategies to aid this process (e.g. Watts and Stenner, 2012) but also sought to experiment and search for new ways to bring the analysis to life.

Stephenson suggested this task should be approached with “a fresh and puzzled attitude ... believing nothing and expecting little” (1953, p152). The interpretation of a Q study is the essential second stage of the abductive process of seeking out new and surprising insights that might help provide new perspectives and explanations.

Rather than focus just on particular points or issues in an atomistic manner, the objective of the interrogation of the Q study has been to holistically engage with, describe and understand the entire configuration of results.

Defining, Confounded and Non-Significant Q Sorts

The 'defining' Q sorts are those that are significant and distinctive of just one factor and are identified by being marked with an X in the output from PQ Method. A factor is considered significant (at a $p < 0.001$ level) if it has a factor loading greater than 0.4358²¹. 39 of the 61 sorts were defining of a particular factor at the 0.001 significance level.

Where Q sorts have loadings on more than one factor above the chosen significance level they are considered to be 'confounded'. The fact that Q sorts are confounded across two or more factors is indicative of a degree of overlap and commonality between the factors. Confounded Q sorts are not used to define the characteristics of factors, but this does not necessarily mean that these Q sorts should be completely ignored or dismissed. The nature of confounded Q sorts could possibly be seen as being analogous to the hybridity of the governance of housing associations and the multiple influences they are subject to from the commercial, public and voluntary sectors. 11 of the 61 sorts were confounded at a ($p < 0.001$) 0.4358 significance level, but if a lower significance level many more of the sorts would have been confounded.

Although, as the significance threshold is increased it tends to reduce the incidence of confounded sorts it can also mean that some sorts do not register a significant loading on any factor. 11 of the 61 sorts were 'non-significant'.

Table 6.1 shows the distribution of the 39 Q sorts that are identified as defining just one particular factor, the 11 that are confounded as they load significantly on two factors and the 11 sorts that do not load significantly on any factor.

²¹ $3.29 \times \text{standard error } (1 \div \sqrt{\text{number of items in Q set}}) = 0.4358$ (Brown, 1980, pp222 and 279-288)

Table 6.1: Definitive, Confounded and Non-Significant Q Sorts

Factor Number	Q Sorts	Total
Definitive		
1	2, 12, 24, 33, 53, 56, 57, 58, 61	9
2	18, 31, 40, 44, 49	5
3	1, 3, 30, 38	4
4	4, 5, 6, 7, 8, 9, 11, 14, 21, 22, 35, 37, 39, 41, 45, 51, 52, 54	18
5	28, 36, 60	3
Confounded		
1 & 3	15, 48	2
1 & 4	46, 47, 55, 59	4
1 & 5	32	1
2 & 4	42	1
3 & 4	17, 26, 50	3
Non-Significant	10, 13, 16, 19, 20, 23, 25, 27, 29, 34, 43	11

The distribution of the loadings of the Q sorts on the five factors can also be represented diagrammatically in the form of a venn diagram as shown in Figure 6.1.

The percentage of the total variance accounted for by each factor is calculated by dividing the factor eigenvalue (i.e. the sum of the squared factor loadings for each factor) by the number of variates (i.e. the number of participants whose responses have been factored).

Factor 1 has 9 defining Q sorts with a >0.4358 loading and explains 12% of the study variance.

Factor 2 has 5 defining Q sorts with a >0.4358 loading and explains 7% of the study variance.

Factor 3 has 4 defining Q sorts with a >0.4358 loading and explains 10% of the study variance.

Factor 4 has 18 defining Q sorts with a >0.4358 loading and explains 17% of the study variance.

Factor 5 has 3 defining Q sorts with a >0.4358 loading and explains 7% of the study variance.

Factor 5

Factor 2

Factor 1

Factor 3

Factor 4

Non-Significant

Region	Items	Count
Factor 5 only	28, 36, 60	3
Factor 2 only	18, 31, 40, 44, 49	5
Factor 1 only	2, 12, 24, 33, 53, 56, 57, 58, 61	9
Factor 3 only	1, 3, 30, 38	4
Factor 4 only	4, 5, 6, 7, 8, 9, 11, 14, 21, 22, 35, 37, 39, 41, 45, 51, 52, 54	18
Factor 1 & 5	32	1
Factor 1 & 3	15, 48	2
Factor 1 & 4	2, 12, 24, 33, 53, 56, 57, 58, 61, 46, 47, 55, 59	14
Factor 3 & 4	17, 26, 50	3
Factor 1, 3, & 4	46, 47, 55, 59	4
Factor 1, 4, & 5	32	1
Factor 2, 4, & 5	42	1
Non-Significant	10, 13, 16, 19, 20, 23, 25, 27, 29, 34, 43	11

Factor Array and Factor Sorts

Brown (1980), Watts and Stenner (2012) and McKeown and Thomas (2013) all suggest, that the most important and helpful output from PQ method is the table that shows the ideal Q sort for each factor. This represents the array that would be produced if an individual's subjective position exactly matched that factor (i.e. the way a respondent loading 100% on that factor would order the statements). This allows arrays to be produced to represent the manifestation of each factor that can be used for the purpose of describing the essential characteristics of the factor as well as for the comparison of factors and how they rank particular statements.

The Factor Array showing the rankings for each statement is included as **Appendix 14**.

Factor Descriptions

From the Factor Arrays it is possible to draw out key characteristics of each of the factors. It is common to ascribe a name or label to each factor to try to give it an identity that cuts through the complexity to capture the essence of the position and distinctiveness of each factor (Watts and Stenner, 2012, p160). This has, though, been described as “the most parsimonious form in which to present ... discourses” revealed by Q methodology (Dryzek, 1996, p132). As well as factor names I have provided a short synopsis and slightly longer summary of what I saw as the key and distinctive characteristics of each factor that prompted the particular description. The characteristics of each factor are described in more detail in **Appendix 13** using the 10 statement categories used in the Q Set selection process as a framework to provide a basis for comparison of position (although not necessarily the meaning) associated with different issues and statements across each of the factors.

Lego mini-figure characters are used alongside the factor labels to symbolise each of the five factors in an attempt to make them memorable and ‘bring them to life’. It is, however, important to remember that factors are not types or representations of people but simply a further short-hand way of describing each discourse and distinctive relationship between the variables discerned from the analysis of the clusters of views expressed by participants.

Picture 6.1: Descriptors for the Five Factors

Factor 1	Factor 2	Factor 3	Factor 4	Factor 5
Business Focused and Corporately Responsible	Socially Focused and Stakeholder Accountable	Regulator Focused and Professionally Responsible	Leadership Focused and Governance Rigour	Pragmatically Focused and Non-Prescriptive



Factor 1 - Business Focused and Corporately Responsible

**Picture 6.2: Description of Factor 1
Business and Corporate**



Factor 1 is a commercial perspective. It sees housing association boards as performing a governance role equivalent to those of major corporate enterprises. It is concerned about ensuring housing associations are run successfully by their executives, but is not particularly interested in issues of public, stakeholder or regulatory accountability.

Table 6.2: Profile for Factor 1

-6	-5	-4	-3	-2	-1	0	+1	+2	+3	+4	+5	+6
24	55	19	6	44	11	42	10	23	26	27	25	48
52	12	50	49	38	57	43	33	28	47	45	31	5
	56	51	9	8	15	54	22	3	40	30	29	
			53	18	20	37	35	46	16			
			7	34	2	36	14	39	21			
				32	17	41	1	4				
						13						

Distinguishing Statements identified by PQ Method for Factor 1 (at a 0.01 significance level) were:

- 31 Housing association governance will be improved by creating smaller and more cohesive boards. (+VE)
- 11 If housing association boards become too focused on commercial matters they risk forgetting about the primary social purpose they were established to address. (-VE)
- 9 Some form of stakeholder group or forum is required to hold housing association boards to account -including a power to appoint and remove board members. (-VE)
- 34 Because of the legacy of public funding housing associations have received, their boards should operate to protect these assets and act as if held in trust for the taxpayer. (-VE)

The five items ranked as most 'strongly agreed' with for Factor 1 were:

- 48 The role of the board in a housing association is not to manage the business but to ensure the executives do so efficiently and effectively and for the right ends.
- 5 No system can guarantee people won't make stupid decisions – good governance is about the ability to self-correct when things go wrong.
- 25 Major housing associations are comparable with FTSE 350 companies so have outgrown the traditional models of voluntary governance.
- 31 Housing association governance will be improved by creating smaller and more cohesive boards.
- 29 A strong chair is a critical component for an effective board.

The five items ranked as most 'strongly disagreed' with for Factor 1 were:

- 52 The regulator wants housing association board members to be paid because it is then much easier to wag their finger at them and tell them what they should do.
- 24 Once you start paying the voluntary ethos and integrity of the board is lost and motives of board members can be called into question.
- 56 Housing association boards need to move from passive monitoring and approving to become more active and involved in day to day decision making.
- 12 Housing associations need to be closely regulated because they lack the checks and balances of the market for corporate control that apply to commercial companies.
- 55 If a housing association has an important purpose or significant status it should be able to get good board members for free so there is no point paying them.

The characteristics of Factor 1

Factor 1 is a corporate and business perspective. It sees the governance of housing associations as the equivalent of the governance challenge facing FTSE 350 companies (#25) and doesn't see there being a risk in housing association boards becoming too commercial (#11). In accordance with this view Factor 1 believes that housing association boards should be paid and does not

consider that payment interferes with or undermines integrity (#24, #51). Pay is seen as an economic rather than a moral issue (#16) to be assessed on the basis of whether payment can be regarded as value for money (#40) and not to please the regulator (#55). It does not see the need for caution about paying housing association boards (#44, #55) or a particular need to minimise the amount that board members are paid (#22, #32).

Factor 1 does not see the role of the board of a housing association as acting as stewards for public investment in the assets and funding of housing associations (#34). This can be done with a small cohesive board (#31). It does not see the need for the board to be held accountable to members or stakeholders (#9, #10) nor does it consider that the regulator plays an important role in ensuring housing associations are effectively governed (#12, #7).

Factor 1 considers that the Chief Executive and executives of a housing association exercise effective control (#21), although reluctant to say that the role of a housing association board is a charade (#1). They are absolutely clear that the role of the board is not to run the business but to make sure the executives do (#48, #56) by asking questions (#27) and by helping the organisation get back on track if things go wrong (#5).

Factor 2 – Socially Focused and Stakeholder Accountable

Picture 6.3: Description of Factor 2
Social Focus and Accountability



Factor 2 sees the board of housing associations as community and stakeholder champions. It is opposed to board payment as this is seen as compromising integrity and intrinsic commitment to the role. It does not consider that boards need professional skills to fulfil their scrutiny function and accepts that de facto control rests with the executives.

Table 6.3: Profile for Factor 2

-6	-5	-4	-3	-2	-1	0	+1	+2	+3	+4	+5	+6
10	6	42	47	15	52	56	37	34	55	1	9	21
32	26	25	28	57	30	17	35	48	5	45	39	20
	43	53	12	8	31	46	14	44	51	36	27	
			38	16	19	23	13	11	2			
			41	40	22	54	33	3	29			
				7	50	24	18	4				
						49						

Distinguishing Statements identified by PQ Method for Factor 2 (at a 0.01 significance level) were:

- 20 There is no evidence that pay has improved the quality of housing association boards (+VE)
- 1 It is the executives who call the shots – governance by a board of non-executives is little more than a charade in most associations (+VE)
- 36 Housing association boards are classic self-perpetuating oligarchies with no real accountability or curb on their powers (+VE).
- 30 Housing associations need boards with specific professional skills (e.g. finance, development, housing, HR) to match areas of executive responsibility (-VE).
- 10 Members or shareholders are irrelevant and ineffective in making housing associations accountable (-VE).

The five items ranked as most ‘strongly agreed’ with for Factor 2 were:

- 21 It is the chief executive rather than the board that has the real control in a housing association.
- 20 There is no evidence that pay has improved the quality of housing association boards.
- 9 Some form of stakeholder group or forum is required to hold housing association boards to account -including a power to appoint and remove board members.
- 39 Housing association boards tend to coalesce and stick with the executive team they have got, even if the organisation could do better with a change of leadership.
- 27 A good board is one that asks and keeps asking the questions until it is satisfied by the answers given.

The five items ranked as most ‘strongly disagreed’ with for Factor 2 were:

- 32 A fully professional board member should be paid equivalent to a consultant’s day rate.
- 10 Members or shareholders are irrelevant and ineffective in making housing associations accountable.
- 43 Housing associations would get better board members if they paid more.
- 26 Housing associations have got into a real muddle by appointing resident board members - resident advocacy is not the same as good governance.
- 6 There is a higher burden of responsibility being a board member of a charitable housing association than as a company director.

The characteristics of Factor 2

Factor 2 is a stakeholder accountability perspective. Factor 2 is concerned that housing association boards have become ‘self-perpetuating oligarchies without accountability (#36) and they therefore need their members, shareholders or some other stakeholder group to hold them to account (#9, #10).

Factor 2 accepts that it is the chief executive and executives who have real control and power (#21, #1) and is not concerned that the role of the board may be relatively passive (#56). Factor 2 recognises that boards are likely to stick with the incumbent executive team and not force a change (#39) so does not consider that board members should be removed or be held liable if they make mistakes (#41, #6).

According to Factor 2, housing associations do not need board members with specific professional skills (#30), they just need to be willing to ask questions of the executives (#27). The role of the housing association board is to act as a 'community shareholder' and champion stakeholder interests (#2) so there is no a problem with having resident board members representing a particular set of perspectives (#26).

Factor 2 is opposed to board pay. It does not consider payment has improved the quality of housing association boards (#20) or believe that housing associations would get better board members is by paying them more (#43). Voluntary board service is seem as a sign of integrity (#51) and housing associations with an important purpose should not need to offer pay to attract good board members (#55). Factor 2 is therefore not concerned by the potential effects of low quantum of board pay (#22), but would be strongly opposed to paying board members at professional consultant rates (#32). Pay is not seen as an important influence in ensuring the attendance or preparation by board members for meetings (#47).

Factor 3 – Regulator Focused and Professionally Responsible

**Picture 6.4: Description of Factor 3
Regulated and Professional**



Factor 3 is concerned to do the right thing and welcomes regulatory oversight to protect the public investment in the housing association sector and ensure performance standards are maintained. Boards, rather than executives, are ultimately responsible and board pay is therefore important to ensure major housing associations can attract the people with the professional skills they require to perform.

Table 6.4: Profile for Factor 3

-6	-5	-4	-3	-2	-1	0	+1	+2	+3	+4	+5	+6
32	38	18	20	1	40	31	41	45	3	47	33	4
51	56	55	43	6	8	54	50	30	23	28	34	29
	53	52	49	37	22	44	9	27	14	48	11	
			19	17	36	26	2	42	12			
			57	35	21	39	15	5	25			
				24	10	13	7	46				
						16						

Distinguishing Statements identified by PQ Method for Factor 3 (at a 0.01 significance level) were:

- 33 There is a world of difference between the governance requirements of small community housing associations and large, complex and commercial housing associations (+VE).
- 28 An arbitrary cut off (e.g. a '9 year rule') is needed on how long housing association board members can serve for (+VE).
- 12 Housing associations need to be closely regulated because they lack the checks and balances of the market for corporate control that apply to commercial companies (+VE).
- 51 Voluntary board service is a source of integrity and defence against criticism because the people in charge are operating for selfless reasons rather than personal gain (-VE).

The five items ranked as most 'strongly agreed' with for Factor 3 were:

- 4 The buck stops with the boards – if there is a problem they are ultimately responsible.
- 33 There is a world of difference between the governance requirements of small community housing associations and large, complex and commercial housing associations.
- 11 If housing association boards become too focused on commercial matters they risk forgetting about the primary social purpose they were established to address.
- 34 Because of the legacy of public funding housing associations have received, their boards should operate to protect these assets and act as if held in trust for the taxpayer.
- 29 A strong chair is a critical component for an effective board.

The five items ranked as most 'strongly disagreed' with for Factor 3 were:

- 51 Voluntary board service is a source of integrity and defence against criticism because the people in charge are operating for selfless reasons rather than personal gain.
- 53 The requirement for housing associations to be led and controlled by their board is no longer practical for very large organisations.
- 32 A fully professional board member should be paid equivalent to a consultant's day rate.
- 56 Housing association boards need to move from passive monitoring and approving to become more active and involved in day to day decision making.
- 52 The regulator wants housing association board members to be paid because it is then much easier to wag their finger at them and tell them what they should do.

The characteristics of Factor 3

Factor 3 is a regulated and responsible perspective. The board is ultimately responsible for the governance of housing associations (#4). A strong chair is seen as a particularly important requirement for an effective board (#29), but Factor 3 does not consider it is the role of the board to get involved in day to day decision making (#56). Although the governance challenges

and requirements are different for large and complex housing associations and small community housing associations (#33) there is still requirement for boards to be responsible for the exercise governance and control (#53).

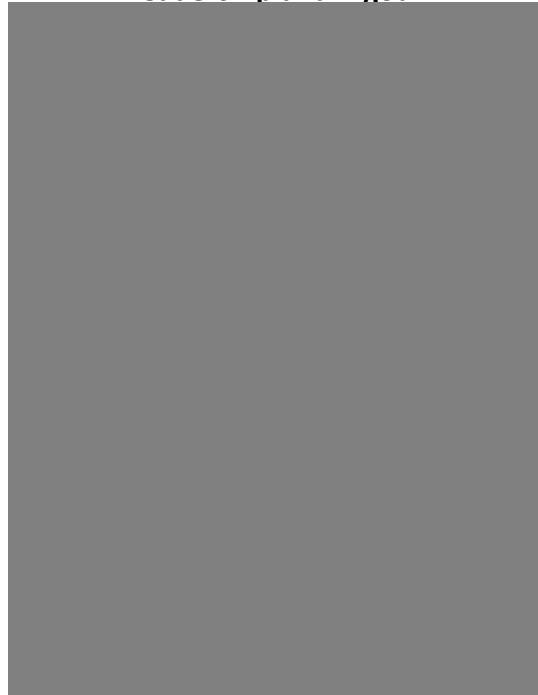
Factor 3 considers that housing associations (and their boards) need to be closely regulated because they are otherwise not subject to checks and balances (#12). An arbitrary cut off and maximum term for which board members can serve is also needed to enforce board renewal (#28). Although the regulator therefore does have a role and responsibility to encourage boards to improve the quality of their governance (#7) this does not mean the regulator is seeking to tell boards what to do (#52).

Factor 3 also considers that boards have a responsibility to protect and act as stewards for the public investment that has been made in housing associations (#34) and ensure that the social purpose of housing associations is not forgotten (#11).

Board pay is seen as a positive influence by Factor 3. Pay is seen as a means of attracting more impressive board members and improving the quality of boards (#18, #20) even if the housing association has a strong purpose and identity (#55). Voluntary board service is not seen as an indicator of integrity or defence against criticism (#51), but there isn't a need to pay board members at professional consultancy rates (#32). Factor 2 does, however, recognise that there is a slight risk that by paying board members they may be less inclined to vote themselves out of existence in a merger situation (#8).

Factor 4 – Leadership Focused and Governance Rigour

**Picture 6.5: Description of Factor 4
Leadership and Rigour**



Factor 4 sees the board as the leaders of housing associations. The board takes responsibility for ensuring the housing association lives up to its purpose and does not rely upon the regulator. The board controls the executives and ensures they perform or that they face the consequences. Board pay is an important influence and driver of board leadership.

Table 6.5: Profile for Factor 4

-6	-5	-4	-3	-2	-1	0	+1	+2	+3	+4	+5	+6
53	36	46	32	13	9	25	20	16	2	30	27	48
1	49	38	57	26	18	33	28	54	34	47	4	29
	19	21	24	10	56	17	42	15	40	45	5	
			22	55	43	31	41	23	14			
			50	52	39	35	7	3	11			
				8	37	44	12	6				
						51						

Distinguishing Statements identified by PQ Method for Factor 4 (at a 0.01 significance level) were:

- 29 A strong chair is a critical component for an effective board (+VE).
- 30 Housing associations need boards with specific professional skills (e.g. finance, development, housing, HR) to match areas of executive responsibility (+VE).
- 3 You cannot rely on HCA regulation for governance protection, because they get fixated on details and don't spot problems until it is too late (+VE).
- 27 A good board is one that asks and keeps asking the questions until it is satisfied by the answers given (+VE).

The five items ranked as most 'strongly agreed' with for Factor 4 were:

- 48 The role of the board in a housing association is not to manage the business but to ensure the executives do so efficiently and effectively and for the right ends
- 29 A strong chair is a critical component for an effective board.
- 5 No system can guarantee people won't make stupid decisions – good governance is about the ability to self-correct when things go wrong
- 4 The buck stops with the boards – if there is a problem they are ultimately responsible
- 27 A good board is one that asks and keeps asking the questions until it is satisfied by the answers given.

The five items ranked as most 'strongly disagreed' with for Factor 4 were:

- 1 It is the executives who call the shots – governance by a board of non-executives is little more than a charade in most associations.
- 19 Payment makes board members more passive – it doesn't encourage them to be vociferous, turn over stones or act as a friendly irritant.
- 21 It is the chief executive rather than the board that has the real control in a housing association.
- 49 If you pay people you have a lien on them – they are more likely to bite their tongue and less likely to resign if they disagree with something.
- 53 The requirement for housing associations to be led and controlled by their board is no longer practical for very large organisations.

