

# Public Housing and Sustainable Social Advantage: Managerial Issues

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## Abstract

It is evident that little systematic research has been applied following new public strategic management theory and Resource Based Theory (RBT) in the public sector context. This study provides an empirical examination using a mixed method of the evaluative process by using both primary and secondary data sources. To uncover causes and effects more effectively we have followed qualitative method, content analysis. Content analysis uncovers causes while secondary data, published outputs from Housing New Zealand Corporation, HNZN and Department of Housing and Works, DH(W) secondary data 'percentage of satisfaction' in these two organisations are used to uncover effects. Finally the study provides a contingency plan for minimising risk of loss making during economic downturn. A better understanding of the new strategic management development in the public sector context as a result of this paper will probably generate further research from both academic scholars and practitioners.

**Keywords:** Strategy, Housing, Resource based theory, Macroeconomic factors, Governance and contingency

## 1. Introduction

The current global uncertainties, rising unemployment and complexities, calls for an alternative contingency plan within government housing departments. Though the main intention of New Zealand housing strategy aimed for the period 2006-2015 is to provide "access to quality, affordable homes for all New Zealanders" is relevant at all times, yet there are few adaptations that are necessary during economic downturn of 2009 and beyond. A new contingency plan is needed during these times of rising unemployment and poor housing affordability. For this purpose the study integrates corporate governance stakeholder theory of Benn, Dunphy and Griffiths (2006), Freeman and McVea (2001), and Johnson, Scholes and Whittington (2008), along with strategy perspectives of the resource based view (RBV) of firm, Penrose (1959) Peteraf and Barney (2003) for public organisation. Hansen's (2007) research work on public organizations - 'Strategic Management when Profit isn't the End: Differences between Public Organizations' used Porter's strategic positioning (1985) and Barney's (1991) RBV to examine corporate effectiveness of a public organisation. This is relatively a new field since there is a lack of clear strategy for maximising public sector performance through optimal utilisation of state organisation's resources using environmental analysis and corporate governance literature. Traditional public organizations are highly regulated with fixed budget and not working on market-like conditions and therefore a strategic management theory like Porter's strategic theory cannot be applied directly. Nevertheless for such organisations RBV is more suitable and can be directly applied.

Hansen (2007) stated that if the organization is more like a New Public Management organization with a high degree of autonomy, performance-based budgets and market-like conditions then both the strategic perspectives—Porter's and RBV—are applicable. As the title indicates, the emphasis is on how public good is actually managed by the two government housing organisations. Strategic analysis is concerned with how these two housing organisations plan, manage and implement their strategic direction so that the risk of losses are minimised, Porter (1991), Hitt et al. (2001) and Ketokivi and Schroeder (2004). The focus is on strategy and governance with regard to minimising risk of loss making during economic downturn.

The environmental model of resource management is dependent upon the strategically relevant resources they control and the strategies they pursue (Penrose, 1959; Prahalad & Hamel, 1990; Ray et al., 2004). The model assumes that resources in a firm are heterogeneous (Oliver, 1997) because the resources (for example, skilled staff) that organizations use to implement strategies are highly mobile in the market. The relevant resources they control

are limited and therefore public organisations are urged to do a better job in minimising risks and better provision of public goods and services. Several strategic management writers posit that it is easier for the senior managers to convince their important external stakeholders such as the government that they deserve more resources to meet the growing public needs based on good partnerships with key stakeholders (Freeman & McVea, 2001; Benn et al., 2006).

Besides developing good stakeholder relationship it is necessary for developing a good contingency risk management framework (Mabin et al., 2001; Hitt et al., 2001; Phillipon, 2005). This need is becoming increasingly important for public organisations. Government housing bodies are governed by the housing public act of the country or the state. A public Act is an Act that affects the public at large and deals with matters of public policy and is promoted by the Government or a Member of Parliament. Public policy deals with risk management.