The characteristics of Factor 4

Factor 4 is a board control and leadership perspective. Factor 4 considers that all housing associations should be led by their boards (#53) and that the board is ultimately responsible for the performance of the organisation (#4). It is the board, rather than the executives or chief executive, that has ultimate control and governance authority (#1, #21). A strong chair is seen

as a critical component of an effective board (#29) as are board members with specific professional skills (#30). But that does not mean that the role of the board is to manage the business, as their role is to ensure that the executives are doing so efficiently, effectively and for the right ends (#48). This is done by asking questions until satisfied with the answers given (#27) and by being able to help the organisation self-correct if things go wrong (#5). Factor 4 does not think a board can rely on the regulator to help with this (#3) or that boards are reluctant to step in and deal with difficult issues when they arise (#46, #39).

Factor 4 does not consider that shareholders or members play a particularly significant role in ensuring accountability (#10) but does consider it is the role of the board to act as a surrogate 'community shareholder' and champion stakeholder interests (#2).

Factor 4 is in favour of board payment and doesn't regard payment as having the effect of making board members more compliant or passive (#19, #49) or lead to them interfering with management decisions (#38). If board members are paid there can be no excuse for poor attendance or lack of preparation (#47). Board pay is seen as an economic issue (#16) and whether payment gives value for money in terms of improved performance (#40). Board pay can be symbolically important (#54) and low pay might suggest the board role is not important and only for people who are semi-retired (#22).

Factor 5 – Pragmatically Focused and Non-Prescriptive

**Picture 6.6: Description of Factor 5
Pragmatic and Non-Prescriptive**



Factor 5 weighs up competing community and commercial pressures. It sees risks in housing associations becoming too corporately focused but recognises the board’s role involves more than being a stakeholder champion. It is sceptical about the merits and motivations for paying housing association board members. Although it sees the board as being in control it does not think this requires the board members to necessarily be professionals.

Table 6.6: Profile for Factor 5

-6	-5	-4	-3	-2	-1	0	+1	+2	+3	+4	+5	+6
56	38	13	36	15	10	22	39	42	54	44	23	48
43	16	21	35	52	7	12	57	24	29	14	45	27
	1	32	5	8	46	20	9	51	3	47	11	
			40	18	31	4	6	26	55			
			2	19	37	28	41	33	34			
				30	17	25	50	53				
						49						

Distinguishing Statements identified by PQ Method for Factor 5 (at a 0.01 significance level) were:

- 24 Once you start paying the voluntary ethos and integrity of the board is lost and motives of board members can be called into question (+VE).
- 53 The requirement for housing associations to be led and controlled by their board is no longer practical for very large organisations (+VE).
- 5 No system can guarantee people won't make stupid decisions – good governance is about the ability to self-correct when things go wrong (-VE).
- 30 Housing associations need boards with specific professional skills (e.g. finance, development, housing, HR) to match areas of executive responsibility (-VE).
- 16 Payment for housing association of board members should be judged as an economic rather than a moral issue (-VE).

The five items ranked as most 'strongly agreed' with for Factor 5 were:

- 48 The role of the board in a housing association is not to manage the business but to ensure the executives do so efficiently and effectively and for the right ends.
- 27 A good board is one that asks and keeps asking the questions until it is satisfied by the answers given.
- 23 Pay has increased the number of applicants for board member roles, but that doesn't guarantee that people applying have the right ethos or motivations.
- 45 Problems occur when you try to be too prescriptive about the composition of boards or how they should function – there isn't a 'one size fits all' solution.
- 11 If housing association boards become too focused on commercial matters they risk forgetting about the primary social purpose they were established to address.

The five items ranked as most 'strongly disagreed' with for Factor 5 were:

- 43 Housing associations would get better board members if they paid more.
- 56 Housing association boards need to move from passive monitoring and approving to become more active and involved in day to day decision making.
- 38 If you pay board members they are more likely to try to get involved in managing the business and make a nuisance of themselves.
- 16 Payment for housing association of board members should be judged as an economic rather than a moral issue.
- 1 It is the executives who call the shots – governance by a board of non-executives is little more than a charade in most associations.

The characteristics of Factor 5

Factor 5 is a pragmatic perspective that reviews the merits of governance practices, including board payment, to assess whether they will improve board performance.

Factor 5 believes housing associations should be cautious about board payment (#44) as once pay is introduced the motives and integrity of the board can be called into question (#24, #51). Pay may have increased the number of people seeking roles on housing association boards but that does not guarantee they will have the right ethos or motivations (#23) so the way to get better board members is not to pay them more (#43). Board payment is seen as being psychologically and symbolically significant (#54) and a moral rather than a purely economic or value for money issue (#16, #40). Overall Factor is neutral about whether board pay has or has not improved governance (#20).

There are a number of potential paradoxes within the position and perspectives of Factor 5 which needed to be weighed against one another. It does not consider boards should become too focused on purely commercial matters (#11), but does not see it as the role of a housing association board to act as a community stakeholder (#2) and yet also does not consider that governance would be improved by having smaller and more cohesive boards (#31). Factor 5 is clear that it is the board rather than the executives or chief executive that has real authority and control (#21, #1), yet appears to consider that it is the management rather than the board should ultimately be held responsible if things go wrong (#4, #41).

Factor 5 maintains that the board should not be involved in day to day decision making (#56), but does not consider payment would make this more likely (#38). The role of the board should be to ensure the executives run the business for the right ends, efficiently and effectively (#48), but should seek to act to prevent problems occurring rather than acting as a correction mechanism (#5). This should be done by asking questions (#27) and does not require housing association boards to have the same professional skills as the executives (#30).

Factor 5 considers that it is ultimately impossible to have a conclusive view about how housing associations should be governed (#57) and that problems occur when any attempt is made to be too prescriptive about the composition of boards or how they should function (#45)

Characteristics of Participants with Q Sorts Defining each Factor

The Q Study reveals five factors that represent the clusters of subjectivity or view-points identified within the particular population of participants.

Although Q methodology can be used to expose the variety of accounts that people construct, it cannot claim to determine the extent or prevalence of those points of view (Kitzinger, 1987).

As the P Set for this study was purposefully selected to encapsulate a range of views and interests it does not follow that the most prevalent factor in this Q study will necessarily also be the most commonly held view within a wider population. It is, however, reasonable to suppose that the sets of viewpoints and the different discourses about the effective governance of housing associations and the impact and implications of board pay that are discovered within this particular P Set may also be held beyond this participants in this study.

Understanding the experiences and backgrounds of participants who load on a particular factor may help in seeking to understand the reasons for the placement of statements in the Q sort for each factor. However, factors are not traits or types. Even if all the people found to be loading on a particular factor had a specific characteristic it cannot be inferred that the factor is a consequence of or necessarily associated with that characteristic.

The participants with Factor 1 as a defining Q sort were primarily housing association executives, company secretaries and professionals (although some were also members of housing association boards).

The participants with Factor 2 as a defining Q sort were academics, commentators and advocates of cooperative housing and none were business professionals or housing association executives.

The participants whose sorts defined Factor 3 as a defining Q sort were the chair and former chair of large housing associations as well as a Finance Manager and the Company Secretary of CDS who are both responsible for audit, risk and compliance with regulatory standards.

Factor 4 had more than twice the number of participants with a defining sort than any other factor. The participants who characterised Factor 4 were primarily non-executive board members of housing associations plus advisors or consultants who work with or support housing association boards.

It is difficult to draw any inferences or identify common characteristics from the three participants who provided the defining Q sorts for Factor 5.

Similarities and Differences Between Factors

(i) Correlations

PQ Method calculates the correlation between factors. Q methodology is concerned with identifying distinct shared viewpoints. If there is a particularly high correlation between two factors this may be an indication that they might be better understood as alternative manifestations of the same perspective rather than as separate factors.

The correlations between factors are shown in Table 6.7

Table6.7: Correlations between Factor Scores

	Factor 1	Factor 2	Factor 3	Factor4	Factor5
Factor 1	1.0000	0.1316	0.5625	0.5591	0.2315
Factor 2	0.1316	1.0000	0.2099	0.2437	0.2756
Factor 3	0.5625	0.2099	1.0000	0.6780	0.5185
Factor 4	0.5591	0.2437	0.6780	1.0000	0.4252
Factor 5	0.2314	0.2756	0.5185	0.4252	1.0000

This indicates that the correlation between Factors 1 and 3, 1 and 4, 3 and 4, and 3 and 5 are all above the 0.4358 level of significance used for this study and the correlation between Factors 3 and 4 at 0.6780 is particularly high. Given such high correlations other researchers may have chosen to seek to identify and interpret the data as indicating a lower number of factors. However, as explained in **Appendix 11**, reducing the number of factors was not considered to be the most appropriate response. Reducing the number of factors did not eliminate the finding of significant correlations between factors, but it did reduce the subtlety and granularity of the distinctions between factors and narrow the range of issues that were relevant in defining the distinctiveness of each factor.

As fewer factors are identified the number of consensus statements that are not effectively helping to distinguish between different factors also increases. With the 5 factor analysis used there was just one statement (i.e. #8) that was not significant in distinguishing between any pair of factors. For the 4 factor array there were 4 consensus statements (i.e. #8, #13, #14 and #54), while for 3 factors there were 7 consensus statements and for 2 factors there were 26 consensus statements.

(ii) Differences

PQ Method produces tables of the differences between each of the pairs of factors using Z scores, and this can also be seen by comparing the positions that statements are ranked in the standard array for each factor (see **Appendix 16**). These differences help with the interpretation of the results from the factor analysis as they highlight the statements, and hence the issues, that connect and, perhaps more significantly, separate the factors. It is the separation between factors that helps to distinguish between the different perspectives they represent and hence helps to understand the issues of contention between each discourse.

Factors 1, 3 and 4

As already noted, there is a close correlation between Factors 1, 3 and 4. They are all broadly in favour of payment for housing association boards, yet despite the high degree of correlation, there are only a few statements that have the same or a similar position in the arrays for Factors 1, 3 and 4, but where there is a clear separation and difference in the position for Factors 2 and 5.

Table 6.8: Statements where position under Factors 1, 3 and 4 is similar but different from position for Factors 2 and 5

No.	Position					Statement
	1	3	4	2	5	
16	+3	0	+2	-2	-5	Payment for housing association board members should be judged as an economic rather than a moral issue
24	-6	-2	-3	0	+2	Once you start paying the voluntary ethos and integrity of the board is lost and motives of board members can be called into question
30	+4	+2	+4	-1	-2	Housing associations need boards with specific professional skills (e.g. finance, development, housing, HR) to match areas of executive responsibility.
43	0	-3	-1	-5	-6	Housing associations would get better board members if they paid more.
51	-4	-6	0	+3	+2	Voluntary board service is a source of integrity and defence against criticism because the people in charge are operating for selfless reasons rather than personal gain
55	-5	-4	-2	+3	+3	If a housing association has an important purpose or significant status it should be able to get good board members for free so there is no point paying them.

This indicates that there is a common view between Factors 1, 3 and 4, not shared by Factors 2 and 5, in support of the professionalisation of housing association boards, a rejection of the view that payment damages integrity, and belief that even though payment is an economic issue it serves a more important or significant function than just acting as an inducement to attract good board members.

Factors 1 and 3

There is a significant 0.5625 degree of correlation between Factors 1 and 3. 2 participants (P15 and P48) are confounded such that they load significantly on both Factors 1 and 3 and there are 16 statements that have the same position or only one position apart in the factor arrays for Factors 1 and 3 (see **Appendix 16**).

But despite the common view shared by Factors 1 and 3 about many issues related to board payment and performance, there are also areas of difference and divergence between Factors 1 and 3. PQ Method identifies 7 statements where the difference in the Z scores for Factors 1 and 3 is greater than +/- 1.35.

Table 6.9: Statements where Factors 1 and 3 differ

No.	Array Difference	Z score Difference	Statement
31	+5/0 (5)	1.534	Housing association governance will be improved by creating smaller and more cohesive boards
5	+6/+2 (4)	1.394	No system can guarantee people won't make stupid decisions – good governance is about the ability to self-correct when things go wrong
7	-3/+1 (4)	-1.370	The regulator is responsible for goading housing association boards to improve their governance
50	-4/+1 (5)	-1.623	Payment of boards will eventually result in an 'arms race' with housing associations continually increasing their pay rates to ensure they get the best board members.
11	-1/+5 (6)	-1.793	If housing association boards become too focused on commercial matters they risk forgetting about the primary social purpose they were established to address.
12	-5/+3 (8)	-2.293	Housing associations need to be closely regulated because they lack the checks and balances of the market for corporate control that apply to commercial companies.
34	-2/+5 (7)	-2.334	Because of the legacy of public funding housing associations have received, their boards should operate to protect these assets as if held in trust for the taxpayer.

These areas of contention relate to:

- the extent to which housing associations should be guided by a social purpose or public responsibility
- the importance of the role of the regulator or having a mechanism in place that allows an organisation to self-correct when things go wrong
- views about whether levels of housing association board pay will inevitably increase
- the merits of smaller 'corporate' boards

Factors 1 and 4

There is a significant 0.5591 degree of correlation between Factors 1 and 4. 4 participants (P46, P47, P55 and P59) are confounded such that they load significantly on both Factors 1 and 4 and there are 25 statements that have the same position or only one position apart in the factor arrays for Factors 1 and 4 (see **Appendix 16**).

But despite the largely common view shared by Factors 1 and 4, there are also areas of difference and divergence between Factors 1 and 4. PQ Method identifies 10 statements where the difference in the Z scores for Factors 1 and 4 is greater than +/- 1.35.

Table 6.10: Statements where Factors 1 and 4 differ

No.	Array Difference	Z score Difference	Statement
21	+3/-4 (7)	2.053	It is the chief executive rather than the board that has real control in a housing association
31	+5/ 0 (5)	1.882	Housing association governance will be improved by creating smaller and more cohesive boards.
1	+1/-6 (7)	1.816	It is the executives who call the shots – governance by a board of non-executives is little more than a charade in most associations
25	+5/ 0 (5)	1.803	Major housing associations are comparable to FTSE 350 companies and have outgrown the traditional models of voluntary governance
26	+3/-2 (5)	1.638	Housing associations have got into a real muddle by appointing resident board members - resident advocacy is not the same as good governance.
46	+2/-4 (6)	1.565	Housing association boards are too reluctant to have the difficult conversations when they see a problem – nobody wants to rock the boat
4	+2/+5 (3)	-1.356	The buck stops with the board – if there is a problem they are ultimately responsible
12	-5/+1 (6)	-1.490	Housing associations need to be closely regulated because they lack the checks and balances of the market for corporate control that apply to commercial companies
2	-1/+3 (4)	-1.779	A housing association board should act as a surrogate 'community shareholder' and champion of stakeholder interests.
34	-2/+3 (5)	-1.915	Because of the legacy of public funding housing associations have received, their boards should operate to protect these assets as if held in trust for the taxpayer.

The differences between Factors 1 and 4 related to:

- whether the housing association board is in control or whether the chief executive has the real power and willingness of boards to hold the executives to account
- the comparability of housing association and their boards with the governance models adopted by private companies
- the extent to which housing associations are/should be held accountable for their social purpose or public responsibility
- the appropriateness of resident representation and recognition of stakeholder interests
- the willingness to importance of the role of the regulator or having a mechanism in place that allows an organisation to self-correct when things go wrong

Factors 3 and 4

There is a particularly high (0.6780) degree of correlation between Factors 3 and 4. There are 3 participants (P17, P26 and P50) who are confounded such that they load significantly on both Factors 3 and 4 and there are 19 statements that have the same position or only one position apart in the factor arrays for Factors 3 and 4 (see **Appendix 16**).

But despite the high correlation between factors 3 and 4, there are areas of difference and divergence between Factors 3 and 4. PQ Method identifies 5 statements where the difference in the Z scores for Factors 3 and 4 is greater than +/- 1.35.

Table 6.11: Statements where Factors 3 and 4 differ

No.	Array Difference	Z score Difference	Statement
33	+5/-0 (5)	1.741	There is a world of difference between governance requirements of small community housing associations and large, complex and commercial housing associations.
46	+2/-4 (6)	1.476	Housing association boards are too reluctant to have difficult conversations when they see a problem.
50	+1/-3 (4)	1.375	Payment of boards will eventually result in an 'arms race' with housing associations continually increasing their pay rates to ensure they get the best board members
40	-1/+3 (4)	-1.376	The relevant test is whether the total board remuneration gives good value for money rather than worrying about the amount paid to any individual
51	-6/0 (6)	-1.601	Voluntary board service is a source of integrity and defence against criticism because people in charge are operating for selfless reasons rather than personal gain

Differences between Factors 3 and 4 relate to:

- the willingness of boards to intervene to address problems
- concern about the perceptions and quantum of payment and fears that problems might ensue if increases are not constrained
- whether the governance challenges are comparable across large and small housing associations

Factor 5

Only three participants' Q sorts are distinctive of Factor 5 (P28, P36 and P60) at a $p < 0.001$ (i.e. 0.4358) significance level. There is also one participant (P32) that is confounded with significant loadings on both Factor 1 as well as Factor 5.

There are a substantial number of statements where Factor 5 has the same position or only one position apart in the arrays for Factors 1, 3 and 4 (see **Appendix 16**).

- Factors 5 and 1 share a common perspective on the need for boards not to get involved in day to day management nor attempt to act as champions of stakeholder interests and are united in the view that if payment is going to be made it needs to be paid at an appropriate and high enough level for it to be meaningful.
- Factors 5 and 3 both believe that pay can increase board member commitment, but also share a conviction that boards should not become too involved in day to day decision making.
- Factors 5 and 4 both consider that it is uncertain whether board pay increases the quality of a board or its commitment to good governance.

There is a significant degree of correlation between Factor 5 and Factor 3 (0.5185), but PQ Method nevertheless identifies 10 statements where the difference in the Z scores for Factors 5 and 3 is greater than +/- 1.35 (i.e. #51 2.398; #55 2.239; #53 2.061; #24 1.508; #44 1.398; #16 -1.391; #30 -1.402; #5 -1.408; #28 -1.479 and #4 -1.810). For 6 of these statements there is also a difference in Z scores of more than +/- 1.35 for Factors 1 and 4.

Table 6.12: Statements where Factor 5 differs from Factors 1, 3 and 4.

No.	Position (Z score difference)				Statement
	5	1	3	4	
5	-3	+6 (-2.80)	+2 (-1.41)	+5 (-2.65)	No system can guarantee people won't make stupid decisions – good governance is about the ability to self-correct when things go wrong.
16	-5	+3 (-2.52)	0 (-1.39)	+2 (-2.28)	Payment for housing association of board members should be judged as an economic rather than a moral issue.
30	-2	+4 (-1.71)	+2 (-1.40)	+4 (-2.10)	Housing associations need boards with specific professional skills (e.g. finance, development, housing, HR) to match areas of executive responsibility
44	+4	-2 (2.02)	0 (1.40)	0 (1.59)	Housing associations should be cautious about introducing board pay because once you start paying it is very difficult to take it away.
24	+2	-6 (2.30)	-2 (1.51)	-3 (1.63)	Once you start paying the voluntary ethos and integrity of the board is lost and motives of board members can be called into question.
55	+3	-5 (2.29)	-4 (2.24)	-2 (1.72)	If a housing association has an important purpose or significant status it should be able to get board members for free so there is no point paying them

These statements indicate that Factor 5 differs from Factors 1, 3 and 4 in that it is more circumspect about the merits and justification for payment of board members. Factor 5 is also different from Factors 1, 3 and 4 in that it doesn't regard effective governance as requiring professional skills but does appear to believe that it can prevent mistakes from occurring.

Factor 2

Factor 2 is the most different and distinct factor with a low correlation with all the other factors (0.1316 with Factor 1; 0.2099 with Factor 3; 0.2437 with Factor 4; and 0.2756 with Factor 5).

PQ Method identifies the difference in the Z scores for Factor 2 compared with other factors.

- For Factor 1 there are 20 statements where the difference is greater than +/- 1.5
- For Factor 3 there are 15 statements where the difference is greater than +/- 1.5
- For Factor 4 there are 14 statements where the difference is greater than +/- 1.5
- For Factor 5 there are 12 statements where the difference is greater than +/- 1.5

A key point of difference of Factor 2 is that it is not in favour of board member pay. However there is another fundamental difference between Factor 2 and the other Factors in that it sees the role of the board as being more of a means to ensure accountability and engagement of stakeholders than running the business affairs of the organisation.

Constructs of Contention

The wider the range between where a statement is positioned in each factor array, the greater the degree of difference between the view-points of those factors. **Appendix 17** shows the range and distribution of factor Q sort positions for each statement (in descending order of the range of the distribution of factor Q sorts). The analysis of Q sorts should be undertaken holistically and not just be concerned about different responses to particular statements considered in isolation or only with the statements at the extremes of an array. It is important that consideration is given to the holistic placement of statements by each factor and that statements are not decontextualized. Analysis of the results from the Q study and output from PQ Method does nevertheless help to identify which constructs that are contentious and disputed and how these are perceived by each of the different factors as well as those issues on which there is an apparent consensus and commonality of view.

(i) Power and Control

The two statements with the largest difference in factor positions both relate to the question of who exercises control in a housing association and whether power rests with the board or the executives.

Statement 21 *“It is the chief executive rather than the board that has real control in a housing association”*

This statement has a range from -4 for Factors 4 and 5 to +6 for Factor 2 and is 56th out of 57 in terms of degree of consensus amongst Factor Q-sort values (based on variance of z scores).

Statement 1 *“It is the executives who call the shots – governance by a board of non-executives is little more than a charade in most associations”*

This statement has a range from -6 for Factor 4 to +4 for Factor 2 and is 57th out of 57 in terms of degree of consensus amongst Factor Q-sort values (based on variance of z scores).

Factors 4 and 5 are very clear that it is the board rather than the executives who are in control while Factor 2 holds the opposite view. On this issue Factor 3 is closer to the position of Factors 4 and 5 while Factor 1 is closer to Factor 2.

This divergence of views on who is in control appears to be indicative of a divide between the normative positioning of boards at the apex of an organisation that prescribes that they should set the strategy and exercise control and the alternative view that is reflective of an imbalance of *de facto* power and tendency towards management hegemony (considered in **Chapter 3**). This distinction between different conceptions of the hierarchical authority and functional control of housing association boards also has parallels with the distinction drawn between power as the exercise of force (*puissance*) and the ability to influence (*pouvoir*) as favoured by Foucault (Morris, 2002) (considered in **Chapter 4**).

(ii) Pay and Integrity

Of the 57 statements in the Q study 23 relate to some aspect of the impact, incentive effect or quantum board member payment (and so address the issues and attitudes to board member pay considered in **Chapter 2** and **Chapter 4**). Not all of these appear to be contentious, but statements about the impact payment on the integrity of board members are amongst those with the greatest difference in factor positioning.

Statement 51 *“Voluntary board service is a source of integrity and defence against criticism because the people in charge are operating for selfless reasons rather than personal gain”*

This statement has a range from -6 for Factor 3 to +3 for Factor 2 and is 55th out of 57 in terms of degree of consensus amongst Factor Q-sort values (based on variance of z scores).

Statement 24 *“Once you start paying the voluntary ethos and integrity of the board is lost and motives of board members can be called into question”*

This statement has a range from -6 for Factor 1 to +2 for Factor 5 and is 43rd out of 57 in terms of degree of consensus amongst Factor Q-sort values (based on variance of z scores).

Although both statements 51 and 24 are concerned with issues of board payment and integrity, statement 24 appears to be slightly less contentious than statement 51 and has also been positioned differently by different factors.

This may be because statement 24 assumes that there is and perhaps should be an element of ‘voluntary ethos and integrity’ (which is alien to the perspective of Factor 1 but moderately important for Factor 5) and is only considering what may happen to it if payment is introduced. Statement 51, however, seeks to directly attribute integrity to an absence of payment, which is a view held by Factors 2 and 5 but appears completely contrary to the perception of Factor 3 that integrity and protection from criticism comes from improved compliance and performance that can be enhanced rather than being damaged by the payment of board members. Whilst Factor 4 appears to reject the view that payment damages integrity, it does not seem to share

the concerns of Factor 3 (and also Factor 1) about links between payment and the motivations of board members.

This indicates that subtle distinctions can alter how each factor varies in its degree of opposition or support for statements about payment for housing association board members (or any other issue), depending upon the circumstances and the nature of the justification given.

It is possible to present the position adopted by the five factors identified on these two issues of 'power and control' and 'pay and integrity' in a 2 x2 matrix. It is recognised, however, that this likely to be too simplistic as a form of representation since, despite the apparently polarised positions of the factors on these issues, views can clearly still be altered by apparently subtle differences of emphasis according to the exact nature of the statement and, as the analysis has shown, the relationships between each factor is also subject many other competing sources of influence on other issues.

Figure 6.2: 2x2 Grid showing position of Factors in respect of two primary tension fields of the integrity of board member pay and board/executive control

		Who exercises control in housing associations?	
		Executives	Non-Executives/ Board
Does payment of housing association board members damage integrity?	No	Factor 1 Business & Corporate	Factors 3 and 4 Regulated & Professional and Leadership & Rigour
	Yes	Factor 2 Social Focus & Accountability	Factor 5 Pragmatic & Non-Prescriptive

(iii) Other Constructs of Contention

The statements that have the greatest difference in position in factor arrays (shown in **Appendix 17**) and hence are drivers for the separation between pairs of factors are indicative of the constructs or themes that are most contentious and hence worthy of exploration and consideration.

Active or Passive Governance (#5; #39)

Whether boards should seek to be active or passive in the exercise of voice or exit was considered in **Chapter 4**. The positioning of statement 5 by Factors 1 and 4 provide strong indications that good governance is seen to be about boards being prepared and equipped resolve problems if they occur, and disagreement with this from Factor 5 may be because of a view that boards should be set up and operate to avoid mistakes rather than simply being willing to correct them. Factor 2 would stick with the incumbent executive teams even if they were under performing. Factors 1 and 5 show a slight inclination to address executive failure and only Factor 4 would be inclined to remove executives if it would improve performance.

Board Composition (#26; #28; #30)

Questions of board composition were considered in **Chapter 3**. There is a marked contrast in views on the question of tenant/resident board members between Factors 1 and 2. It is Factor 3 that has the strongest view that there should be a maximum term of office and Factor 2 is moderately against an arbitrary cut off period. Factors 4 and 5 have opposite views on the issue of whether it is professional skills or other attributes which are most important.

The Challenge of Scale (#25; #53)

As indicated in **Chapter 2**, as housing associations have grown they have tended to become more corporate. Factor 1 sees the need for housing associations to adopt more corporate styles of governance whereas Factor 2 believes that the traditional models of voluntary

governance should remain. There is a consensus across Factors 1, 2, 3 and 4 that size does not reduce the requirement for board control with only Factor 5 moderately accepting that the practicality of control becomes problematic with scale.

Accountability (#9; #10)

Although, as discussed in **Chapter 3**, housing associations have no economic owners, there are marked differences of views between Factors 1 and 2 in particular on the question of whether shareholders or any other stakeholder group is required to hold boards to account.

Pay as an Economic Consideration (#55; #16)

Competing views about the inherent value associated with money and its potential impact on motivation were considered in **Chapter 4**. Factors 1, 3 and 4 consider the case for payment of board members to rest on economic grounds, whereas Factors 5 and 2 see moral hazards with payment for housing association boards such that payments should not be made if not required.

Stewardship and Regulation (#34; #12)

Factor 1 is particularly opposed to regulatory interference whereas Factor 3 accepts this is necessary and justified because of the legacy of public funding that housing associations have received.

Impact and Consequences of Board Pay (#20)

Factor 2 is clearly remains opposed to board payment, but Factors 1, 4 and 5 are still not convinced that there is clear evidence to back up claims that payment has improved the quality of housing association boards.

Constructs of Consensus

As well as identifying distinguishing statements PQ Method also identifies consensus statements that do not distinguish between any pairs of statements. The identification of a statement as representing a consensus view, however, does not necessarily mean that the issue is not important. The fact that there is a common view can itself be seen as being informative, revealing what is not considered to be contentious.

There are 9 statements where the range in the positions of the factor arrays has a range of four or fewer places (i.e. #8 -2/-1; #3 +2/+3; #17 -2/0; #54 0/+3; #45 +2/+5; #38 -5/-2; #37 -2/+1; #29 +3/+6; and #14 +1/+4).

However, only one statement (Statement 8 - Paid boards are less likely to consider merger opportunities as turkeys don't vote for Christmas) is identified as a consensus statement by PQ Method. The fact that there was a consensus view about only one of the 57 statements provides an indication that virtually all of the statements in the Q set are useful in identifying differences and demonstrating the spectrum of opinions amongst the P set of participants in the study.

The consensus view of statement 8 (indicating moderate rejection) suggests that irrespective of whether board pay is seen as a positive or negative this is not likely to be an influence on whether or not a housing association is inclined to consider options for mergers. This therefore indicates that the question and merits of housing association board payment is a complex issue that does not necessarily result in a universally positive or negative response.

Q Study Conclusions

The results of the Q study indicate that amongst the participants there were 5 factors (i.e. distinct sets of views). Each of these had their own particular characteristics and are labelled as:

Factor 1: Business Focused and Corporately Responsible

Factor 2: Socially Focused and Stakeholder Accountable

Factor 3: Regulator Focused and Professionally Responsible

Factor 4: Leadership Focused and Governance Rigour

Factor 5: Pragmatically Focused and Non-Prescriptive

Although there is a strong and significant correlation between Factors 1, 3 and 4 (and between Factors 3 and 4 in particular) the analysis has revealed a number of issues and areas of contention on which each of these Factors differ from the others. Factor 2 was the most distinct perspective and perhaps represented a fundamentally different conception of the role of the board of a housing association that saw it as a connecting and accountability mechanism whereas all the other factors saw the board as playing some form of business governance role. Factor 2 also appeared to be the most resistant to acceptance of the neo-liberal discourse of commercialisation that was to a greater or lesser extent evident in each of the other Factors.

The perspectives and position of all five factors against the main constructs and issues of contention are summarised in Table 6.13, but this only shows some of the complexity and nuanced differences that are revealed by the analysis of the five different Factors.

Table 6.13: Summary Assessment of Position for All Five Factors Shown Against Issues of Contention

	Factor 1 Business Focused & Corporately Responsible	Factor 2 Socially Focused & Stakeholder Accountable	Factor 3 Regulator Focused & Professionally Responsible	Factor 4 Leadership Focused & Governance Rigour	Factor 5 Pragmatically Focused & Non-Prescriptive
Power and control	Executive power more significant than board control	Executive power and control	Balance of executive power and board control	Board power and control	Board power and control
Pay impact on integrity and motivation	Pay does not damage integrity or impact on motives	Pay damages integrity but neutral on motivation	Pay does not damage integrity or impact on motives	Pay does not damage integrity but may impact on motives	Pay may damage motives and also impact on integrity
Active or passive in resolving problems and removing executives	Active in resolving problems but reluctant to remove executives	Passive and sticks with existing executives	Active in resolving problems but neutral on removing executives	Active in resolving problems and may remove executives	Avoiding rather than resolving problems and reluctant to remove executives
Board composition	Professional skills not representative board Some support for 9 year rule	Representative board not professional skills Opposed to 9 year rule	Professional skills not representative board Supports 9 year rule	Professional skills not representative board Slight support for 9 year rule	Not representative and not professional skills Neutral on 9 year rule
Corporate perspective and board size	Corporate governance model and support for small board	Not corporate role and concern if board too small	Corporate governance model but neutral on board size	Neutral on corporate role and board size	Neutral on corporate role and board size but if organisation too big may be ungovernable
Member/stakeholder accountability	Stakeholders and members are irrelevant	Stakeholders and members are of vital importance	Stakeholders and members have limited impact	Stakeholders and members have limited impact	Stakeholders and members have limited impact
Attitude to payment	Business Issue	Moral Issue	Regulatory Issue	Leadership Issue	Risk Issue
Public purpose to protect taxpayer	No public purpose	Some public purpose	Strong public purpose	Some public purpose	Some public purpose
Role of regulation	No regulation required	Limited regulation	Strong regulation is required	Some regulation is needed	Neutral about regulation

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Chapter 7

TWO Q CASE STUDIES

This chapter uses the data from the Q sorts in the full Q study to undertake two Q methodology based case studies to consider the positions and perspectives evident amongst the responses from the board members and executives from Housing and Care 21 and from CDS Co-operative Housing Association. In this context Q methodology is being used as a tool for analysis of each case to determine the range and compatibility of views amongst those responsible for the governance of each organisation. This is proposed as a potential means to understand and evaluate the position and perspectives of board members in order to review and improve the effectiveness of their collective governance.

Using Q Methodology to Study Two Cases of Governance

Stake (1995, p2; 2000) defines a case as a specific “bounded system” that has a purpose and integrates a number of elements. A board of a housing association would therefore fit within this characterisation of a case. The study of a case does not, however, necessarily imply that this will involve ‘case study methodology’ as this adopts an approach that also considers the context of the case including a historical dimension and also draws upon multiple methods and sources of data (Gillham, 2000; Yin, 2003). The two cases considered in this chapter are thus not examples of case study methodology but are intended to demonstrate the potential to apply Q methodology to particular cases and the insights that this might offer.

Despite a temptation to assume that case studies may be indicative of the pervasiveness of a phenomenon (Eisenhardt, 1989b) or suggestive of a “family resemblance” between cases (Tsoukas, 2009), their potential does not necessarily lie in their generalisability. The merit of case studies is that they can prompt possible explanation and assist in the understanding of a situation in accordance with an interpretive paradigm (Lee, 1999).

Ragin (1987) suggested that conventional variable-oriented comparative studies had a tendency to identify and collect information one variable at a time which had the effect of disembodiment of the variable whereas a case study approach allowed the variable to be seen alongside others in context. Q methodology fits with this intent as it provides a means to explore the perspectives of participants holistically as cases rather than on a statement by statement basis. Ragin and Becker (1992) asked 'What is a Case?' and identified a range of ways in which cases could be conceived from either an empirical or theoretical perspective and according to whether they were to be regarded as producing specific or general understanding.

Although the analysis of these two cases is empirical and specific they may nevertheless provide potential benefit to each organisation in the understanding of the dynamics of its own governance, and can also help provide important clues and insights into what may be happening within the black box of the governance processes in each organisation. Becker (2014) suggests a significant benefit of cases lies in their potential to reveal insights from variances that alert us to characteristics and influences that we were not expecting.

Normally, as the participants in a Q study are purposefully selected rather than being randomly sampled, the results can only be used to help demonstrate the existence of a phenomenon rather than show its prevalence. However, because in these case studies the sample was of the entire population of the Board and the top tier of executives, it is also possible to make assessments based upon the balance of views and perspectives within each organisation and link the characteristics of the participants to their perspectives in order to suggest potential conclusions and make assessments about their consequences for the dynamics of these specific cases.

Housing & Care 21 – Q Study

(i) Context

Housing & Care 21 is large national specialist housing association that provides housing and care for older people of modest means. It has an annual turnover of £200 million, assets worth over £900 million, 5,500 employees, some 19,000 'retirement housing' and 'extra care' properties and provides approximately 80,000 hours of care per week. Housing & Care 21 is an exempt charity that has been paying its board for approximately 10 years (Chair £18,000 p.a. and Board members £10,000 p.a.). In 2013 Housing & Care 21 was in difficulty and found to have mismanaged a major contract that threatened the organisation's viability and as a result was subject to regulatory action requiring it to improve the quality of its governance and financial controls. The Board of Housing & Care 21 responded by appointing a new chief executive, removing many members of the executive team and appointing four new board members. In 2015, when this study was undertaken, Housing & Care 21, with its refreshed board and new executive team, had been restored to the highest grade of governance and financial viability.

(ii) Housing & Care 21 Participants

All 11 non-executive board members and 2 executives (Chief Finance Officer and Chief Operations Officer) of Housing & Care 21 completed Q sorts as part of the study.

Table 7.1: Housing & Care 21 Case Participants

P1	Peer – HC21 Board Chair, previously National Newspaper CE and Chair of other HAs
P2	Housing Interim Manager – HC21 Board Member
P3	Consultant – HC21 Board Member previously Chair of other HA
P4	Consultant/Broadcaster – HC21 Board Member
P5	NED/Former Social Services Director – HC21 Board Member
P6	NED/Former plc FD – HC21 Board Member
P7	Retired – Resident HC21 Board Member
P8	Retired Business Exec – HC21 Board Member
P9	Investment Banker – HC21 Board Member
P10	Think Tank Director – HC21 Board Member
P11	Accountant (ex-CE of Birmingham City Council) – HC21 Board Member
P12	HC21 Chief Finance Officer
P13	HC21 Chief Operations Officer

Note: P numbers are the same as for the full Q study

(iii) Position of Housing & Care 21 Participants in Full Q Study

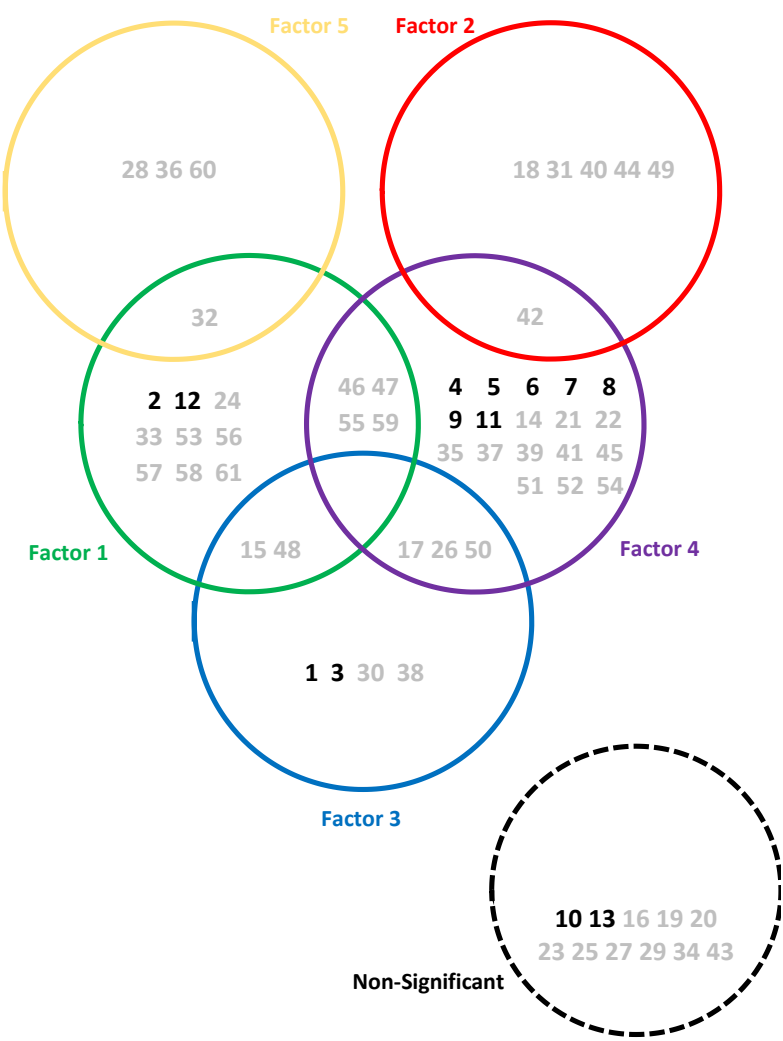
The distribution of Housing & Care 21 participants' loadings against the 5 factors in the full Q study are shown in Table 7.2 and Figure 7.1:

Table 7.2: Position of Housing & Care Participants in Full Q Study

Factor 1 Business Focused & Corporately Responsible	2 participants	P2, P12
Factor 3 Regulator Focused & Professionally Responsible	2 participants	P1, P3
Factor 4 Leadership Focused & Governance Rigour	7 participants	P4, P5, P6, P7, P8, P9, P11
Non- Significant	2 participants	P10, P13

The dominant factors evident amongst members of the Housing & Care 21 Board are Factors 1, 3 and 4 (and Factor 4 in particular) with none of the Housing & Care 21 participants loading on either Factor 2 (i.e. Socially Focused and Stakeholder Accountable) or Factor 5 (i.e. Pragmatically Focused and Non-Prescriptive).

Figure 7.1: Position of Housing & Care 21 Participants in Full Q Study



(iv) Q Case Study of Housing & Care 21 Participants

A separate Q study was undertaken just using the Q sorts from the Housing & Care 21 participants. Analysis was, as with the main study, undertaken using PQ Method to seek Centroids with Varimax rotation in order to identify factors for the Housing & Care 21 case study group only and the Q sort loadings on each.

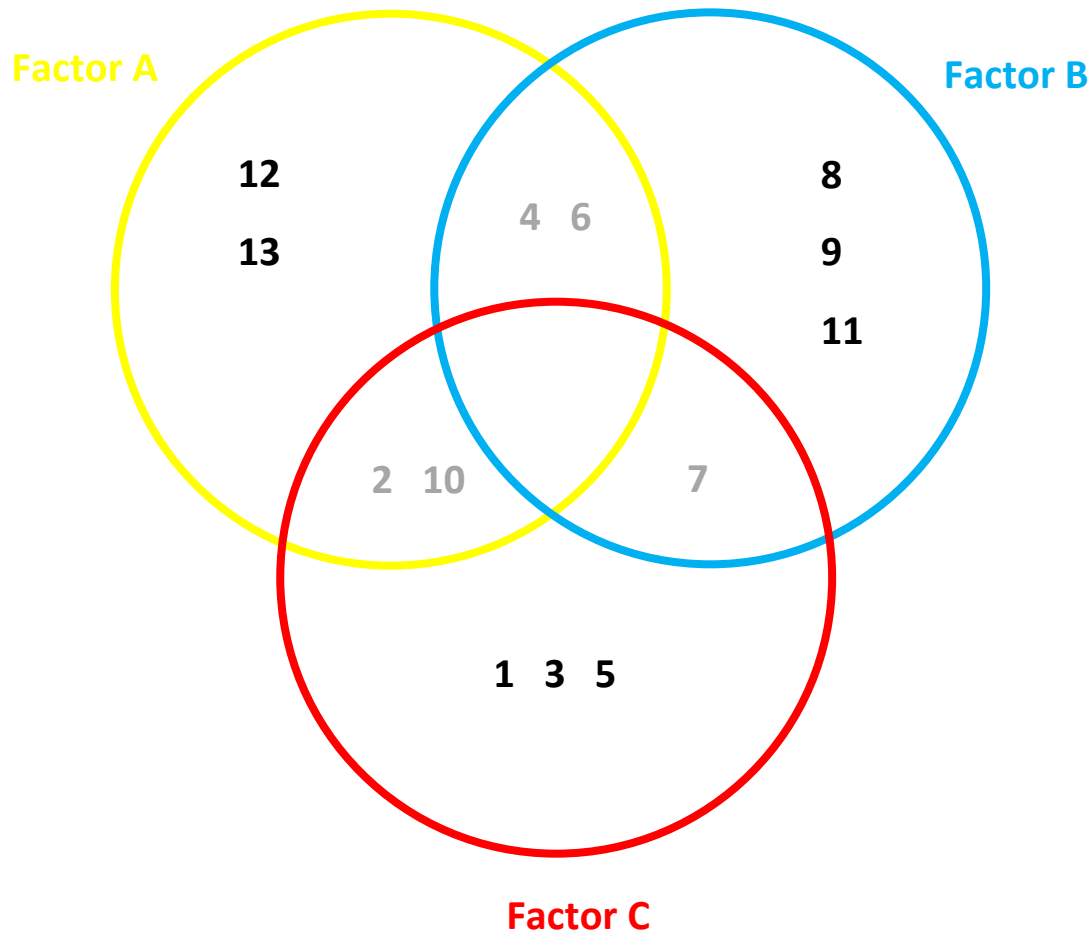
Because of the limited number of participants and their common association and experience with Housing & Care 21 it was not surprising that fewer factors were evident than in the main Q study. 3 factors were identified that explain 52 % of total variance.