The present study concerns itself with formulating a long-term, systemic perspective, while minimising risks and maximising performance for public organisations. For this, there is a need to examine the strategic environment in which public organisations operate. The question arises whether the strategy and governance of Housing New Zealand Corporation (HNZC) could be compared with Western Australian Department of Housing and Works (DHW). DHW has become Department of Housing (DH), effective since December 2008. In the study, we provide an explorative examination of the macroeconomic and environmental factors and their influences on the governance of housing bodies in two countries, New Zealand (NZ) and Australia with special reference to Western Australia (WA). There may be few options suitable during economic downturn and it is necessary to assess these options based on proper corporate governance and risk management principles and recommend appropriate measures. The conceptual framework and the management theories have been integrated and developed further in the following three sections.

This paper is divided into six sections. The next Section 2 deals with theoretical background followed by Section 3, methodology of the study. Section 4 is the environmental analysis and discussions. The penultimate Section 5 contains implementing strategy. In this section emphasis is placed on the systemic nature of organisational direction and management of stakeholder interests. The last Section 6 is a brief conclusion.

## 2. Theoretical Background

The extant strategic management literature is used to develop the theoretical background of this study. The contingency based approach (Dean & Snell, 1991; Ketokivi & Schroeder, 2004) in the strategic management field advocates the attainment of fit between the firm's strategy, structures and processes in order to attain competitive advantage (Penrose, 1959; Porter, 1985; 1991; 1996; Peteraf & Barney, 2003; Freeman & McVea, 2001; Phillipon, 2005; Benn et al., 2006; Hansen, 2007; Johnson et al., 2008). We will use the term sustainable social advantage (SSA) for public sector instead of competitive advantage since there is no rivalry and competition similar to private sector. Policy makers in the field of public housing are interested in strategy, structures and processes in order to attain sustainable social advantage (Figure 1). Sustainable social advantage here refers not only to maintaining efficiency but also long-term sustainability (that is creating efficiency using RBT framework) and meeting the needs of society by public organisations. The study integrates perspectives from governance issues - risk management and resource-based models using both the internal and external factors in environmental analysis.

Oliver (1997) posited optimal growth or sustainable advantage for a firm is dependent upon the resource based determinants, process and outcome and institutional determinants of the individual employee, housing firm (for instance, government housing body in this case) and inter-firm (for example, the two social housing bodies, HNZC and DH). This is evident in Figure 1.

Resource based theory (RBT including its determinants) does not demand a market-like condition which is a significant contrast to Porter's model. As we are aware public organizations goal still is the mission or mandate and they focus on their managerial process and outcome (Figure 1) and stakeholder management of governance (Benn et al., 2006; Johnson et al., 2008). RBT requires that the organization has a high degree of autonomy and probably also some degree of performance-based budgets if it is going to ensure focus on efficiency. One general aspect that is important when considering the applications of different strategic management theories in public organizations is analysing how important the welfare and efficiency orientation is in the theory. Efficiency criteria make them seem like profit-oriented organizations with focus on a narrow group of stakeholders (Wheeler & Davies, 2007), which is not fully applicable for public sector (Perry & Rainey, 1988).

Building on a broad interpretation of stakeholder-agency argument, Freeman & McVea (2001), Benn, Dunphy & Griffiths (2006) and Wheeler & Davies (2007) have produced a sustainable stewardship model for corporate governance. Wheeler & Davies (2007) study examined the role of intangible assets such as social and human capital and if these assets could be proactively managed for tangible value outcomes such as increased market

capitalisation. Their study questioned the correlation between intangible assets and tangible value outcomes. Nevertheless, Benn et al. (2007) argue that corporate sustainability can be more value based with multiple stakeholder arrangements. They have synthesized governance themes from political and management theories to illustrate the importance of corporate sustainability based on value creation.

### *2.1 Resource-Based View*

Oliver (1997), Barney (1991; 2001), Barney & Arikan (2001), and others have explained the context and process of resource selection and examined the important influence of firm heterogeneity and sustainable competitive advantage. The sustainability advantage of organisation's public housing here refers to maximising public housing advantage and at the same time minimising unnecessary wasteful expenditure. This method is contingent upon situational factors comprising the organisational environment and its process, see Figure 1: organisation's resource, strategic and institutional factors. This study considers some of the relevant resources based on the resource-based view.