With the same $p \leq 0.001$ significance level for a defining factor loading as the main Q study (i.e. 0.4358) there are at least two loadings on each factor and the cross-product of the two highest loadings exceeded twice the standard error for each factor, so satisfying Humphrey's Rule (Brown, 1980, p223). The rotated factors also all have Eigenvalues of over 2 so meet the Kaiser-Guttman criterion (Guttman, 1954; Kaiser, 1960). 5 of the 13 sorts, however, were confounded and so were not therefore used to define the characteristics of the 3 factors.

From the results produced by PQ Method ideal standard arrays have been extracted for each of the 3 factors. The factor matrix (with an X indicating a defining sort), the correlations between factor scores, the distinguishing statements for each factor and consensus statements from PQ Method are shown in **Appendix 18**.

To avoid confusion, the factors identified for the Housing & Care 21 case study have been referred to as Factors A, B and C to distinguish them from Factors 1–5 identified in the full Q study.

Figure 7.2: Loading of Q Sorts from Housing & Care 21 Participants against Factors A, B and C Identified in the Housing & Care 21 Case Study



Both Executives (P12 and P13), but no Board members loaded on Factor A

3 Board members (P8, P9 and P11) loaded on Factor B

3 Board members (P1, P3 and P5) loaded on Factor C

The sorts of the remaining 5 Board members were confounded (P4 and P6 confounded against Factors A and B; P2 and P10 confounded against Factors A and C; and P7 confounded against Factors B and C)

(v) **Housing & Care 21 Factor A – Business Board**

Table 7.3: Housing & Care 21 Factor A – Business Board

-6	-5	-4	-3	-2	-1	0	+1	+2	+3	+4	+5	+6
53	11	54	43	34	13	23	44	14	30	45	48	29
52	32	17	7	42	20	2	22	21	4	47	5	27
	56	50	36	49	18	57	51	40	33	3	28	
			24	19	9	15	39	10	25			
			41	35	16	38	31	1	26			
				6	46	55	12	8				
						37						

This factor sees the board as playing a key business role with responsibility for ensuring the organisation is making good decisions and functioning effectively. This does not require the board to look elsewhere (whether to the regulator, shareholders or stakeholders) for legitimacy or direction. It makes a clear distinction between non-executive and executive roles but regards the executives as having effective control and responsibility.

Comments made by participants loading on this factor were:

Boards should not get involved in day to day decisions – if they do it erodes their ability to govern and hold the executive to account.

Chaos will ensue if a board thinks and acts as if it is another set of executives

The distinguishing statements for Factor A at a $p < 0.01$ significance level are:

- #26** Housing associations have got into a real muddle by appointing resident board members – resident advocacy is not the same as good governance (+3)
- #21** It is the chief executive rather than the board that has real control in a housing association (+2)
- #8** Paid boards are less likely to consider merger opportunities as turkeys don't vote for Christmas (+2)
- #9** Some form of stakeholder group or forum is required to hold housing association boards to account – including a power to appoint and remove board members (-1)

#7 The regulator is responsible for goading housing association boards to improve their governance (-3)

#41 Housing associations are not being held accountable – heads should roll if they fail to perform or if mistakes are made (-3)

(vi) Housing & Care 21 Factor B – Professional Board

Table 7.4: Housing & Care 21 Factor B – Professional Board

-6	-5	-4	-3	-2	-1	0	+1	+2	+3	+4	+5	+6
53	46	39	42	31	18	35	33	45	12	47	30	27
49	24	50	19	21	3	20	44	14	16	5	2	48
	1	8	37	28	11	54	22	41	40	29	4	
			55	51	36	43	6	23	9			
			26	57	56	17	25	15	7			
				10	13	52	32	34				
						38						

This factor emphasises the importance of a professionally competent board in order to be able to question effectively and hold the executive to account. Stakeholder interests are seen as being best served by a skilled and experienced board rather than arbitrary rules or increased regulation. Board pay is seen as a potentially helpful mechanism and incentive to increase the standards and quality of board skills and commitment.

Comments made by participants loading on this factor were:

Boards need a range of skills to ensure issues are understood and being properly addressed

Boards need to know what questions to ask

Board members should be chosen for their professional expertise and ability to question

The distinguishing statements for Factor B at a $p < 0.01$ significance level are:

- #12** **Housing associations need to be closely regulated because they lack the checks and balances of the market for corporate control that apply to commercial companies (+3)**
- #16** **Payment for housing association board members should be judged as an economic rather than a moral issue (+3)**
- #32** **A fully professional board member should be paid equivalent to a consultant's day rate (+1)**
- #28** **An arbitrary cut off (e.g. a 9 year rule) is needed on how long housing association board members can serve for (-2)**

(vii) Housing & Care 21 Factor C – Performance Board

Table 7.5: Housing & Care 21 Factor C – Performance Board

-6	-5	-4	-3	-2	-1	0	+1	+2	+3	+4	+5	+6
32	49	35	52	24	16	50	46	54	45	11	29	4
53	38	37	20	36	26	44	3	48	31	28	33	34
	51	18	21	1	19	15	7	9	2	14	47	
			57	56	43	12	27	42	5			
			55	17	10	39	41	25	30			
				8	6	22	40	23				
						13						

This factor sees the board as playing a vital role in ensuring that the public investment and resources of housing associations are used appropriately and effectively by being willing to have difficult conversations and asking questions. Voluntary service is neither seen as essential nor as providing any excuse or defence for poor performance. Although pay is regarded as helpful in increasing accountability and quality of boards, but high levels of pay are not deemed to be either necessary or appropriate.

Comments made by participants loading on this factor were:

The role of board is to protect public investment and to be seen to do so

Boards need to step up and improve governance to address challenges of scale and complexity

Pay helps to drive improvement, but not high pay as that distorts attitudes and ethos

Simply being non-paid doesn't provide any excuse ... cannot claim to be saintly because acting in a voluntary capacity if not also being effective

The distinguishing statements for Factor B at a $p < 0.01$ significance level are:

- #34 Because of the legacy of public funding housing associations have received, their boards should operate to protect these assets as if held in trust for the taxpayer (+6)
- #11 If housing association boards become too focused on commercial matters they risk forgetting about the primary social purpose they were established to address (+4)
- #54 The quantum of pay doesn't make a huge difference it is the principle of being paid that flips a psychological switch and is symbolically important
- #42 If you pay housing association board members more you may get more commitment, but they then might not lead you in the right direction (+2)
- #27 A good board is one that asks and keeps asking the questions until it is satisfied with the answers given (+1)
- #50 Payment of boards will eventually result in an 'arms race' with housing associations continually increasing their pay rates to ensure they get the best board members (0)
- #38 If you pay board members they are more likely to try to get involved in managing the business and make a nuisance of themselves (-5)

(viii) Correlation and Comparison of Case Study Factors

There is a high degree of correlation between the 3 Factors identified for Housing & Care 21

Correlation between Factor A and Factor B = 0.4856

Correlation between Factor A and Factor C = 0.4968

Correlation between Factor B and Factor C = 0.5855

This indicates that similarities are strongest between Factors B and C whereas the correlation that these factors have with Factor A, whilst still strong, is not quite as substantial. As already noted it may be significant in this context that the defining sorts for Factor A were both from executives rather than the non-executive board members of Housing & Care 21.

A secondary analysis of correlation between Factors A-C for the Housing & Care 21 case study and Factors 1-5 from the main Q study showed some particularly strong comparisons as shown in Table 7.5.

Table 7.6: Correlation between Factors A-C for the Housing & Care 21 case study and Factors 1-5 from the main Q study

	Factor1	Factor2	Factor3	Factor4	Factor5	HC21 A	HC21 B	HC21 C
HC21 A	70	24	52	48	28	100	38	46
HC21 B	39	12	49	80	15	38	100	54
HC21 C	50	14	91	70	41	46	54	100

Factor A (Housing & Care 21 – Business Board) has a 0.70 correlation with Factor 1 (Business Focused and Corporately Responsible). Although P2 provided a defining sort for Factor 1 in the main Q study, they were confounded in the Housing & Care 21 case study and P13 despite being non-significant in the main study, provided a defining sort for Factor A in the case study.

Factor B (Housing & Care 21 – Professional Board) has a 0.80 correlation with Factor 4 (Leadership Focused and Governance Rigour). There were 7 Housing & Care 21 participants (P4, P5, P6, P7, P8, P9 and P11) amongst the 18 defining sorts for Factor 4 in the main Q study, but only three of these participants (P8, P9 and P11) provided defining sorts for Factor B. P4 and P6 were confounded between Factors A and B, P7 was confounded between Factors B and C, and P5 provided a defining sort in the Housing & Care 21 case study for Factor C rather than B.

Factor C (Housing & Care 21 – Performance Board) has a 0.91 correlation with Factor 3 (Regulator Focused and Professionally Responsible). This is a particularly high degree of correlation and P1 and P3 both provided a defining sort for Factor 3 in the main Q study and Factor C in the Housing & Care 21 case study.

(ix) Consensus Statements

There are a considerable number of statements (27 out of 57) in the Housing & Care 21 case study that show a consensus position and do not distinguish between any pair of factors. These consensus statements can be particularly informative in indicating the issues about which the board members of Housing & Care 21 share similar perceptions and have a common outlook.

There is a consensus view that the board is ultimately responsible if things go wrong (#4) and the hence the requirement for the Board to exercise leadership and control (#53) even in larger housing associations such as Housing & Care 21 (#13). There is a shared recognition of the need for a strong chair (#29). Interestingly Factors B and C also considered that boards will not stick with the executive team it has got if a change is needed, but Factor A (defined by the sorts of the two members of the executive team) did not share this view (#39). These views reflect the consequences of the judgement of the regulator when Housing & Care 21 got into difficulties and the action of the Board and the Chair in particular to remove the former chief executive and oversee the change of the executive team. There is also a view that boards are not unaccountable (#36) as the Board of Housing & Care 21 clearly did feel it had to respond to the regulators views and this had resulted in the appointment of 4 new board members. Although it was considered important for the new and existing Housing & Care 21 Board members to have professional skills (#30), this did not mean that they were required to get involved in day to day decision making (#56).

Whilst it may be impossible to prevent mistakes there is a consensus, that comes from the process of Housing & Care 21 recovering its past problems, that the board is responsible for correcting matters when things do go wrong (#5) and that there is a right way for housing associations to be governed (#57).

The Board of Housing & Care 21 had all been appointed since pay was introduced and there is considerable consensus of position with regard to Board pay. Pay is seen as being linked to improved performance (#14, #20 and #47). Pay is seen as beneficial but doesn't guarantee the quality or commitment of Board members (#18 and #23). Providing payment doesn't damage integrity (#24) and may still be of benefit even if the organisation has an important purpose and strong reputation (#55). Board remuneration is judged according to whether it gives good value for money (#40). As Housing & Care 21 pays its Board members towards the top end of the previously suggested remuneration scale they do not see the need for more pay to get better Board members (#43). Housing & Care 21 Board members do still see their role as involving a degree of voluntary commitment (#15), but do consider that keeping board pay low may imply it is a role primarily for people who are semi-retired (#22). The Board of Housing & Care 21 do not believe payment has meant that the Board has become more homogeneous (#17) or more passive (#19), but do still consider the introduction of board pay to be an important decision and that housing association boards should be cautious and clear about the benefits before this is done (#44).

Even though the governance of Housing & Care 21 is seen as being comparable with the governance of a FTSE 350 company (#25), its Board members did not consider this meant they are less likely to debate the philosophical merits of any decision (#37). This is reflected in the dynamics of Housing & Care 21's Board meetings where matters are frequently questioned and discussed in the light of the organisation's purpose.

(x) Housing & Care 21 Case Study Conclusions

Despite the strong correlation between the three factors identified in this Housing & Care 21 case study and the considerable number of consensus statements, there are also clear indications of some differences of perspective.

Factor A

Factor A differs from Factors B and C in considering that it is the executives and chief executive who have the real power and control (#1, #21) and believes most strongly that boards should not get involved in day to day decision making. This is likely to be a consequence of Factor A being defined by the sorts of the Housing & Care 21 executives, but may become a potential source of confusion and contention if both the non-executives and the executives have different views about who is in charge.

Factor A also has concerns about the position and appointment of residents as board members whereas Factors B and C do not see this as being problematic (#26). Factor A is also inclined to have less regard to the views of the regulator than Factors B and C (#7). Factor A thought housing association shareholders were irrelevant and did not consider that accountability could be improved by a stakeholder forum (#10, #9). Effectively Factor A wanted to be left to get on with running the business without being held to account.

Factor A did not feel that housing associations were not being held to account or that heads should roll if things didn't go right (#41). This might not be considered a particularly surprising view given that Factor A was formed from the views of two executives rather than non-executive board members, but is perhaps more pertinent in the case of Housing & Care 21 where six of the previous executive team of seven people had been removed as a result of previous performance concerns.

Given that Factor A has the strongest links with Factor 1 in the main Q study which is probably the most commercial and economic oriented perspective it had some interesting views on board payment. Although it was the quantum rather than the principle of board pay that was considered more important (#54), voluntary board service was still seen as having some merit as a source of integrity and defence against criticism for being self-serving (#51). Factor A also was distinctive in considering that paid boards would be less likely to consider merger opportunities (#8), whereas this was not considered to be the case by Factors B or C and this was the only consensus statement in the main Q study. This suggests that notwithstanding the general business focus of Factor A there may be some negative views held by the executives about the motivations of at least some of the Housing & Care 21 board members.

Factor B

Factor B considers that paying board members (well) is the means to secure better governance, so board pay should be judged as an economic rather than a moral issue and sees less of problem than Factors A and C with paying board members at the equivalent of consultant rates if they do a good job (#16 and #32).

Although Factor B is closely correlated with Factor 4 in the main Q study it is more inclined to support the role of housing association regulation and have a more positive view of the justification and reliance that can be placed on regulation than Factors A or C (#12, #3). This might be a consequence of the regulatory intervention experienced by Housing & Care 21 which emphasised the importance of board leadership and resulted in the recruitment of two of the three board members who loaded on this factor.

Factor B does not consider that there should be an arbitrary 9 year rule on length of board tenure (#28), but although one of the three Housing & Care 21 board members who loaded on Factor B was approaching this limit (P9) the other two (P8 and P11) had been relatively newly

appointed in 2013 so the response to this would not appear to have been driven by self-interest.

Factor C

Factor C is very closely aligned to Factor 3 in the main study and a 0.91 correlation is more than might be expected from a repeated Q sort from the same individual.

Factor C is concerned that housing associations should act to protect the legacy of public funding that they have received (#34) and is concerned that if they become too commercially focused they will lose sight of the primary social purpose for which they were established (#11).

Factor C is in favour of board payment and thinks that pay can serve to improve the quality of housing association board members (#18) and does not damage their integrity (#51). It is, however, concerned to ensure that the quantum of payment is not excessive and does not entirely dismiss the risk of an 'arms race' of increasing board pay (#50). Factor C thinks it is the principle of payment that is more important than the amount (#54) and that paying more may result in more interest and commitment, but this may not necessarily help drive the organisation towards the right goals (#42).

Unlike Factors A and B that consider the key role of the board is to ask questions, Factor C does not appear to think that this alone is enough (#27) and may not be too worried about being seen to take an interest in the management of the business (#38, #48) and also be in favour of smaller boards (#31).

The chair of Housing & Care 21 (P1) and a former chair of another housing association (P3) are two of the three members who loaded on Factor C and these views perhaps reflect this chair perspective of needing to be concerned about perception, purpose and willingness to get under the skin of the organisation to understand how it is performing.

Feedback

The results from the case study assessment of Housing & Care 21 was fed back and discussed by the board. It was noted that whilst the results did not reveal any rifts of opinion and attitudes that were so fundamental that it risked the board ceasing to function effectively because of inherent conflicts it did highlight a number of issues where there were tensions of difference of emphasis.

The points of difference and tension were discussed and debated within the board. This proved a helpful process to expose particular issues that might otherwise have gone un-noticed until they surfaced as bigger problems. It was agreed that it was healthy and positive to have a mix of views within the board and that there were in fact not just three factors or sets of perspectives held by members of the board and executives but a range of individual positions and opinions that included the views of the board members who were confounded between different factors. The benefit of undertaking the Q case study though was in identifying potential dividing issues so that the merits of different positions and reasons for them could be better understood and either actioned or not as appropriate.

This process was seen to have helped the board of Housing & Care 21 in subsequently considering whether the organisation should merge and be taken over by another housing association and in reviewing the merits of retaining a resident board member.

CDS Co-operative Housing Association (CDS) – Q Study

(i) Context

CDS is a relatively small London and South East based housing association with less than 800 properties, but as well as managing its own properties also provides support and services to around 50 other small independent co-operative housing organisations responsible for a further 2,500 properties. It has an annual turnover of £5.5 million, assets valued at £45 million and 40 employees. CDS is a not for profit (non-charitable) housing association that introduced payment for board members from May 2014 (Chair £6,000 p.a. and other Board members £2,000 p.a.). In 2015 when this study was undertaken CDS was going through a period of considerable change and renewal of its management and governance.

11 non-executive board members and 3 executives of CDS completed Q sorts (with one executive completing two Q sorts) as part of the study.

(ii) CDS Participants

Table 7.7: CDS Case Participants

P33	CDS Chief Executive plus Board Member of other Housing Associations
P34	Accountant – CDS Board Member Co-Op Representative
P35	Retired – CDS Board Member
P36	Housing Consultant – CDS Board Member
P37	Chief Executive – CDS Board Member
P38	CDS Company Secretary
P39	Retired - CDS Board Chair
P40	Retired – CDS Board Member
P41	Retired – CDS Board Vice Chair
P42	Housing Officer – CDS Board Member Co-Op Representative
P43	Retired – CDS Board Member Co-Op Representative
P44	Maintenance Officer - CDS Board Member Co-Op Representative
P45	Surveyor – CDS Board Member
P46	CDS Finance Director plus Housing Association Board Member
P47	CDS Finance Director plus Housing Association Board Member (repeated Q sort)

Note: P numbers are the same as for the full Q study

(iii) Position of CDS Participants in Full Q Study

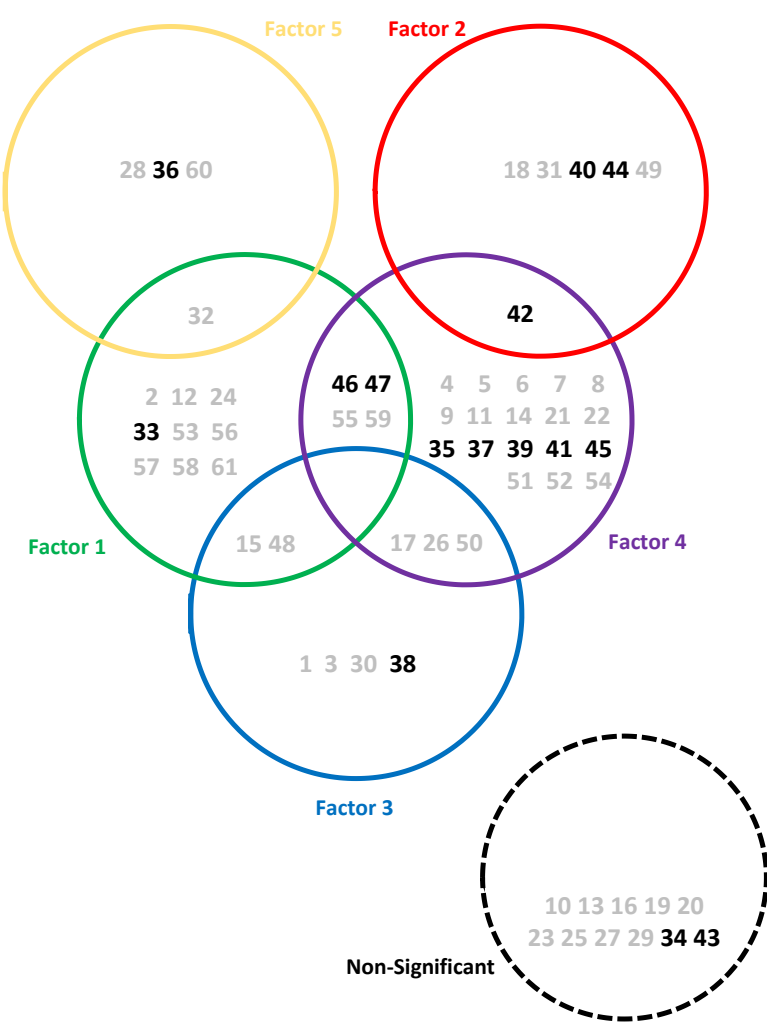
The distribution of CDS participants' loadings against the 5 factors in the full Q study are shown in Table 7.7 and Figure 7.3:

Table 7.8: Position of CDS Participants in Full Q Study

Factor 1 Business Focused & Corporately Responsible	1 participant	P35
Factor 2 Socially Focused & Stakeholder Accountable	2 participants	P40, P44
Factor 3 Regulator Focused & Professionally Responsible	1 participant	P38
Factor 4 Leadership Focused & Governance Rigour	5 participants	P35, P37, P39, P41, P45
Factor 5 Pragmatically Focused & Non-Prescriptive	1 participant	P36
Confounded: Factors 1 & 4	2 participants (1 person 2 sorts)	P46, P47
Confounded: Factors 2 & 4	1 participant	P42
Non- Significant	2 participants	P34, P43

This shows that the CDS participants loaded across all 5 Factors as well as three sorts that were confounded and two that were non-significant. The highest number of sorts was for Factor 4, but there were a range of other views and hence the potential for there to be inherent tensions between these participants.