According to Barney (1991; 2001) organisations maximise internal strength and capabilities by minimising external threats. The by product of maximising internal strength is the rent potential. It was Smith (1776), Say (1855) and other early writers who introduced the concept of rent, supply and demand of scarce resource (land) and corporate governance into economics and management science. Even today the question arises, "What is the value of public housing?" Can the supply of public homes be increased in New Zealand and Australia? Value of a public good is determined by social supply and demand factors. Resource based analysts examine both the social demand and supply forces which in turn are translated into distinctive competencies. Besides Barney, several management writers also reiterate the need to maximise the use of valuable resources and capabilities for private firm. Following Barney's thought land is inelastic in supply and rent is the by product on inelastic supply of land' the land resources are valuable in the management of social housing sector.

Unlike Barney (1991; 2001), Oliver (1997), Barney & Arikan (2001) and Kay's (1995) studies that used resource-based views for private sector firms, few recent studies have extended RBT to the public-sector organisation. Studies such as Arya & Lin (2007) and Hansen (2007) in particular have been used here to advance an understanding of differences in the competitive advantage of public-sector organisations. These authors have extended the analysis to public-sector by investigating how not-for-profit organizations' collaboration outcomes are determined. They have considered the influence of both the monetary and nonmonetary factors and their impact on their organizational characteristics. By connecting environmental analysis using resource-side analysis to its counterpart corporate governance, this paper addresses a common criticism of new public management—the insufficiently connected theories to the new public management.

Although scholars agree that complex relationships exist between organizations' social and human capital and means of leveraging these resources may influence performance, however little empirical work has been done for Trans-Tasman region. Carmeli and Cohen (2001) tested the above proposition for Israel by collecting two primary data sets from private and public-sector organizations. They concluded that the interactions between perceived human resources capital and distinctive value derived from HR capital was significantly related to various measures of perceived and objective organizational performance in their sample.

According to Carmeli and Cohen (2001) and Carmeli and Schaubroeck (2005) having higher levels of capital was strongly associated with performance only when top managers perceived that these resources provided distinctive value in terms of being highly valuable, inimitable, rare, and non-substitutable (using intangible resource based view). Following their views, we argue that good strategic corporate governance and core competencies developed would lead to value creation and efficiency in the public sector.

### *2.2 Institutional Context*

Institutional context refers to firm's internal culture as well as broader influences from the state, society, and inter-firm relations that promote socially acceptable economic behaviour. Peter and Peter (2006) argued that minimising credit risk is dependent on the organisation's ability to manage effectively the institutional context with regard to the rent and risk factors.

According to Oliver (1997) normative rationality, institutional isolating mechanisms, and institutional sources of firm homogeneity are proposed as determinants of rent potential (connecting RBT with institutional context, Figure 1). It is generally believed that both resource capital and institutional capital are indispensable for sustainable social advantage for public sector.

### 2.3 Governance Process and Outcome During Economic Downturn

Figure 1 also incorporates process and outcome into the model of sustainable advantage. Public sector managers are expected to efficiently select and manage the scarce resources at their disposal and put them to their most productive use. Resources, such as finance, time and quality service, are valuable and in short supply. Dynamic environment where managers operate to create quality outputs calls for use of managerial time efficiently.

According to Jacoby (2005) and Johnson et al. (2008) corporate governance deals with the structures, and control systems by which managers are held accountable. Managers are made accountable to all the legitimate stakeholders and this is a vital issue for organisations. Proper governance is expected to contribute to competitive advantage, Porter (1996), (Porter & Kramer, 2006), and board structure is meaningful to the role the board members play in helping the firm to achieve its strategic objectives.

Corporate history and traditions are most likely to generate suboptimal resource choices when investments in current resources represent cognitive sunk costs. Yet firm habits and routines that prevent firms from seeking economically feasible alternatives. Cognitive sunk costs include managers' fears about learning new skills or competencies in public organisation. Even when changes in current resources are economically rational corporate traditions and governance may result in unquestioning conformity.