Figure 7.3: Position of CDS Participants in Full Q Study



(iv) Q Case Study of CDS Participants

The Q sorts undertaken by the CDS participants were also analysed in a separate Q study. Analysis was, as with the main study, undertaken using PQ Method to seek Centroids with Varimax rotation in order to identify factors for the CDS case study group only and the Q sort loadings on each.

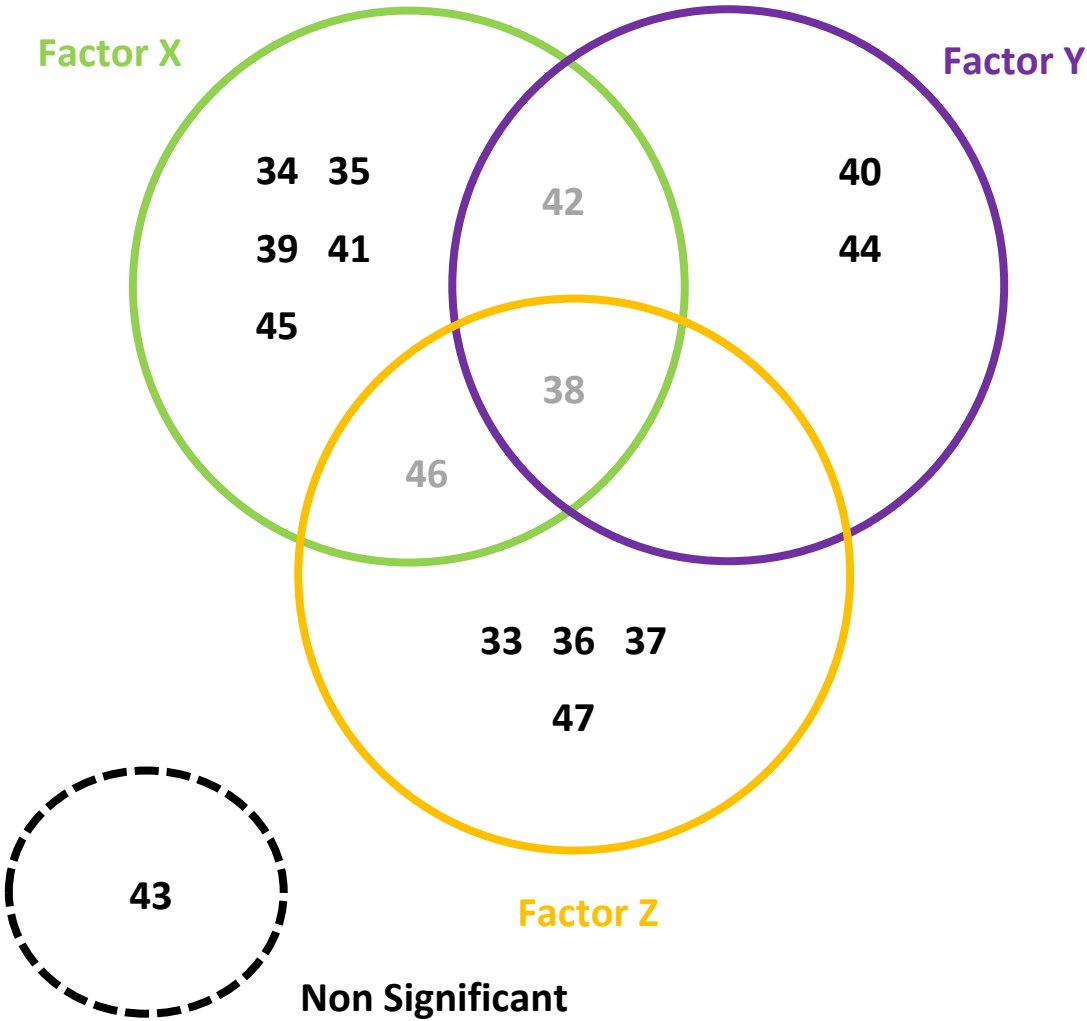
Because of the limited number of participants and the fact that they had a common association and experience with CDS it was not surprising that fewer factors were evident than in the main Q study. 3 factors were identified that explain 52% of total variance.

With the same $p \leq 0.001$ significance level for a defining factor loading as the main Q study (i.e. 0.4358) there are at least two loadings on each factor and the cross-product of the two highest loadings exceeded twice the standard error for each factor, so satisfying Humphrey's Rule (Brown, 1980, p223). The rotated factors also all have Eigenvalues of over 2 so clearly meet the Kaiser-Guttman criterion (Guttman, 1954; Kaiser, 1960).

From the results produced by PQ Method ideal standard arrays have been extracted for each of the 3 factors. The factor matrix (with an X indicating a defining sort), the correlations between factor scores, the distinguishing statements for each factor and consensus statements from PQ Method are shown in **Appendix 19**.

To avoid confusion, the factors identified for the CDS case study have been referred to as Factors X, Y and Z to distinguish them from Factors 1–5 identified in the full Q study.

**Figure 7.4: Loading of Q Sorts from CDS Participants against Factors X, Y and Z
Identified in the CDS Case Study**



5 CDS Board members (P35, P39, P41, P 42 and P45) loaded on Factor X

3 CDS Board members (P40, P43 and P44) loaded on Factor Y

2 CDS Board members (P36 and P37) and 2 CDS Executives (one of whom provided two Q sorts)
(P33, P46, P47) loaded on Factor Z

Two of the CDS sorts were confounded

- P34 (CDS Board member) was confounded against Factors X and Y
- P38 (CDS Company Secretary) was confounded against Factors X, Y and Z

CDS Factor X - Activists

This factor is clear that the board must exercise control and cannot abdicate its responsibility to oversee the executive management. It is inclined to trust in and be influenced by the regulator. Although housing associations are seen as being different from private companies, it still sees the housing association board role as requiring considerable expertise. This factor believes that the role of board member deserves pay, but accepts that it is not vital and that there may be potential risks or negative consequences of payment on the ethos or perceived integrity of the board.

Table 7.9: CDS Factor X – Activists

-6	-5	-4	-3	-2	-1	0	+1	+2	+3	+4	+5	+6
19	21	22	52	18	35	41	6	40	11	45	27	29
46	50	1	24	13	9	42	3	15	47	5	30	48
	49	32	10	53	57	16	7	54	2	34	4	
			36	31	55	17	39	20	51			
			38	28	25	33	56	12	14			
				43	8	26	23	37				
						44						

Distinguishing statements that are significant at a $p < 0.01$ level are shown (with comments in italics to explain how these statements differ from factors Y and Z).

- A housing association board should act as a surrogate 'community shareholder' and champion of stakeholder interests. **(+3)**

Support for this statement (whereas CDS Factors Y and Z were neutral) suggests strong sense of commitment to providing a service for the benefit of others.
- You cannot rely on HCA regulation for governance protection, because they get fixated on details and don't spot problems until it is too late. **(+1)**

Not particularly positive indicating that there might perhaps be some scope for the regulator to be of benefit in providing protection whereas CDS Factors Y and Z were much clearer that the regulator could not be relied upon.

26. Housing associations have got in a real muddle by appointing resident board members – resident advocacy is not the same as good governance. **(0)**
Neutral stance on this issue that is also distinctive for Factor Y (-ve) and Factor Z (+ve).
21. It is the chief executive rather than the board that has the real control in a housing association. **(-5)**
Clearly does not agree with this whereas Factor Y did agree and Factor Z only slightly negative. Sees the board role as leading and controlling the organisation.
46. Housing association boards are too reluctant to have the difficult conversations when they see a problem – nobody wants to rock the boat **(-6)**
Strong disagreement with this suggesting a view that they would be prepared to exercise control and tackle difficult issues when required to do so.

CDS Factor Y – Supporters

This factor accepts that the real power and influence will rest with executives and hence it is the role of the board, especially in smaller housing associations, to help make the organisation accountable. They feel personally committed but that commitment is not created by payment or regulation. It is therefore not considered appropriate that payment should be used as a means to make judgements about board member performance.

Table 7.10: CDS Factor Y – Supporters

-6	-5	-4	-3	-2	-1	0	+1	+2	+3	+4	+5	+6
24	38	26	8	7	23	55	20	35	4	21	29	45
32	43	49	42	17	18	13	39	1	31	48	3	33
	10	12	41	54	40	15	36	37	56	11	27	
			47	22	52	44	25	34	30			
			53	57	28	51	46	16	5			
				19	6	2	9	14				
						50						

Distinguishing statements that are significant at a $p < 0.01$ level are shown (with comments in italics to explain how these statements differ from factors X and Z).

33. There is a world of difference between the governance requirements of small community housing associations and large, complex and commercial housing associations. (+6)
CDS is a small housing organisation so Factor Y think that this means it needs to be governed differently from much larger housing associations, unlike Factors X and Z that are neutral or negative about this.
21. It is the chief executive rather than the board that has the real control in a housing association. (+4)
1. It is the executives who call the shots – governance by a board of non-executives is little more than a charade in most associations. (+2)
Support for these statements (unlike CDS Factors X and Z that are negative) indicates a view that it is the executives rather than the board that effectively run the organisation.
35. Payment doesn't increase board member commitment (+2)
Support for this view whereas Factors X and Z do think payment helps create commitment
36. Housing association boards are classic self-perpetuating oligarchies with no real accountability or curb on their powers. (+1)
Only slight support for this statement (but Factors X and Z are negative) indicating a recognition of concern about the accountability and connection with stakeholders.
54. The quantum of pay doesn't make a huge difference, it is the principle of being paid that flips a psychological switch and is symbolically important. (-2)
The amount of pay is considered to be important indicating (taken in context of other responses) that this Factor is concerned about avoiding excessive payments to board members.
47. If you are paying board members there can be no excuses for poor attendance or lack of preparation for meetings. (-3)
Disagreement with this as pay is not seen as a basis for making judgements about performance whereas CDS Factors X and Z do see payment as a means to secure improved attendance and participation.

26. Housing associations have got in a real muddle by appointing resident board members – resident advocacy is not the same as good governance. **(-4)**
Resident board membership is seen as a positive and a part of good governance by Factor Y.

CDS Factor Z – Pragmatists

Just because CDS is a smaller housing associations it is not seen as having any less or different need for good governance. There is no suggestion that executives should be allowed to take over, but they do not expect a non-executive board to have a 'hands on' role. They did not feel that the significance of the role of shareholder members should be overstated and do not consider residents are necessarily the right people to be appointed to housing association boards. Pay is seen as having a psychological significance with a potentially positive impact on ethos and nature of the commitment and motivations of board members.

Table 7.11: CDS Factor Z – Pragmatists

-6	-5	-4	-3	-2	-1	0	+1	+2	+3	+4	+5	+6
56	13	1	36	24	21	44	16	11	23	5	45	48
32	53	51	49	55	12	41	25	10	26	27	30	29
	6	22	9	8	43	17	39	4	3	47	34	
			52	50	33	20	40	14	46			
			19	35	37	2	31	42	54			
				7	38	57	15	28				
						18						

Distinguishing statements that are significant at a $p < 0.01$ level are shown (with comments in italics to explain how these statements differ from factors X and Y).

23. Pay has increased the number of applicants for board member roles, but this doesn't guarantee that people applying have the right ethos or motivations. **(+3)**
View that board pay can have a positive impact on commitment even if its impact on attitude and motivation is less certain.
10. Members/shareholders are irrelevant and ineffective in making housing associations accountable. **(+2)**
26. Housing associations have got into a real muddle by appointing resident board members - resident advocacy is not the same as good governance. **(+3)**
Support for both these statements (whereas CDS Factors X and Y both disagreed) suggests a stronger view about the role of the board and lack of weight or credence to mechanisms for representative accountability or control.
21. It is the chief executive rather than the board that has the real control in a housing association. **(-1)**
Only slight disagreement with this statement (unlike CDS Factor X that is highly negative and Factory Y that is supportive) indicates a view that executives should not be allowed to take over but recognises they have far greater scope to influence and direct the organisation.
37. Smaller housing association boards are more likely to debate the philosophical rights and wrongs of an issue than the boards of big associations that just make business decisions **(-1)**
Disagreement with this statement indicates that the CDS Factor Z view is that the same responsibilities for governance apply irrespective of size of the organisation.
51. Voluntary board service is a source of integrity and defence against criticism because the people in charge are operating for selfless reasons rather than personal gain. **(-4)**
Payment does not damage integrity and voluntary service does not mean that motives are necessarily entirely altruistic, Factors X and Y were positive or neutral about this.
56. Housing association boards need to move from passive monitoring and approving to become more active and involved in day to day decision making. **(-6)**
Factor Z is more mindful than Factors X and Y to main separation between executive and non-executive roles and responsibilities.

(v) Correlation and Comparison of Case Study Factors

There is a high degree of correlation between the 3 Factors identified for CDS. The correlation is strongest between Factors X and Z, but falls below the significance threshold of 0.4358 for the correlation between Factors Y and Z.

Correlation between Factor X and Factor Y = 0.5196

Correlation between Factor X and Factor Z = 0.6594

Correlation between Factor Y and Factor Z = 0.4082

A secondary analysis of correlation between Factors X-Z for the CDS case study and Factors 1-5 from the main Q study showed some particularly strong comparisons as shown in Table 7.11.

Table 7.12: Correlation between Factors X-Z for the CDS case study and Factors 1-5 from the main Q study

	Factor1	Factor2	Factor3	Factor4	Factor5	CDS X	CDS Y	CDS Z
CDS X	38	25	47	91	41	100	48	61
CDS Y	52	68	50	49	27	48	100	37
CDS Z	66	13	71	72	53	61	37	100

Factor X (CDS – Activists)

Factor X has a 0.91 correlation with Factor 4 (Leadership Focused and Governance Rigour) in the main Q study. This is a particularly high degree of correlation. Four of the five participants whose sorts define Factor X (i.e. P 35, P39, P41 and P45) also loading on Factor 4 in the main study and the other defining sort for Factor X (P34) being non-significant in the main study.

The participants whose sorts define Factor X included the Chair (P39), Vice Chair (P41) and another long serving member of the CDS board (P35) who had each served on the board for over 20 years and would have had to take charge during some particularly challenging periods in the history of CDS including working with the regulator and overseeing a change of executive leadership.

Factor Y (CDS – Supporters)

Factor Y has a strong correlation of 0.68 with Factor 2 in the main Q study, but could be regarded as being also confounded across a Factors 1, 3 and 4 as well. The two sorts that defined Factor Y (P40 and P44) were also distinctive of Factor 2 in the main Q study.

Both P40 and P44 had a long history and association with CDS but had not taken leading roles in the running of the organisation but had seen their function as primarily to connect CDS with the co-operatives it provided services to and the wider co-operative movement. This is akin to the Resource Dependency role in governance theory considered in **Chapter 3**.

Factor Z (CDS – Pragmatists)

Factor Z does not have a particular correlation with just one Factor in the full Q study but has significant correlations with Factor 1 (0.66), Factor 3 (0.71) and Factor 4 (0.71). There is also a reasonably high correlation with Factor 5 (0.53) and it is only Factor 2 with which there is not a strong association.

In the main Q study, the four participants whose sorts define Factor Z had distinctive sorts for Factor 1 (P33), Factor 5 (P36), Factor 4 (P37) and a sort confounded between Factors 1 and 4 (P47). These participants were the CDS chief executive (P33), the CDS finance director (P47) and CDS board members who are the chief executive of another housing association (P37) and a housing consultant (P36). The professional and managerial characteristics of these participants may explain why the character of factor Z has the closest association with the business and commercial conception of the role of housing association boards that Factors 1, 3 and 4 in the main Q study encapsulate.

(vi) Consensus Statements

There are also a considerable number of statements (25 out of 57) that show a consensus position across all participants and are not indicative of any particular Factor.

Table 7.13: Consensus Statements in CDS case study

4.	The buck stops with the boards – if there is a problem they are ultimately responsible. (+ve)
5.	No system can guarantee people won't make stupid decisions – good governance is about the ability to self-correct when things go wrong. (+ve)
8.	Paid boards are less likely to consider merger opportunities as turkeys don't vote for Christmas (-ve)
11.	If housing association boards become too focused on commercial matters they risk forgetting about the primary social purposes they were established to address (+ve)
14.	It is not justifiable for a housing association board to simply decide it wants to be paid without any quid pro quo of improved performance (+ve)
15.	Even though housing association board members are paid they still see it as a voluntary activity – they are not being paid enough for it to be treated as a real job (Neutral/+ve)
16.	Payment for housing association of board members should be judged as an economic rather than a moral issue (+ve)
17.	Since payment was introduced housing association boards have become more homogeneous (Neutral/-ve)
18.	Unpaid board members are often more impressive than paid ones (-ve)
19.	Payment makes board members more passive – it doesn't encourage them to be vociferous, turn over stones or act as a friendly irritant (-ve)
20.	There is no evidence that pay has improved the quality of housing association boards. (Neutral)
22.	Keeping pay for housing association boards low reinforces this as a role primarily for people who are semi-retired (-ve)
25.	Major housing associations are comparable with FTSE 350 companies so have outgrown traditional models of voluntary governance (Neutral)
27.	A good board is one that keeps asking the questions until it is satisfied by the answers given (+ve)
29.	A strong chair is a critical component for an effective board (+ve)
30.	Housing associations need boards with specific professional skills (e.g. finance, development, housing, HR) to match areas of executive responsibility (+ve)
34.	Because of the legacy of public funding housing associations have received their boards should operate to protect these assets and act as if held in trust for the taxpayer (+ve)
39.	Housing association boards tend to coalesce and stick with the executive team they have got, even if the organisation could do better with a change of leadership. (Neutral)
41.	Housing associations are not being held accountable – heads should roll if they fail to perform or if mistakes are made (Neutral/-ve)
44.	Housing associations should be cautious about introducing board pay because once you start paying it is very difficult to take it away (Neutral)
45.	Problems occur when you try to be too prescriptive about the composition of boards or how they should function – there isn't a 'one size fits all' solution (+ve)
48.	The role of the board in a housing association is not to manage the business but to ensure the executives do efficiently and effectively and for the right ends (+ve)
49.	If you pay people you have a lien on them – they are more likely to bite their tongue and less likely to resign if they disagree with something (-ve)
50.	Payment of boards will eventually result in an 'arms race' with housing associations continually increasing their pay rates to ensure they get the best board members (-ve)
52.	The regulator wants housing association board members to be paid because it is then much easier to wag their finger at them and tell them what they should do (-ve)
53.	The requirement for housing associations to be led and controlled by their board is no longer practical for very large organisations (-ve)
55.	If a housing association has an important purpose or significant status it should be able to get good board members for free so there is no point paying them (-ve)
57.	It is impossible to have a conclusive view about how housing associations should be governed because there is no means of making comparisons or measuring cause and effect (-ve)

These consensus statements indicate the range of issues and perceptions where there is no apparent conflict or divergence of views within the Board of CDS. This high level of consensus is in contrast with the full study where the number of statements and range of issues on which there is consensus is much more limited.

(vii) CDS Conclusions

Despite the significant number of consensus statements and reasonably high levels of correlation between the 3 CDS Factors identified, there are also some clear differences of conception that this case study has identified within the CDS board. Some of the issues on which differences of perspective are apparent were amongst those identified in the main Q study as being the most contentious and fundamental. These include:

- The role of resident board members and whether the board members should be selected to undertake a representational role in order to connect the organisation with its stakeholders or a business oversight or leadership role.
- Whether the board or the executives exercise control and extent to which board members should be expected to be involved with and oversee management activities
- Issues concerning the merits, justification and quantum of payment

A feedback report was prepared to raise these issues but the Chair and Chief Executive of CDS decided that it was not necessary to discuss it, on the basis that it might raise issues that it would be difficult to resolve. However, despite the apparent consensus, if there is the potential for latent conflict because of different conceptions of the boards role and purpose there is a risk that these issues and difference will only become apparent when the board is placed under pressure and making important decisions and so inhibit the CDS board's capacity to provide effective governance when it is needed most.