This phenomenon is explained by change theories such as Lewin's (1951) field force analysis. Resistance to change may erode management's power to improve its competency. Management's 'competency traps' occurs for any of three reasons: because individuals find it difficult to alter entrenched organizational habits and routines; because change to less familiar practices precipitates fear or uncertainty; or because the replacement of traditional practices with new ones may be perceived as disloyal to company.

### 2.4 Governance Structure and Organizational Performance

Several experts in the field of strategy literature have focused on the corporate governance as an important factor in the determinant of organisational performance outcome (Filatotchev et al., 2006; Nankervis et al., 1996). Conventional wisdom dictates that size and scope, managing agency conflict, and CEO strength are alone responsible for governance structures and performance (See Figure 1, level of analysis, individual's managerial choice). Level of analysis also includes firm and inter-firm activities which determine resource selection and firm heterogeneity leading to sustainable advantage (Figure 1).

Governance structures are also driven by the following factors:

- shareholders' desire to curtail management opportunism;
- the firms' efforts to appease major resource providers;
- and managers' attempts to manage environmental change.

Researchers such as Boone et al. (2007) point out that they have reached few definitive conclusions about the forces that drive board size and composition in governance process and outcome. This is termed as efficient board hypothesis. They state that their "results indicate that board size and composition vary across firms and change over time to accommodate the specific growth, monitoring, and managerial characteristics of the firm." According to efficient board hypothesis theory board compositions for specific categories of firms exist because firms with specific categories have been observed to survive; which suggests that if the compositions were inefficient the firms would have failed.

Others such as Papania (2008) argue that ensuring the alignment between board members and the strategic roles they play in managing external relationships (Freeman & McVea, 2001) and developing internal capabilities (Pahalad & Hamel, 1990) are more important factors for the firm's sustainability than board size and composition. Their stakeholder model proposed that firm's survival is dependent upon proper strategic view of governance that is well executed through board composition and not just the standard board structures.

In the context of Business cycle, it is envisaged that greater the strategic resilience of the public sector's corporate level governance (Phillipon, 2005) during economic downturn higher is its sustainable advantage in servicing marginal households. This is found to be a function of social, human, natural and financial indicators of sustainable social advantage (SSA) measure proposed.

The present study synthesizes corporate governance literature and other theories such as RBT for public organizations. One of the main functions of the board and corporate governance processes is stewardship over resources at the same time minimising risks (appropriate risk management). Sustainable social advantage (SSA) is consistent with resource based perspective of strategic management of gaining access to resources that will benefit the organisation through its ability to create corporate value. This SSA approach synthesizes RBT (Barney, 1991;

2001; Barney & Arikan, 2001; Oliver, 1997), with public governance literature (Carmeli & Cohen, 2001; Freeman & McVea, 2001), which stems from an understanding of social organisation and the resources the organisation controls.

### 3. Methodology

#### 3.1 Data

Secondary data such as reports from the Department of Housing and Works, Australian Bureau of Statistics, Statistics New Zealand and Housing New Zealand were used for the study.

Peter, Greive et al. (2005), one of the authors had worked with an earlier project with the Department of Housing and Works and Australian Housing and Urban Research Institute, primary data. Peter also contacted (conversation over the phone and emails) the policy officials of both these bodies, DH(W) and HNZN in 2010 besides consulting these officials earlier. This further helped to understand the importance of their current policies and data.

This study used the following data and policy information to analyse the strategies used by DH(W) and HNZN.

- DH(W) (2009). Department of housing and works Housing Industry Forecasting Group Housing Industry Projections October 2008 Report. Retrieved March 25, 2009, from <http://www.dhw.wa.gov.au>
- HNZN (2001-2008) Housing New Zealand Corporation Annual Report. Annual reports of HNZN from 2001 to 2008, Wellington: Housing New Zealand Corporation.
- HNZN (2009) New Zealand Housing Strategy 2008, Retrieved March 25, 2009, from [http://www.hnzn.co.nz/hnzn/web/research-and-policy/policy-and-strategy/policy-and-strategy\\_home.htm](http://www.hnzn.co.nz/hnzn/web/research-and-policy/policy-and-strategy/policy-and-strategy_home.htm)
- Statistics New Zealand (1999-2006). Census 2006: Housing survey datasets Retrieved November 25, 2008, from [www.Statistics.govt.NZ](http://www.Statistics.govt.NZ).
- ABS. (1999-2006). Australian Bureau of Statistics (1999-2006). Retrieved January 25, 2007, from [www.abs.govt.NZ](http://www.abs.govt.NZ) (datasets).
- Peter et al. (2005). No. 078: Falling through the net: a risk management model for home ownership schemes. Australian Housing Urban Research Institute Final Report. Melbourne.
- Peter, V. M. & Peter, R. M. (2006). Risk Management Model: An Empirical Assessment of the Risk of Default. International Research Journal of Finance and Economics. 1, 42-56.

#### 3.2 Evaluation Process Method

In this study the approach of evaluation, which is linking causes to effects - evaluation process method is used. Qualitative research method, content analysis is employed for identifying causes (e.g. resources) while final evaluation, secondary published sources is used to determine effect (e.g. satisfaction level). Annual report containing satisfaction surveys of employees, clients and management are used to compare the two countries social housing bodies' strategies. Published research outputs, annual reports and statistical data from Australian Bureau of Statistics and Statistics New Zealand are also used for this purpose.

The causes and effects, both content analysis and published data for the case studies are used for the following reasons:

- 1) content analysis uncovers causes
- 2) published outputs from HNZN and DH (secondary data) uncovers effects.

This study uses the approach of evaluation, which is linking causes to effects - process of evaluation.

Evaluation process method used in this study has six main steps, which are listed below:

- Selecting published sources for analysis
- Determining the units of content (section 3)
- Discussion with policy makers and review of literature for preparing the content (section 2)
- Coding the content based on resourced based theory (section 4)
- Counting and weighting (percentage measure) which is discussed in the analysis section (section 4)
- Implementing strategy and drawing conclusions (section 5 and section 6).

A mixed methodology of both secondary data from published sources is used to check with primary sources for reliability purposes.

- A thorough content analysis along with few email discussion from policy officers of these two social bodies enhances the mixed methodology employed in this paper.
- Public and community-owned social bodies have usually several purposes, sometimes conflicting - but each individual program tends to have one main purpose, maximising societal satisfaction and minimising economic wastes.

The scale used to measure the resource capabilities for both these organisations is given below:

- moderate level measures a less than equal resource capability than its counterpart and between 50% to 65% of efficiency for that particular indicator.
- highly moderate level ranking measures a better resource capability than its counterpart (HNZC) and more than 65% of efficiency for that particular indicator.

#### 4. Environmental Analysis and Discussions

##### 4.1 *Creating a Focus*

When you set out to do resource based analysis, the first thing to acknowledge is that it is difficult to be comprehensive. One may understand that it is difficult to analyse all resources and its contents in all possible ways. What we have done here is to use the primary resources such as selected human, social and financial capital and analyze them for the two organisations, Department of Housing and Works (DH(W)) and Housing New Zealand Corporation (HNZC) separately. The authors argue that resource contingent perspective is paramount for senior managers responding to social housing pressure for improved housing during economic downturn. Housing policy makers seeking to understand the context where organisations are likely to be motivated to improve their SSA and social performance in the future is listed in the next sub-section for the two organisations.

The two selected organisations' major purpose includes engaging in public good by providing housing products and services. Their purpose incorporates not only services to social housing to low income individuals but also providing housing consent for private real estate businesses. The comparative study highlights the paradox that many public-sector organizations face in simultaneously pursuing public good and SSA. Here we incorporate resource dependency theory to address the paradox of maximising social gains with the limited supply of land.

Both the Department of Housing and Works (DH(W)) and the Housing New Zealand Corporation (HNZC) have organisational development (governance group) and communications group, which work with the Chief Executive and the leadership team, satisfactorily. Satisfactory level is defined as a performance indicator with the measurement of not less than 50%. The purpose of these groups is to build and maintain a culture to deliver the mission, demonstrate the values, and achieve the strategic objectives by aligning structure, systems, processes, staffing and people management, Boone et al. (2007). The governance group also provides communications support satisfactorily.