It is, however, beyond the scope of the ethical consent obtained to comment further or probe into the circumstances of CDS to try to find reasons and suggest responses to this situation.

Potential Benefits of Case Study Q Studies

There is the potential for Q methodology to be used as a tool for assessing and studying the governance dynamics of particular boards on a case by case basis. This could be conducted in connection with and compared against the findings from exploration of the 5 Factors and their differences of position and perspective revealed by the full Q study or be undertaken on a stand-alone basis.

The Q methodology has the potential advantage of avoiding board members feeling tempted or compelled to acquiesce with the normative views or bias of a consultant or other governance 'expert'. Instead they are able to produce their own particular configuration of views that can then be compared and contrasted with the views of the other board members and executives. This could: promote self-awareness; reveal areas of potential conflict; and identify matters that are being accepted or taken for granted and not therefore be being sufficiently tested or challenged.

If there are too many different sets of views held by board members or perhaps more critically if their views are incompatible then this could be potentially problematic. It is normal to have a range of views and opinions and for these to be in a natural state of flux so that they can flex as they are shifted and shaped by the normal challenges and swings of opinion and circumstance that each housing association faces. This was highlighted by consideration of the changes that have occurred in the trajectory of housing associations in **Chapter 2**. However, if there is an irreconcilable difference of view it might make a housing association's board inherently unstable and could result in a seismic break if put under pressure rather than a gradual movement. Also at the other extreme, if all the board members had a total uniformity of outlook this could also be potentially perilous as it can cause complacency and lead to 'Group Think' (Janis, 1972, 1982).

There are, however, challenges with the use of Q methodology for case studies. If the technique is used more widely there is a risk that the 'ology' of Q methodology, discussed in Chapter 5, might be lost and the rigour of the methodology converted into a quick and easy technique that lacked rigour or credibility. Another potential difficulty is concerns the ethical basis for conducting Q studies and need for a clear understanding and acceptance of the basis on which Q sorts are being created and shared. If the intention is to use them to make judgements about the effectiveness and compatibility of board members this would certainly have needed to be made explicit at the outset along with details of the means and basis for making judgements about how any conflicts are to be resolved or addressed. So, although the findings from the case study review were welcomed and used as a prompt for reflection by Housing & Care 21, no inference or findings can be drawn from the fact that this did not occur with the findings from the CDS case.

Chapter 8

A PERSONAL PERSPECTIVE

This chapter considers the application of the Q study, not to identify alternative perspectives or views in a selected population of participants, but to consider the variations in the perspectives of a single participant (me). This was done in order to explore whether the results of the Q study change if the sorting process was undertaken at different times or under different conditions of instruction.

The results of this process may not be considered scientific or conclusive but do indicate that the results of a Q study may be dependent on the time, circumstances and context under which it is undertaken as well as upon the person undertaking the study.

My Initial Decision to ‘Have a Go’

I suspect that few researchers who undertake research using Q methodology can resist the temptation to try out the process of producing a Q sort for themselves. Even though (or perhaps because) I had selected the statements for the Q set and designed the sorting grid, I felt the need (and a duty) to have a go myself before asking other participants to complete the Q study.

By doing a Q sort at the start of the research process in September 2014, I was able to gauge the complexity of the statements and how long it took to read, sort and arrange the Q set of 57 statements. Despite being familiar with the statements and understood why each of them had been selected, the process of sorting and prioritising the statements was still quite a challenge. I did not however dumb down or remove the complexity or ambiguity of the statements as I felt it was important to maintain the natural language and manner in which they had been expressed.

Not Part of the P-Set

I resolved not to include my own Q sort in the analysis.

It is a key feature and quality of Q methodology that it does not privilege the views of the researcher above the representations and arrays produced by the participants. It is always the thoughts, evaluations and interpretations that the participants produce and present themselves that are subject to analysis (Brown, 1980, p44). There are therefore no problematic ethical implications of interpretive imposition of views from the researcher onto participants with Q methodology, provided it is undertaken with informed consent, as each participant is able to present their own response to the Q Set. I was nevertheless still conscious of the problems I had previously encountered of trying to maintain a dual role as subject and researcher (Moore, 2007) and of not wanting to give any impression of being partisan or being in favour of one factor over another. I therefore chose to keep my views and the results of my initial Q sort separate from the Full Q Study (**Chapter 6**) and the Case Study (**Chapter 7**) assessments.

Curious to Compare

Having completed the Q study and analysed the 61 Q sorts that were produced by others I was curious to know how my initial sort fitted with the five factors identified.

Before becoming recognised as a tool for abduction and a means to explore social constructionism (Stainton Rogers and Stainton Rogers, 1990), Q methodology had been used in psychology as a means of exploring the psychology of the self (Stephenson, 1953, pp242-272).

Q methodology can be used for self-reference to focus on the psyche of a person supplying multiple self-referenced sorts that consider the subject under investigation from different perceived perspectives (Block, 2008), in order to reveal the “natural segregations of the mind” (Good, 2003). Watts and Stenner (2012, p50), however, warn that even at a superficial level this can be “a seriously effective means of facilitating processes of personal understanding and

discovery”. That though was not my intention. I did, however, want to consider two further questions: “Has my position and perspective shifted during the research?” and “Does my position alter according to the role and context I am in?”

In November 2015, after the research process had been concluded and the results analysed for the Full Q Study and the two case studies, I undertook the Q study again on three separate occasions. Whereas the initial studies had all been undertaken with a general and non-specific condition of instruction these three subsequent studies were each undertaken with different specific conditions of instruction.

- **How I see the governance of housing associations and issues of board member pay when I am considering the findings of my research? (November 2015)**
- **How I see the governance of housing associations and issues of board member pay when I am working as Chief Executive with the Board of Housing & Care 21? (November 2015)**
- **How I see the governance of housing associations and issues of board member pay when I am operating as a board member of CDS Co-Op Housing Association? (November 2015)**

My Q Sorts

The sorts I produced are shown in Tables 8.1 – 8.4.

Table 8.1: How I see the governance of housing associations and issues of board member pay (September 2014)

-6	-5	-4	-3	-2	-1	0	+1	+2	+3	+4	+5	+6
43	25	16	35	4	54	46	29	19	17	51	36	9
32	56	31	40	50	48	37	33	52	12	24	11	34
	53	15	18	21	47	27	39	20	7	42	2	
			30	3	28	45	10	44	55			
			1	6	57	23	49	5	14			
				26	22	41	8	38				
						13						

Correlation with Factor 2 (i.e. Socially Focused and Stakeholder Accountable) of Full Q Study is 0.41, but with a negative correlation of -0.28 with Factor 1 (i.e. Business Focused and Corporately Responsible)

Table 8.2: How I see the governance of housing associations and issues of board member pay when I am considering the findings of my research (November 2015)

-6	-5	-4	-3	-2	-1	0	+1	+2	+3	+4	+5	+6
43	56	51	16	33	2	8	19	34	23	14	27	57
32	25	4	40	1	15	45	39	44	54	5	12	20
	50	18	30	31	24	35	46	36	7	42	48	
			37	13	22	28	9	47	55			
			53	6	26	49	11	10	52			
				38	3	41	17	29				
						21						

Correlation with Factor 5 (i.e. Pragmatically Focused and Non-Prescriptive) of Full Q Study is 0.45.

Table 8.3: How I see the governance of housing associations and issues of board member pay when I am operating as a board member of CDS (November 2015)

-6	-5	-4	-3	-2	-1	0	+1	+2	+3	+4	+5	+6
31	26	43	6	56	4	13	33	53	45	2	28	29
32	10	50	30	57	12	8	34	18	11	15	21	14
	25	23	27	52	36	39	41	55	5	48	1	
			42	49	35	9	46	44	22			
			20	38	19	16	24	37	3			
				17	47	40	51	54				
						7						

Correlation with Factor 2 (i.e. Socially Focused and Stakeholder Accountable) of Full Q Study is 0.46

Table 8.4: How I see the governance of housing associations and issues of board member pay when I am Chief Executive of Housing & Care 21 (November 2015)

-6	-5	-4	-3	-2	-1	0	+1	+2	+3	+4	+5	+6
53	18	43	50	55	17	16	12	10	34	30	48	29
13	21	1	37	56	39	52	23	57	28	47	27	4
	32	19	35	49	26	9	42	33	54	3	14	
			38	15	2	25	31	11	45			
			20	24	51	36	6	7	5			
				22	46	44	41	40				
						8						

Confounded correlation with Full Q Study of 0.72 for Factor 3 and 0.78 for Factor 4 (and 0.46 for Factors 1 and 5). Only factor that this does not have any significant correlation with is Factor 2.

A Search for Insight into Changes of Perspective between September 2014 and November 2015

The correlations between the sorts I produced in September 2014 and November 2015 under different conditions of instruction and the Factors from the full Q study were obtained by a second order analysis by entering my sorts and the standard arrays for each of the 5 Factors as separate Q sorts into PQ Method.

I also tracked the change of position for each statement from the position in my original Q sort in September 2014 to the positions in November 2015 according to the different conditions of instruction.

Details of this are included in **Appendix 20**.

There were some shifts from September 2014 to November 2015 across all conditions of instruction. This may be because the positioning of a particular statement in 2014 was anomalous or reflect a more general shift in my attitude or interpretation of particular statements not linked specifically to a particular condition of instruction.

Changes from original 2014 Sort to 2015 Sort considering the findings of my research

There is a 0.58 degree of correlation between my Q sort in September 2014 and subsequent Q sort in November 2015 considering the findings of my research. Although this is not at the level of correlation that might be expected in a test – retest situation (i.e. 0.80 to 0.90) (Frank, 1956; Hilden, 1958; Steller and Meurer, 1974), it is still significant especially considering the time gap and different condition of instruction.

My personal position has changed during the course of the research process. Initially I had considered that my research might highlight flaws or problems with the introduction of payment for housing association boards, but I am now more concerned to discover the basis for the different conceptions of how housing associations should be governed so that the pros and

cons of alternatives can be better evaluated. This is reflected in a shift in the (0.41) correlation of my September 2014 Q sort with Factor 2 (i.e. Socially Focused and Stakeholder Accountable) in the Full Q Study compared with the (0.45) correlation of my November 2015 Q sort considering the findings of my research with Factor 5 (i.e. Pragmatically Focused and Non-Prescriptive).

An interesting shift occurred in respect of Statement 57 (*It is impossible to have a conclusive view about how housing associations should be governed because there is no means of making comparisons or measuring cause and effect*) that showed a positive movement (-1 to +6) from September 2014 to November 2015 when considering the findings of my research. Although it is not identified as a consensus statement by PQ Method it had only a narrow range of positions across the 5 Factors in the main Q study (-3 to 0) indicating that most participants concurred with my original view that had a slight inclination to think it might be possible to have a view on how housing associations should be governed (even if they disagreed about what this should be). But as a result of my research I moved to a position (reflected in the conclusions of this thesis) that it is not possible to have definitive view on how housing associations should be governed. My view had thus changed from wanting to find a solution to accepting that rather than continuing to search for the unattainable the focus for research and practice should shift toward understanding the complexity and diversity of views that are constructed by housing associations and their boards about how they intend to approach the process of governance.

Changes from original 2014 Sort to 2015 Sort reflecting my views as a board member of CDS Co-op Housing Association

There is a 0.46 degree of correlation between the Q sort that reflects my views as board member of CDS Co-op Housing Association and Factor 2 (i.e. Socially Focused and Stakeholder Accountable) in the Full Q Study, but low correlation with any of my other Q sorts (0.23; 0.18; and 0.14). This is perhaps an indication that my Q sort has been influenced by the particular impressions and perspectives I have about the operation of the CDS board.

A significant shift under this condition of instruction was the view that it is the executives and the chief executive in particular and rather than the board of CDS that exercised control (#1 and #21) which was contrary to my view under any other condition of instruction and sign that I was not entirely assured by effectiveness of the CDS board of which I was a member.

Changes from original 2014 Sort to 2015 Sort reflecting my views as chief executive of Housing & Care 21

There is a moderate correlation between my Q sort in relation to my perspectives when I am working as chief executive with the board of Housing & Care 21 and my Q sort that reflects the findings of my research (0.43) but a low degree of correlation with my original September 2014 Q sort and as a board member of CDS (0.22 and 0.14).

There is a higher (albeit confounded) correlation with factors in the Full Q Study (Factor 4, 0.78; Factor 3, 0.72; and Factors 1 and 5, 0.46). This may reflect the amalgam of the other sorts from members of the board of Housing & Care 21 who provided distinctive sorts and loadings on Factors 1, 3 and 4 in the Full Q Study (and reflected in Factors A, B and C in the Case Study). This position, however, appears to be more closely aligned with the views of non-executives rather than the two executives whose views were most closely aligned to Factor 1 and indicated that the executives rather than the board exercised real control. Even though this was a view held in respect of the operation of the board of CDS it was not a view I supported in respect of Housing & Care 21.

Comparability of my Q sorts as chief executive of Housing & Care 21 and as board member of CDS

The low correlation (0.14) between my Q sorts as a board member of CDS and as chief executive of Housing & Care 21 reflects the fact that these are different roles, different organisations and different situations. Despite this, there are some movements in the position statements from my original 2014 Q sort that are comparable for the Q sorts reflecting my roles at CDS and Housing & Care 21 that were not reflected or changed to the same extent in my other 2015 Q

sort when considering the findings of my research. One of these issues related to the role of the regulator (#3) as both CDS and Housing & Care 21 had experienced recent governance difficulties but the HCA as regulator had in each case been slow to respond and appreciate the nature of the problems. A further consistent move was to recognise the importance of the chair for an effective board (#29) and this is an aspect of this study that was potentially under explored, given the potential importance of the contingent relationship that exists between the chair of the board and chief executive (Cornforth and Macmillan, 2016).

Assessment

This series of personal Q sorts provides a strong indication that positions and perspectives do change over time and can also be altered by different conditions, context and circumstances.

The results could be seen as being a consequence of an adaptation to the norms and effects of the disciplinary power of the dominant discourse in each situation or setting as referenced by Foucault (1979). However, I accept that it is difficult to demonstrate the veracity of the results in this section as it is entirely possible that they are rendered unreliable by reason of my awareness of the circumstances and hence the desire to skew the results in particular directions to produce a particular outcome or effect.

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Chapter 9

CRITIQUE, CONCLUSIONS AND CONTRIBUTION

This final chapter starts by reaffirming the intent of this thesis to conduct an abductive investigation to generate a fresh understanding of the meaning of good governance in the context of housing associations in England. My aim was not to provide a conclusive proof, but to explore and expose competing perspectives on the governance role of boards and discover the range of attitudes and reasons for supporting or opposing payment of housing association board members.

The contribution of this thesis lies not just in the results of the Q study and ‘what’ they say about existing theory but also in explicating ‘how’ Q methodology can be used to capture understandings and in the speculation about ‘why’ differences of position and perspective that are discovered may be of significance.

It reviews how Q methodology has been used as a research tool and applied as a mechanism to reveal insights in the context of corporate governance and the hybrid arena of housing associations. This demonstrates how some of the perceived problems and barriers to Q methodology can be tackled. It also shows how Q methodology can be applied on three levels of analysis to provide sector understanding, as means to undertake case study assessments, and to reveal the extent shifts in personal positioning.

The overall conclusions reflect on the learning and insights arising from this study. Although the thesis does not provide a comprehensive assessment of housing association governance, it does give a ‘snap shot’ of the complex, contingent, personal and nuanced nature of governance and the different attitudes and perspectives that are held about the role and responsibilities of housing association board members. It questions whether it is still possible to consider housing associations as a single sector and proposes that each organisation should consider whether its own governance is aligned with its own particular position, approach and trajectory.

The chapter concludes by reviewing the other contribution made by this thesis.

My Intent

The intent of this thesis is to explore and understand what is considered to be good governance in the context of housing associations in England by exposing competing perspectives on the role of their boards and attitudes to payment of housing association board members.

In doing this I wanted to look beyond existing theories, accounts and conceptions of how housing associations are run and to consider whether or not their boards should be paid. I therefore set out to pursue an abductive approach that was willing to follow Hirschman (1981) in “trespassing” across disciplinary boundaries in order to answer Cornforth’s (2014) call for more “innovative perspectives and approaches”.

My conclusion and reflection on the findings from this study is that in addressing this intent its contribution is not just about the results and ‘what’ they say about existing theory and practice but also about the demonstration of ‘how’ understandings can be captured by Q methodology and speculation about ‘why’ differences of position and perspective that are discovered may be of significance as a consequence of abduction.

Applicability and Suitability of Q Methodology

Although my overall research aim was not focused on following established tracks in order to make the grooves of existing knowledge longer, deeper or wider, this is effectively what I have done by demonstrating the applicability and potential of Q methodology.

Despite being established more than 80 years ago Q methodology still it remains a relatively niche research technique. Q methodology has been applied as a tool for measuring bureaucratic norms, beliefs and values in research on Committees of the European Union

(O'Connor, 2013) and used to expose the hybrid governance challenges facing modern European cities (Skelcher et al, 2013), but I am not aware of it having previously been applied as a mechanism for understanding the competing perceptions of corporate governance or to identify hybridity in conceptions of not for profit bodies such as housing associations. There is therefore merit in building awareness and demonstrating the potential benefits and applicability of Q methodology in new fields and research situations.

Q methodology has been described as being "the best developed approach to the study of human subjectivity" (Dryzek, 1996, p124), but if this is the case it is worth considering why is it not being used more widely and how this thesis may help to address or remove some of the inhibitors on its more extensive adoption as a research technique. Wolf et al (2011, p53) saw virtue in all studies that sought to "advance ... appreciation of the value of Q methodology".

As this thesis has shown, the development and deployment of a Q research study is not a "quick and easy trick" (van Exel and de Graaf, 2005). The level of attention and effort required to conduct research with Q methodology, however, is not unreasonable when compared to the quality and integrity of the benefits it can produce so researchers should not be deterred from adopting and using it. Many other modes of study and research techniques can demand a considerable and comparable degree of effort and commitment in order to collect evidence to provide any significant insight. A case study of the governance within a single housing association conducted by Cowan et al (2006) involved a literature review, documentary analysis and a media search, followed by semi-structured interviews with board members, observation of board and committee meetings, evaluation of board training sessions and further interviews with executives. The research by Mullins and Riseborough (1997; 2000; Mullins, 2006) was not quick and required a Delphi panel to be maintained over the period from 1997 to 2004 in order to get to understand the views of decision makers from a range of types of housing association.

As well as general ignorance and lack of awareness of Q methodology as a research technique, Watts and Stenner (2005) noted “misunderstandings are exceedingly common” and can “muddy the waters of Q methodology”. To help overcome misapprehensions about how to conduct a Q study this thesis set out in some detail (in **Chapter 5**) the steps, stages and approach to the conduct of this Q study.

The original proposal for the establishment of Q methodology was over-shadowed by the dispute between William Stephenson and Sir Cyril Burt (Burt and Stephenson, 1939) and tainted by early adoption of Q sorting techniques as a basis for personality assessment without undertaking any process of factor analysis (Rogers, 1954). Q methodology is not a “mix and match” technique and needs to be applied properly in order to recognise the distinctive “ology” that makes it different and special (Stenner, 2008). As Watts and Stenner (2012, p21) state “it is important the people use Q methodology, but it is doubly important that they use it well and to full effect”. **Chapter 5** therefore concluded by providing a critical review of the construction and conduct of this study, the selection of participants and the scope of the enquiry in order to help evaluate and assess the merits of how the research conducted and alert the reader of this thesis to some of the potential problems and pitfalls that can be encountered.

Advocates of Q methodology remain understandably protective and particular about maintaining its integrity, yet there is a growing recognition of the many potential modes and spheres for its application. Stephenson (1953) envisaged that Q methodology would be used as a technique for analysis of personality and behaviour and as a tool of self-reference with Q sorts being undertaken by single subjects under different conditions of instruction. In the late 1980s and early 1990s, however, Q methodology was effectively rediscovered by Wendy and Rex Stainton-Rogers (Stainton-Rogers and Stainton-Rogers, 1990) and others as a general method of social constructionism allowing viewpoints on almost any subject to be studied across a range of participants in order reveal shared or conflicting view points and positions. Neither of these approaches or applications is right or wrong or better or worse than the other. This thesis

primarily sought to use Q methodology to reveal the range of views and identify clusters of subjectivity across the housing association sector, it has also demonstrated how the same study can also be applied and analysed in a case study context and as a tool of self-reference to assess the consistency of my personal perspective.