HNZC and DH/W have increased their accountability to wider stakeholder interests. Managers are accountable not only to their CEO and ministers in the stakeholder chain but also to the wider community including lower income households by maintaining good partnerships (Benn et al., 2006; Freeman & McVea, 2001; Papania, 2008). There is decentralisation of resources including autonomy, some degree of performance-based long term planning in a business like behaviour (Hansen, 2007). The governance details of these two housing bodies are further discussed in the next sub-section, separately.

The three most important action areas that envisage the vision of HNZC strategy are supply of sustainable housing, improved housing assistance and affordability, and improved access to home ownership. According to HNZC (2008) "All New Zealanders should have access to affordable, sustainable, good quality housing appropriate to their needs". The outcome of state housing market both in Australia and New Zealand also depends upon the business cycle and the ability of individuals to pay their mortgage commitments or their rents. Nearly 50% of home buyers are mortgagees. During economic downturn housing market faces difficulties since households frequently default on their mortgage payments during this period. Defaults may eventually lead to foreclosure, Peter & Peter (2006). The governance issue here concerns itself with the interdependence between the public housing bodies (Kong, 2007) and their strategic thinking process (Cavana et al., 1999) and the final outcome of minimising losses.

Housing New Zealand Corporation: HNZC is expected to collaborate with related agencies that deal with public and their well being. This includes the Ministry of Social Development, Ministry for the Environment and the Department of Building and Housing. The Department of Housing, Government of Western Australia also collaborates with its related Departments. There could be improvement in collaboration by DH(W) and HNZC

with other government departments by reducing red tape and bureaucracy involved through maintaining effective governance systems and stakeholder management (Jacoby, 2005; Papania, 2008).

Each year the Minister of Housing has outlined his expectations for the HNZN and DH(W) and placed the Statement of Intent in their respective Parliaments. Their annual reports have provided the deviation from the expected outcomes. There are a number of financial and non-financial ways that can be used to overcome these discrepancies. One of the discrepancies arise from public tenants complaints of poor quality public housing and overexploitation of existing depleted property resources.

A new CEO was appointed in 2006, whose focus was to build on the Corporation's capability to demonstrate excellence in its performance (managing change, Kanter et al., 1992). Along with the recruitment of a new CEO was the development of an operating model to deliver on strategic priorities and provide a better service to customers. The Executive Team comprised of six general managers and the Chief Executive. The Operations group was led by the Chief Operating Officer. COO has the overall responsibility for the delivery of services to Corporation customers, HNZN (2006). These changes are more or less consistent with the views of Bartlett & Ghoshal (1994) where they examine changing the role of top management. These changes in the role of top management are beyond strategy to real purpose.

One of HNZNs corporate governance activities is the successful holding of board meetings, where the Board comprised of six non-executive members. The minutes are expected to be followed through in 2010 and beyond. During early 2008 all the Board charters were reviewed. The purpose of the review was to make the Maori Capability Committee more flexible and efficient. The amended Board charter provided the opportunity to appoint a new member, Bartlett & Ghoshal (1994). This new member is appointed from outside with Maori capability expertise, not a Corporation Board member. This is a step in the right direction since capability expertise is expected to be improved, Papania (2008). It is not the size of the board that matters but the managerial capabilities as outlined by governance experts such as Hitt et al. (2001), Benn et al. (2006) and Papania (2008).

As stated in the annual reports of HNZN (2009), the General Manager of Strategy, Policy and Research provide support all the groups: policy and research; strategy development and implementation to the Minister, Board, Executive Team and the different organisational groups (Benn et al., 2006; Carmeli & Cohen, 2001; Freeman & McVea, 2001).