Although Q methodology has many strengths and merits it is “far from the be-all and end-all of the empirical procedures available” (Curt, 1994, p210). A particular limitation is that Q methodology only provides “a ‘snap-shot’ or temporally frozen image of a connected series of subject positions” (Watts and Stenner, 2005). That does not, however, mean that the distinct constructs and perspectives identified with Q methodology cannot be used in subsequent and second order Q studies. Cuppen (2010) used the results of an initial Q study to select participants for a subsequent study with a balanced representation of the factor loadings identified in the first study in order to test the effects of dialogue and debate on the distinctiveness views expressed in the subsequent Q study. I used the analysis from the initial study as the basis to also consider two particular cases as well assessing how my own perspective changed over time and under different conditions of instruction. By comparing the results from these studies against the factors identified from the main Q study it was possible to ascertain the extent of correlations with the original viewpoints and thereby provide an indication of the extent to which such viewpoints are consistent or enduring.

Repertory grid technique (Kelly, 1955), like Q methodology, allows individuals to reveal points of views in an open manner through a process of comparison and selection from a set of stimuli, but Q methodology differs in that the constructs it reveals are composite and holistic rather than discrete. Wittgenstein (1922) maintained that only in the nexus of a proposition does anything acquire meaning. As a consequence the meaning of any statement or point of view depends upon its position compared with other considerations and cannot be determined in isolation. With Q methodology, although each statement or element of the Q Set is separate and distinct, its significance is only determined by its position relative to other components in

the final array. Q methodology therefore ensures that a holistic assessment is made in order to “understand the whole in terms of the detail and the detail in terms of the whole” (Gadamer, 1989). This study has provided a clear indication of the complexity and inter-connectedness of different understandings and perspectives about board payment and that they do not exist in isolation but are contingent upon conceptions of governance and the role of the board in a housing association.

A particular challenge and feature of this study involved the discretion and judgement required to select the appropriate number of separate factors to be identified and developed. There is a close correlation between three of the factors identified in the preferred 5 Factor solution (i.e. Factors 1, 3 and 4) that have been written up in the findings of this thesis, which suggests that these view-points may not be entirely distinct. This is accepted and acknowledged but the decision about the number of factors to interpret must ultimately be based on a qualitative assessment. A Brown (1980, p43) concludes “judgement must be relied upon ... when determining the number of factors to be extracted and the degree of importance to be attached to each”. The assessment I made was that 5 Factors did, despite the high degree of correlation between some of them, provide a more complete and coherent account of the perspectives of housing association governance than any of the other configurations of results that were tested and explored (see **Appendix 11**). The three factors identified in the Housing & Care 21 case also mirrored the distinctions between the three closely correlated factors in the main study indicating that an analysis with fewer factors might have missed some of the detail and sophistication of understanding the 5 factor solution provided. The exploration of the potential for analysis to be undertaken at different levels with different numbers of factors identified, however, is itself revealing. The degree of complexity that is evident and the nature of the distinctions between factors appears to shift as the number of factors being identified is increased thus demonstrating the layers of analysis that Q methodology can provide. This emphasises the merit in using Q methodology because of its ability to look for the substance of

how sense is being made of a situation rather than just being limited it to the identification of a fixed and statistically ideal solution.

Even though my intention has not been to propose any radical innovation or shift in the conception or application of Q methodology, simply by articulating how choices were made in shaping the construction of the Q study and guiding its mode of application and analysis. I have also demonstrated the applicability Q methodology to a new sphere of study and thus potentially added one more contribution to building a base of understanding of its scope and opportunity.

The combination of a single Q study being used for sector, case study and personal assessments provides a demonstration of the versatility and multi-layered potential of Q methodology. The use of Q methodology as a case study tool, sitting in-between the territory and application of Q methodology by social constructionists and psycho analysts, appears to be a particularly under explored sphere which Q methodology could be used to exploit in order reveal new insights and understanding.

Expressing the findings and results of a Q study and its analysis in a simple and easy to comprehend format without destroying the detail and complexity of the content is a significant challenge. The use of venn diagrams, Lego characters and descriptions alongside the statistical results showing the range and distribution of participants, factors and statements has sought to strike an appropriate but difficult balance between simplicity and sophistication in analysis and interpretation.

Assessment of What has been Discovered

Before seeking to take the abductive step to consider ‘why’ differences of position or perspective may arise or the insights that they may offer, it is helpful to first inductively consider ‘what’ has been discovered and whether the results fit or conflict with the context, theory and perspectives that set the parameters for this study (as discussed in **Chapters 2-4**).

(i) Sector Assessment

The study found five sets of position and perspective amongst the participants who completed the Q study. These Factors are characterised as:

- **Business Focused and Corporately Responsible** (Factor 1)

A commercial perspective that sees housing association boards as performing a governance role equivalent to those of major corporate enterprises. It is concerned about ensuring housing associations are run successfully by their executives, but is not particularly interested in issues of public, stakeholder or regulatory accountability.

- **Socially Focused and Stakeholder Accountable** (Factor 2)

Sees the boards of housing associations as community and stakeholder champions. It is opposed to board payment as this is seen as compromising integrity and intrinsic commitment to the role. It does not consider that boards need professional skills to fulfil their scrutiny function and accepts that de facto control rests with the executives.

- **Regulator Focused and Professionally Responsible** (Factor 3)

Concerned to do the right thing and welcomes regulatory oversight to protect the public investment in the housing association sector and ensure performance standards are maintained. Boards, rather than executives, are ultimately responsible and board pay is therefore important to ensure major housing associations can attract the people with the professional skills they require to perform.

- **Leadership Focused and Governance Rigour** (Factor 4)

The board are the leaders of housing associations and take responsibility for ensuring the housing association lives up to its purpose and does not rely upon the regulator. The board controls the executives and ensures they perform or that they face the consequences. Board pay is an important influence and driver of board leadership.

- **Pragmatically Focused and Non-Prescriptive** (Factor 5)

Weights up competing community and commercial pressures and sees risks in housing associations becoming too corporately focused but also recognises the board's role involves more than being a stakeholder champion. It is sceptical about the merits and motivations for paying housing association board members and although it sees the board as being in control does not think this requires the board members to necessarily be professionals.

Figure 9.1: Lego Signifiers for the Five Factors

Factor 1	Factor 2	Factor 3	Factor 4	Factor 5
Business Focused and Corporately Responsible	Socially Focused and Stakeholder Accountable	Regulator Focused and Professionally Responsible	Leadership Focused and Governance Rigour	Pragmatically Focused and Non-Prescriptive

Many other studies have used archetypes to conceptualise the hybrid position and approach of housing associations. Czischke, Guis and Mullins (Gruis, 2008; Czischke et al, 2012) adopted Miles and Snow's (1978) categorisation of 'prospectors', 'defenders', 'analyzers' and 'reactors' to consider the responses of housing associations to social enterprise. Morrison (2015) showed that the same classifications could be applied to the alternative asset management

strategies of London based housing associations considering whether to sell off high value properties. Mullins and Jones (2015) labelled the positions of housing associations that hold in their relationships with the state as ‘independent social entrepreneurs’, ‘contractors of the state’ and ‘protectors of public value’. Tickell (2012) has also suggested a humorous pathology of a “dirty dozen” board types²².

However, it is important to remember that these classifications, as well as the characterisation of the factors revealed by this Q study, are not ‘real’ but are merely convenient short-hand ways of giving a collective identity to particular points of view and distinguishable discourses that have been identified.

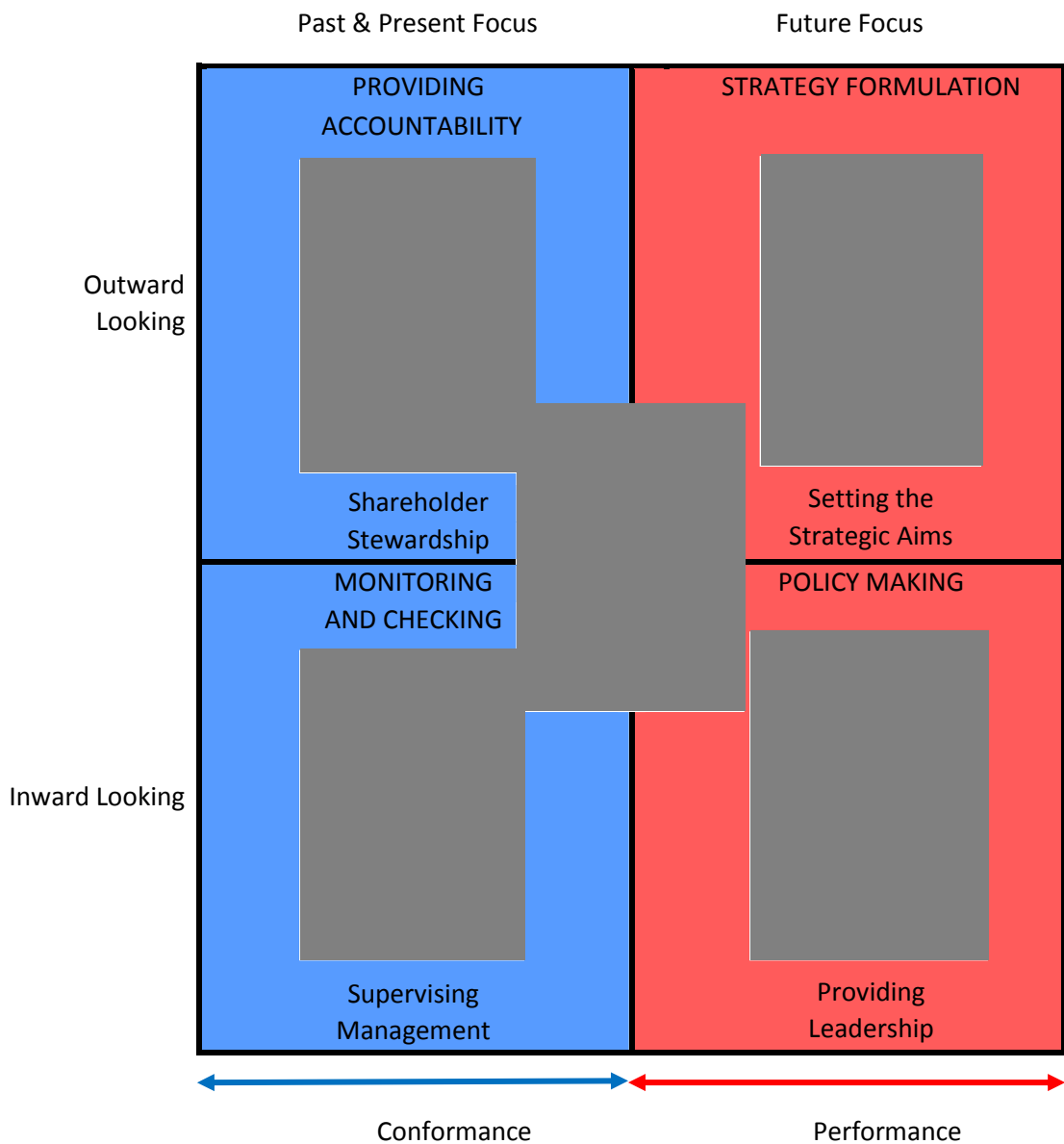
Each Factor presents a distinctive mix of institutional logics that are characteristic of the inherently hybrid nature of housing associations and hence creates difference in positions and perspectives on their governance requirements.

These Factors can be compared with the theoretical models of governance that were identified in **Chapter 3**.

Hilmer and Tricker (1991) proposed a matrix that divided the board role across four quadrants, encapsulated in the 1992 Cadbury Report’s description of the responsibility of boards as: “setting the company’s strategic aims; providing leadership to put them into effect; supervising the management of the business; and reporting to shareholders on their stewardship”. Figure 9.2 shows how it might be possible to relate the different Factors identified to particular quadrants and positions on this matrix.

²² James Tickell’s “Dirty Dozen” are: 1. The Compulsive Contributor; 2. The Pedant; 3. Living on Past Glories (often retired Chief Executives); 4. The One Trick Pony; 5. The Silent One; 6. The Sniper; 7. The Thwarted Executive; 8. The Self Appointed Conscience; 9. Always One Step Behind; 10. The Compulsive Schemer; 11. The Procrastinator; and 12. The Serial Non-Executive (Tickell, 2012)

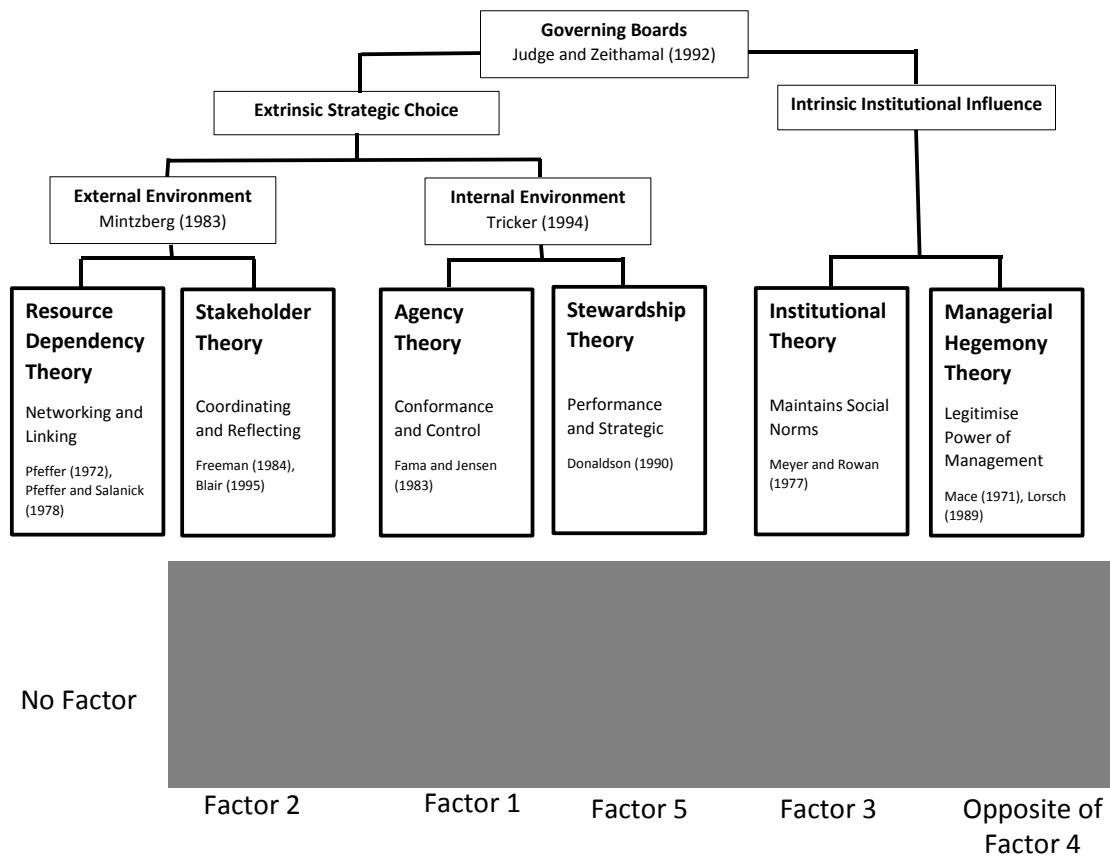
Figure 9.2: Factor Positioning in Hilmer/Tricker Matrix of Board Functions



Factor 1 is focused on supervising management, Factor 2 is concerned with stewardship and accountability, Factor 3 seeks to ensure strategies are consistent with the organisation's purpose and external expectations, Factor 4 is about board leadership and Factor 5 is in many respects a blend or combination of these influences.

Figure 9.3 shows a similar attempt to link each Factor to a particular perspective of the typology of six governance theories (Hung, 1998).

Figure 9.3: Factor Positioning in Typology of Theories of Governance



- Factor 1 best equates to a corporate agency theory perspective whereby the role of the non-executive board members is to oversee and control the executives.
- Factor 2 matches stakeholder theory in which the board seeks to incorporate, reflect or represent the views and interests of its key stakeholders.
- Factor 3 has similarities with institutional theory in which the board's role is shaped by constraints pressures and regulation to conform to particular norms and expectations
- Factor 4 is the complete inverse and opposite of managerial hegemony theory. Rather than the board being subservient and ceremonial it sees the board as leading and controlling.
- Factor 5 has elements of stewardship theory with a more contingent and balanced view of motivation and belief in the value of non-specialist non-executives.

None of the Factors, however, appeared to connect with resource dependency theory, but this is not surprising as none of the statements in the Q set or dialogue in the concourse of views seemed to suggest that the role of the board member of a housing association might include acting as a fund raiser or providing connections with other organisations. This is an indication of the nature of the positioning of housing associations as being apart from much of the voluntary sector with their dependence on public and commercial funding rather than charitable support and adoption of codes of governance that insist that there should be no conflicts of interest. Factor Y in the CDS case study (in Chapter 7) did however provide a strong indication of being aligned to resource dependency to connect CDS with the client co-ops and the wider co-operative movement.

Irrespective of the reservations that have been expressed about sense of trying to impose the logic of commercial models of governance onto public and non-profit organisations, these theories and frameworks appear to fail to capture the full complexity and distinctiveness of each of the Factors. The influences on the positioning of each Factor are more complex and subtle than the single narrative proposed by each of the elements in the typology of governance theories (Hung, 1998). The same is true for the two dimensional divisions between concepts of performance and conformance governance (Hilmer and Tricker, 1991) can present. Even the triple tensions of voluntary, public and commercial interests inherent in hybridisation (Mullins and Jones, 2015) do not seem to reveal the full extent of the range of competing influences that make up the different Factors.

The conclusion from the analysis of the Q study and comparison of the 5 Factors (in **Chapter 6**) is that there is a wide array of statements and issues over which these Factors have different and competing perspectives. These help to locate the fields of tension between different logics being applied to the governance role of boards of housing associations and attitudes to payment. Some of these are captured in Table 9.1 (repeated from the conclusion of **Chapter 7**)

Table 9.1: Summary Position for All Five Factors Shown Against Issues of Contention

	Factor 1 Business Focused & Corporately Responsible	Factor 2 Socially Focused & Stakeholder Accountable	Factor 3 Regulator Focused & Professionally Responsible	Factor 4 Leadership Focused & Governance Rigour	Factor 5 Pragmatically Focused & Non- Prescriptive
Power and control	Executive power more significant than board control	Executive power and control	Balance of executive power and board control	Board power and control	Board power and control
Pay impact on integrity and motivation	Pay does not damage integrity or impact on motives	Pay damages integrity but neutral on motivation	Pay does not damage integrity or impact on motives	Pay does not damage integrity but may impact on motives	Pay may damage motives and also impact on integrity
Active or passive in resolving problems and removing executives	Active in resolving problems but reluctant to remove executives	Passive and sticks with existing executives	Active in resolving problems but neutral on removing executives	Active in resolving problems and may remove executives	Avoiding rather than resolving problems and reluctant to remove executives
Board composition	Professional skills not representative board Some support for 9 year rule	Representative board not professional skills Opposed to 9 year rule	Professional skills not representative board Supports 9 year rule	Professional skills not representative board Slight support for 9 year rule	Not representative and not professional skills Neutral on 9 year rule
Corporate perspective and board size	Corporate governance model and support for small board	Not corporate role and concern if board too small	Corporate governance model but neutral on board size	Neutral on corporate role and board size	Neutral on corporate role and board size but if organisation too big may be ungovernable
Member/stakeholder accountability	Stakeholders and members are irrelevant	Stakeholders and members are of vital importance	Stakeholders and members have limited impact	Stakeholders and members have limited impact	Stakeholders and members have limited impact
Attitude to payment	Business Issue	Moral Issue	Regulatory Issue	Leadership Issue	Risk Issue
Public purpose to protect taxpayer	No public purpose	Some public purpose	Strong public purpose	Some public purpose	Some public purpose
Role of regulation	No regulation required	Limited regulation	Strong regulation is required	Some regulation is needed	Neutral about regulation

The conclusion is that there is scope for debate and difference between the governance approaches of particular housing associations or between the governance requirements of housing associations and companies over many issues. However, this appears to be increasingly limited by regulation and the adoption of codes of governance. Factor 1 is the most consistent

with a corporate model of governance and the apparent direction of travel of many codes of governance, but the results show that considerable differences exist between Factor 1 and other Factors over matters of board size (#31), maximum length of board tenure (#28), need for particular professional skills (#30), tenant representation (#26) and the benefits of having executives on boards (#25) in particular.

Although each of the five Factors identified represents a particular set or cluster of points of view, they also all share a common perspective with other Factors on at least some issues. Even though some of the Factors are closely correlated and share many similarities they do still have different and divergent views on some issues. Each Factor thus presents a particular mix of tensions and considerations that are characteristic of the inherently hybrid nature of housing associations and hence creates difference in positions and perspectives on their governance requirements.

The devil and the delight revealed by this research is in the detail of what creates the tensions and the synergies between factors. This simultaneous juxtaposition of competing logics does not require that they should be combined and resolved into a unified identity. It is proposed that both researchers and practitioners should resist the temptation to combine, resolve and unify separate strands and colours of opinion. It is important to cherish the detail of these different perspectives in order to embrace and understand the complexity that this creates rather than seeking to assert that one view is better and has any greater claim to legitimacy than all others. If this is not done there is a risk that governance only be represented by the lowest common denominator position and succumb to the 'Plasticine Effect'.