The governance issues of HNZN are stated as follows:

“(a) To give effect to the Crown's social recommendations by providing housing, and services related to housing, in a business-like manner, and to that end to be an organisation that exhibits a sense of social responsibility by having regard to the interests of the community in which it operates. Also exhibits a sense of environmental responsibility by having regard to the environmental implications of its operations and operates with good financial oversight and stewardship, and efficiently and effectively manages its assets and liabilities and the Crown's investment. (b) To ensure that the Minister of Housing receives appropriate policy advice and information on housing and services related to housing” HNZN (2006).

Department of Housing and Works: Similar systems and practices govern the Department in relation to housing services and functioning in a businesslike manner. Both HNZN and DH exhibit a great deal of environmental responsibility and provide alternative source energy as noted by Peter et al. (2006) along with conventional source of energy to minimise social and ecological cost. This may increase the social benefit. Both the organisations are aware of the Kyoto protocol and follow good environment friendly practices.

#### *4.2 Development of Strategic Management in the New Public Sector Context*

The similarities and distinction between the strategic competencies of the Western Australian Department of Housing and Works and the Housing New Zealand Corporation housing programs are discussed here. In Table 1 performance with regard to selected competencies and how to improve HNZN (managing change) is discussed.

Following is the scale used to measure the resource capabilities of DH(W):

- highly moderate level ranking measures a better resource capability than its counterpart (HNZN) and more than 65% of efficiency for that particular indicator.
- moderate level measures a less than equal resource capability than its counterpart and between 50% to 65% of efficiency for that particular indicator.

Table 2 is used to measure performance with regard to selected competencies and how to improve DH(W) (managing change). The four competencies are discussed below.

For the purpose of measuring the resource capabilities three kinds of capital: Social and human capital, Natural capital and Financial capital are considered. Annual reports of DH(W) from 2003 to 2008, Perth and Annual reports of HNZA from 2003 to 2008, Wellington are used for this purpose.

Figure 2 shows the strategic capabilities of DH(W) and HNZA separately. The above ranking (scaling) method is used to measure the resource capabilities of social, human, natural and financial capital.

#### 4.3 Integration of Strategic Management into New Public Sector Management

The current and the above sections have explored the strategic resources and positioning of Housing New Zealand Corporation (HNZA) and Department of Housing and Works (DH(W)) for the purpose of providing an integrative model. The study has assessed the existing strategic management theories and suggests implementation strategy which may further lead to innovative changes in the value chain of these social organisations. The influences of environmental factors, financial factors, human resource capabilities and business cycle (macroeconomic) factors on the governance of public organisation calls for an implementation strategy based on contingency framework.

### 5. Implementing Strategy

For the purpose of implementing strategy, three strategies of DH(W) and HNZA using Environmental Analysis, RBT and sustainable social advantage is proposed for these public sector organisations. Strategic management theories focusing on *Environmental Analysis* using RBT and sustainable social competitive advantage develops the organizations resources with the goal of value creation and efficiency. Revenues earned and social objectives fulfilled by HNZA are highly dependent on the successful development and implementation of a cohesive corporate-level strategy.

Past experience could also create opportunities for the various generic organisation-level strategies, organizational resource management and strategic groups for DH. Some of the departments in these public sector organisations behave in a business-like condition while others do not do so and therefore the strategic management theories of RBT can be successfully employed compared with Porter's competitive advantage. Good corporate governance is dependent not only on the internal resource capabilities but also managing the external shocks by top leaders such as business cycle and property shocks and its impact on business for both these organisations. The arguments of the paper could be summed up in the following statements:

**Strategy 1:** Sound financial capital with regard to resource based evidence is DH's strength and this capability can be an effective tool for promoting sustainable social advantage (SSA) especially during economic downturn and in the future.

**Strategy 2:** Good social and human resource capabilities are HNZA's strength. HNZA can use and manage these resources effectively for its sustained social performance.

**Strategy 3:** The usefulness of managing change depends on the type of public organizations. For example, the sustainable social advantage inspired organizations such as DH(W) are more robust in managing change in a chaotic environment (external shocks) due to its additional natural capital (large land and built area) than its counterpart.