Picture 9.1: The Plasticine Effect



If you mix three or more colours together what you tend to end up with is a brown lump. ... Data may have been bright and colourful and taken lots of effort to prepare, but if you mix it together too much an unappealing lump is what you end up with. (The Unstuck Diaries – Joh Coombes)

<http://www.deletetheweb/unstuck/archives/000245.html>

Out of 57 statements there was only one statement (#8) was identified by PQ Method (based on correlation between Z Scores) as a consensus position that did not distinguish between any pair of Factors, but even this appeared as an issue of contention in the Housing & Care 21 case study. This provides a clear indication that issues considered in this research did not just relate to a single narrative, but needed to be complicated and assessed from multiple levels and perspectives in order to recognise and acknowledge their full depth and complexity.

(ii) Case Study Assessment

As well as seeking to gain a general insight into the competing perspectives on the governing role of boards of housing associations and attitudes to board member payment, the same Q study was used to assess the orientations towards these issues within boards as a tool of case study analysis.

Rochester and Hutchison (2001, p1) propose in their guide for housing association boards that “an effective board will perform a number of useful functions that contribute to the health of the organisation and its ability to achieve its aims”. Unusually they were not prescriptive about what those functions are or how they should be performed, but recognised that this may vary from board to board and from organisation to organisation. There was thus an acceptance that there was not one ‘true’ way to achieve effective governance.

Brudney and Murray (1998) concluded, from a review of alternative models of board governance in Canadian nonprofit organisations, that “no model was in fact more successful than any other”(p343). But they did, however, find that the process of boards adopting a model (i.e. forming an explicit and shared understanding of how they would work) resulted in higher organisational performance. They recommended that “it is probably worthwhile to have the board go through some form of explicit, planned self-renewal exercise at regular intervals” and “each nonprofit should seek the kind of help that best fits its unique configuration of personalities, organizational culture and external pressures” (p346).

The Housing Corporation followed this approach in proposing a self-assessment framework for housing association boards (Tierney and O’Neill, 2001). This said that “organisations can legitimately be led in different ways depending upon their business needs, culture, and history and the style of the people at the top ... success is as much to do with the effective relationships and working style as with the tangible structures and process” (p14).

Many board assessments, however, still appear to focus on skills audits and getting people with the ‘right skills’ rather than considering other aspects of their disposition and orientation. Boards are not homogeneous entities, and their mode of operation is contingent upon the positions, roles, degree of engagement, motivations, characteristics and mode of performance of individual board members. Q methodology appears to provide an ideal means of exposing these differences of perspective that are otherwise rarely surfaced by allowing board members to establish their own subjective and multi-dimensional presentation of their views and attitudes.

As well as giving an insight into individual positions this also allows a collective assessment to be undertaken. Q methodology, by looking for commonality and differences amongst viewpoints shared by a specific group of participants, thus enables a “macroscopic” (Watts and Stenner, 2005, p71) assessment to be made.

If board members had entirely different and opposing views on the role of the board and nature of the governance function they should be undertaking this could become a cause of conflict and inhibit board effectiveness. Alternatively if all board members had a total uniformity of outlook the lack of diversity and an absence of challenge could also be potentially perilous and lead to 'Group Think' (Janis, 1972, 1982). The ideal might be to achieve an appropriate balance between board homogeneity and heterogeneity (i.e. what has become known as a 'Goldilocks' position that is not too similar, nor too different but is just right). Kearns-Goodwin (2005) suggests this was the balance that Abraham Lincoln successfully achieved by assembling a team of rivals as his political advisors.

The advantage of a case assessment is that it should also enable a board to assess whether its governance trajectory is consistent and in-line with the desired strategic trajectory.

- A board of a housing association that wants to remain community based and locally accountable might seek to have board members that have sorts consistent with Factor 2 (i.e. Socially Focused and Stakeholder Accountable)
- The board of a public service focused housing association that intends to act as a steward of the public investment might want board members who support Factor 3 (i.e. Regulator Focused and Professionally Responsible)
- Purely commercial housing associations that see their role simply to act as efficient businesses might want board members who support Factor 1 (i.e. Business Focused and Corporately Accountable).

In the case of Housing & Care 21 the case study found a high degree of correlation and compatibility of perspectives, but also some particular issues of difference. This exposed issues of trust and views about whether it was the executives or the board who had the leadership responsibility. There were also particular issues relating to the role of regulation, the need for a strong chair and emphasis on the importance of the social purpose of housing associations that

reflected the recent history and experiences of Housing & Care 21. The results of the case analysis were reviewed and debated by the board of Housing & Care 21 to seek to build a shared understanding without diminishing the benefits of maintaining a diversity of views.

In the case of CDS (Cooperative Development Society Housing Association) the case study found allegiances within the board of CDS with different conceptions of what the board was for and therefore how it should operate. Despite also identifying many statements on which there was an apparent consensus the different views suggested that there was not a common view about what the board of CDS was there to do or how it should operate. Although feedback of findings from individual Q sorts was provided to each participant linked to CDS, the board of CDS did not collectively discuss the differences exposed by the case study analysis. It was, however, considered to be beyond the scope of the ethical approval and basis on which informed consent had been obtained to pursue this further or draw any conclusions from this.

These two cases do, however, illustrate the potential for the competing tensions and perspectives within a board's composition and membership to either blend and combine in order to align with a shared vision of strategic intent or to conflict and separate to frustrate the formation of a consensus view.

Given the hybrid nature of the environment in which housing associations operate, each organisation is likely to encounter multiple logics and the paradox of a plurality of perspectives. Even if a particular logic or view appears to be dominant in an organisation at a particular time and under specific set of circumstances these can change. In order for a housing association and its board to be prepared for changes there is likely to be an advantage in it being able to identify and understand what other logics exist and how different perspectives are being reconciled and managed.

(iii) Personal Assessment

As well as providing a mechanism for understanding socially constructed meanings amongst a population, Chapter 4 illustrated that Q methodology can be used on a single participant and self-referenced basis to study individual and personal attitudes and orientations under different conditions of instruction (Smith, 2001, Stephenson, 1953). Senn (1995), however, suggests that there may be methods and techniques other than Q methodology that may well be better suited to the simple identification of personal constructs e.g. repertory grid (Kelly, 1955).

My motivation in completing the Q study was not to discover myself or find constructs not revealed by any of the other participants. By undertaking the Q study at different stages of my research process and under different modes of instruction I wanted to assess the extent to which the results could be subject to shifts in position.

Although the results from my study of my own views cannot claim to be conclusive or scientific, they do suggest that the outlook and orientation of opinions is likely to be conditioned and contingent. I suspect that I am not alone in changing my outlook and orientation according to my position, circumstances and environment.

These results reinforce the need to be aware of the process of “normative inculcation” (Cooper, 1998, Peck 2010) discussed in **Chapter 4** that can frame the discourse and way challenges are presented and perceived. This therefore suggests that being alert the nature of the dominant narrative and patterns of behaviour in any setting or situation at the particular time it was undertaken could be just as an important an influence in determining the outcome from Q methodology as the conditions of instruction and scope of the statements available in the Q set.

(iv) Concluding Assessment

A study of the relationship between board structures, processes and effectiveness of nonprofit organisations (Bradshaw et al., 1992) concluded that “governance and organisational effectiveness is complex and multi-dimensional so cannot be reduced to a simple measure or formula”. The shifts in my personal perspective and the range of views observed in the full and case Q studies suggest that differences of perspective will be contingent not only upon the personal position and preferences of each individual but also on a range of other influences.

At a housing association sector level the understanding of what successful governance means and the measures needed to achieve it are likely to be influenced by environmental contingencies such as the legislative, political, financial and social factors considered in **Chapter 2** that have altered the context within which housing associations operate.

On an organisational level the governance trajectory and character of any housing association is likely to be affected by contingencies such as its size, geographical spread, specialism or corporate status as well as own particular history and culture.

The particular views of individuals within each organisation that influence and affect how it functions are also subject to temporal contingencies that take account of changing trends and attitudes and mean that governance understanding and attitudes are always moving and that practices and approaches will inevitably change over time.

The results of the various studies help provide a picture of what these contingencies are but a further abductive step of reflection and interpretation is needed in order to suggest why they operate and form into the particular Factor groupings identified.

Abductive Understanding of Differences of Perspective

As an abductive study, this thesis is not seeking to provide answers to define and determine what governance role the boards of English housing associations should perform and whether payment of board members is good, bad or irrelevant. It was not looking for evidence to support (or disprove) a particular theory or hypothesis, but is instead seeking to look for insights to come up with a “plausible framework” (Weiss, 1968) or provide a “best explanation” (Harman, 1965) about why the differences of perspective about housing association governance and attitudes to board payment exist and persist.

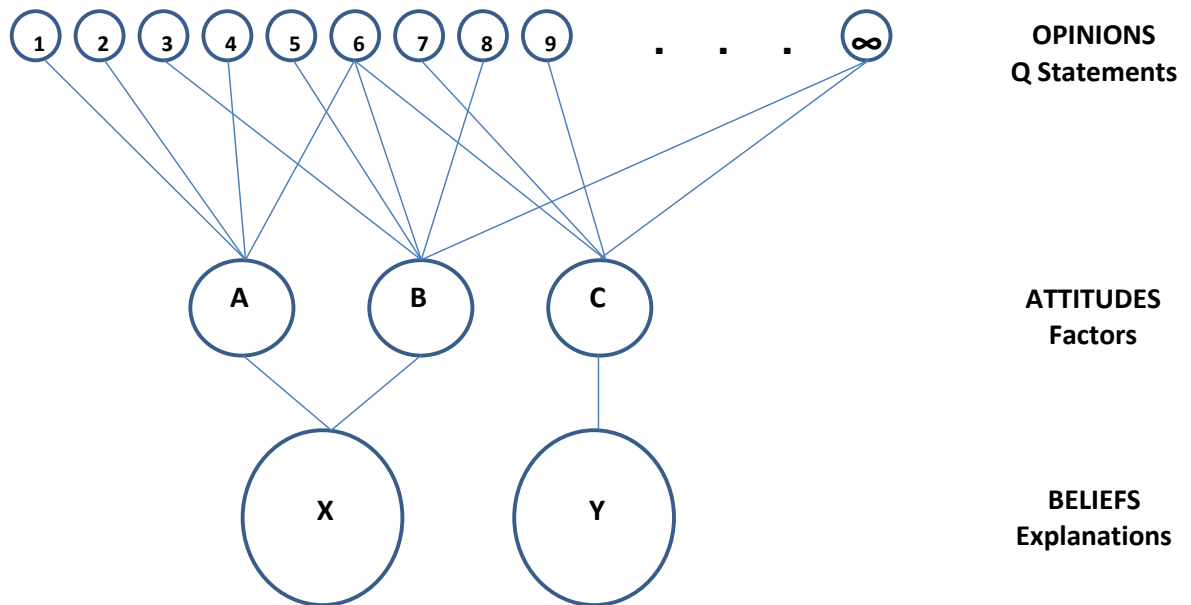
The introduction to this thesis (in **Chapter 1**) suggested it might be structured like a detective story. The evidence that has been revealed from the investigation, however, suggests that there is not likely to ever be a definitive or final verdict and any attempt to impose one would probably represent a miscarriage of justice.

Stainton Rogers and Stainton Rogers (1990) referred to Austin-Locke’s (1990) use of the film ‘Rasomon’ (Kurosawa, 1950) to explain the reality of multiple versions and viewpoints that Q methodology can reveal. In the film alternative accounts of the same incident (the murder of a samurai and rape of his wife) are told by a bandit, the wife, the samurai (through a spiritual medium) and a supposedly impartial passing woodcutter. Although there are elements of each account on which there is a consensus with other versions, there are also points of contradiction that cannot be reconciled. The film does not try to resolve which version is the truth, but instead provides insight into the creation and co-existence of multiple realities. Rather than being required to arbitrate between the competing claims of legitimacy of different versions of reality (represented by the factors identified), Q methodology does, however, support a more open examination of the influences and means by which different conceptions are developed and arrived at (Heider, 1988).

(i) Opinions, Attitudes and Beliefs

Brown (1980, p69) used the diagram shown in Figure 9.4 to explain the relationship that Q methodology explicates between opinions, attitudes and beliefs.

Figure 9.4 Connecting Opinions, Attitudes and Beliefs (Brown, 1980, p69)



There may be many (possibly approaching an infinite number) of opinions on a topic that form the concourse of views and are distilled into a Q set of statements. The application of Q methodology and analysis of Q sorts identifies a more limited number of sets of attitudes represented by Factors. But the Factors are themselves the product of belief systems that provide the insights and explanations for why people express particular views and behave as they do.

(ii) Layers and Levels of Understanding

As already noted, there is a potential for the Q analysis to be undertaken at different levels according to the number of factors being identified. Increasing the number of factors and domains of opinion that are searched for can result in more similarities and closer correlations between them, as well as adding more complexity and subtlety to the distinctions that are

drawn in order to identify and separate particular points of view. Several alternative configurations of analysis were considered in order to make the assessment that a 5 Factor solution provided the most appropriate basis for writing up in this thesis (see **Appendix 11** for details of alternative options considered).

If the analysis only seeks to distinguish between two sets of opinions then the statements that show the greatest difference between the 2 factors identified are #26 (i.e. Housing associations have got into a real muddle by appointing resident board members – resident advocacy is not the same as good governance: +3 to -5) and #25 (i.e. Major housing associations are comparable with FTSE 350 companies so have outgrown the traditional models of voluntary governance: +4 to -2). This suggests that the primary division at the heart of this study might be based on the beliefs about whether housing associations should have ‘business boards’ or ‘representational boards’.

As the analysis is taken up a level to find three factors then it is statements #21 (i.e. The chief executive rather than the board that has the real control in a housing association: -5 to +6) and #1 (i.e. It is the executives who call the shots – governance by a board of non-executives is little more than a charade in most associations: -6 to +3) that feature alongside the statements #25 and #26 as the most contentious. This suggests that the second key source of distinction is between the relative power and control of either executives or boards of non-executives.

With four factors the primary distinctions between business and representational board roles (#25 and #26) and whether it is the board or the executives who have power (#1 and #21) continue to be the most contentious issues. Correlations between particular pairs of factors also increase as secondary distinctions are drawn to separate factors on matters such as views about whether housing association boards should seek to exercise active control or use their powers more passively as a mechanism to correct any problems that arise (e.g. #56 and #5). Even with four factors issues of payment and its impact on integrity (#51) and performance

(#47) still do not appear to be the most important issues in defining and distinguish between the different sets of perspectives.

It is only when distinctions are drawn in order to identify five factors that questions relating to the quantum and consequences of payment of housing association board members gain particular prominence as statements of contention. As this further, fourth, set of distinctions is drawn that the implications of payment on the integrity of board members comes into play as a further source of differentiation between factors that are otherwise united in not seeing the role of the housing association board as being merely ceremonial or representational.

It therefore appears that whilst distinctions can be drawn between the attitudes towards questions about the effects, quantum and merits of payment for housing association boards many of these views may well have been shaped not by views on the question of board payment per se but by other primary beliefs about the nature of housing association governance and the purpose and power of housing association boards.

(iii) Understanding the Problem

It has been suggested that proposals for the introduction of payment to previously voluntary board members were “a solution in search of a problem” (Murphy, 2004) as it appeared from the accounts provided in **Chapter 2** as if a pre-determined position had been taken that had concluded that this was what was required to modernise and improve housing association governance. The results from this Q study may not give any answers but they do suggest that it could be too simplistic to try to take a view on the question of board member payment without first ascertaining the nature of the perception of the governance problem it is intended to be address or considering the consequences this would have for the way housing association boards are being intended to operate and perform. The verdict therefore is that there are no easy answers and, as Wittgenstein (1922) maintained, it is only in the nexus of a proposition that anything acquire meaning. As a consequence the abductive conclusion of this thesis is that

attitudes to payment of housing association board members cannot be determined in isolation but is inextricably linked with each participant's particular view of the position and intended trajectory of housing associations, opinions about how they should be governed and their personal motives and mind-set.

(iv) Diagnosis Not Prescription

Despite claims that payment of housing association board members increases effectiveness and commitment, and attracts better people to the role, there is no empirical evidence that board payment results in improved performance (Gough, 2012). The results of this thesis and the Q studies undertaken indicate that it is not possible to consider one facet or factor of housing association governance in isolation from all others or to prescribe or draw comparisons between how boards should function in different housing associations each with their own distinct histories, circumstances and ambitions.

Perhaps it is not so surprising that it can appear easier to diagnose and identify examples of 'bad' housing association governance when picking over the pieces after the event (Ashby and Dudman, 1999; 2003; Tickell and Phethean, 2006; Tickell et al, 2015). Chait et al (1996, p1) drew the conclusion that effective board governance is "a rare and unnatural act". But a post mortem of a past failure is not necessarily the best predictor of future success. Herman and Renz (1997) thus found that relationships between board composition, operations and organisational effectiveness were hard to prove and whether more effective boards do more, do different things or do what they do better (or some combination of these things) than less effective boards is simply not clear.

It is therefore proposed that it is not sensible to continue with the search for a definitive formula for 'good governance', but rather the aim should be to better understand the plurality of perspectives and how these shift and are shaped by a range of influences. This thesis has indicated that there is scope for Q methodology to do this in a way that is theoretically imaginative and epistemologically sound.

Other Contributions.

This thesis has explored the principles of how insights can be analysed with Q methodology and what the findings from the Q study of housing association governance and board members pay can tell us about how different conceptions fit with established theory and practice. It has also prompted speculation about why different housing associations operate as they do because of their particular trajectory. In conclusion it is worth noting that in doing this it has also potentially made a number of ancillary contributions that are contextual, practical and personal.

(i) Contextual

This thesis has brought together and addressed particular aspects of theory. It has:

- considered the potential to conceptualise the evolution and hybridity of housing associations as a trajectory subject to particular forces and fields of influence,
- tested the fit of established governance theories and codes to housing associations as non-profit organisations without economic owners, and
- identified the isomorphic and hegemonic pressures that guide decision making and thinking.

It has also sought to provide fresh insight into the factors, influences and circumstances that led up to and followed the introduction of the power for English housing associations to pay their board members. It has drawn together the reports and accounts of the debate that had not

previously been examined and set these against the backdrop of the political and economic context of the time and demonstrated how the discourse and focus of housing associations have been shifted by a series of critical incidents and the establishment of new norms and expectations.

The analysis of the available financial statements of the largest 210 English housing associations gives a more comprehensive picture of the extent and patterns of the take up of the power to pay board members than more limited surveys or analysis of only the very large housing associations had previously provided.

The detailed interviews with sector experts that were undertaken, however, were only used to produce a concourse of statements of opinions from which Q set could be selected, but this meant that their potential as a resource and source of information and insight into the views and attitudes was not fully explored as a potential source for study and analysis in its own right.

(ii) Practical

My research aim was to understand what is or is not considered to be good governance in the context of housing associations in England, expose competing perspectives on the role of their boards and discover the range of attitudes and reasons for supporting or opposing payment of housing association board members. Having reached an assessment that 'there are no answers' it might appear difficult to claim that this thesis has achieved this aim, but there is a benefit in demonstrating that this understanding and perspectives are variable, complex and might be contingent upon time, context and circumstances.

This thesis reflects and has been assisted by my position as both a researcher and an active participant as an executive and board member in the housing association sector. As a consequence its contribution can be considered to be 'pracademic' (i.e. of benefit to both practitioners and academics).

The key practical implication for housing associations and their advisors from this thesis is that they should actively consider whether their mode of governance and the underlying assumptions of their boards are aligned and consistent with their intended strategic trajectory. Q methodology is proposed as a means to help them test and explore this, but whatever means are adopted it is evident from the extent of the complexity and multi-dimensional nature of the positions revealed by this thesis that an idealised 'one size fits all' governance nirvana is not ever likely to be achieved and each organisation therefore needs to develop its own 'made to measure' governance solution.

As a consequence of this it is also clear that the regulation of housing associations needs to acknowledge the diversity and potential divergence of the housing association sector in developing and applying different standards and expectations for different types of organisation.

On a practical basis the thesis has also shown the potential for Q methodology to be used as a case based tool and potentially be included in more in depth case study assessments in the future.

There may also be advantages in further use and application of Q methodology in the exploration of the understanding and dynamics of board governance, both within the housing association and not-for-profit sphere and beyond. Since this research was undertaken housing associations have been subject to further changes and pressures and it would be informative to see if a further 'snap shot' reveals a different pattern and build a longitudinal pattern of changing perceptions.

Whilst the focus of this thesis deliberately placed a heavy emphasis on looking at how housing association governance was influenced by the issue of board member pay. An alternative area of tension that was revealed in this study is the question of the location of power and control between boards and executives as well as the negotiation of relations board chairs and chief

executives (also considered by Cornforth and Macmillan, 2006) which was also highlighted as a potential issue for further consideration in a follow up study by a number of the participants who undertook this study (see **Appendix 10**).

(iii) Personal

By undertaking this I have learnt a lot (about the housing association sector, the organisations I have engaged with and myself) as well as encountering a broad spectrum of areas of academic concern.

A final further incidental, but not inconsequential, benefit and contribution of this research is the interest and reflection it also appears to have stimulated not only in me but in those who participated in this study. Feedback from the people who undertook the study on-line (**Appendix 10**) and commented on the summary of the research (**Appendix 21**) was very powerful and positive. Wolf et al (2011, p53) similarly reported that a major benefits from Cuppen's (2010) study was the emphasis it put on the participants rather than just being concerned with problem definitions and finding discourses. As a result of this thesis it appears that a considerable number of additional people are now also questioning the basis for their views and assumptions about how housing associations should be governed – which has to be a good thing.

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