It has been shown in this paper that good resource management of product or service results in better corporate governance (Benn et al., 2006, Freeman & McVea, 2001; Johnson et al., 2008). This is true even during boom (and bust) for public sector, Philippon (2005). New public sector management is found to be a function of social, human, institutional, natural and financial capital, the construct of sustainable social advantage. The usefulness of strategic management theories on corporate governance and stakeholder management deals with minimising risks and maximising performance (providing proper risk management). Following the discussion on environment analysis, resource capabilities, Carmeli & Cohen (2001) Barney (1991; 2001), macroeconomic (external business cycle factors, Grimes 2004), and governance for public sector (Benn et al., 2006) a contingency framework is produced for the new public sector management. The following contingency framework shows a feedback loop that connects strategic environmental analysis with risk management and managing change with the analysis of implementation. We have proposed a cumulative approach for corporate governance that shows how each stage feeds into the next during economic downturn. See figure 3: Contingency framework.

### 6. Conclusion

By improvising the theoretical background and the environmental analysis of housing bodies from the resource constraints perspective of social housing and by applying the corporate governance model of organisation during economic downturn, we have been able to identify the implementation strategy that is necessary.



It is evident that little systematic research has been applied following new public strategic management concepts and development of RBT in the public sector context. This paper examined the above concepts in the light of DH(W) and HNZZ, the public sector organizations in the Trans-Tasman region. A better understanding of the new strategic management development in the public sector context as a result of this paper will probably generate further research from both academic scholars and practitioners.

To conclude, the study integrates strategic environmental analysis using RBT, risk management and corporate governance with implementing strategy. The institutional capital is limited and this study has identified areas where government housing bodies manage their public property assets efficiently and create sustained social advantage. Managing the potential risk of different stakeholders during recession and good governance processes used in new public management could be further examined by future researchers.

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## Notes

Note: J. B. Say's book was first published in 1803 in French language, which was later translated into English in 1855. Say's Law could have been inspired from Ecclesiastes 5:11 — "As goods increase, so do those who consume them." (Bible, NIV)

A joint publication in Renewable Energy (sustainability) under the Energy and Fuels section with an impact factor of .335 and cited half-life > 10. 'Adoption Decision Process for a High-Tech Innovation' of renewable energy uses the Environmental-Innovation theory which is widely used in Public Sector Management literature.

Table 1. Analysis for HNZC

<i>Sustainable Advantage:</i> The public housing sustainable advantage depends on effectively managing public homes. The ways to overcome the overexploitation of government housing is to either renovate existing property or increase the supply of new building that is affordable, durable and easy to build. For example homes in Eastern Porirua, makeover programme, response to emergency housing needs in South Auckland and the development of a 90-day action plan can lead to more successful outcomes. An indication of the level of competency achieved is moderate with regard to environmentally friendly affordable homes supplied by HNZC.
<i>Stakeholder Management:</i> As at 30 June 2008, the Corporation managed 68,644 properties that serve as homes for over 200,000 people. It is evident that a tenant satisfaction survey to gauge their service yielded the result of 71% level of satisfaction with regard to housing management of clients. This can be termed as slightly above moderate level of satisfaction. Besides partnership with local authorities, community providers and iwi to provide and finance social and affordable housing for New Zealanders can be termed as moderate.
<i>Governance and Housing:</i> Policy advice should be translated into action through better servicing of clients. HNZC need to deliver on its commitments in future years. This would include periodical review of land development processes and structure for building affordable housing and managing risks of poor governance. An indication of the level of competency achieved is moderate with regard to governance and translating policy into action.
<i>Strategic Asset Management:</i> Tangible asset management such as financial capital, natural capital, human and social capital are considered. At present HNZC can be ranked moderate in meeting the tangible asset criteria, while it can be ranked highly moderate in meeting the intangible asset criteria (human and social capital). Data from annual reports are used for this assessment.

Table 2. Analysis for DH(W)

<i>Sustainable Advantage:</i> DH(W) has highly moderate capabilities with regard to Renewal projects and the energy efficiency programme. DH(W) completed several renewal projects since 2001 and its competency in achieving long-term housing sustainability is above moderate.
<i>Stakeholder Management:</i> DH(W) has demonstrated how policy advice is translated into action through the successful launch of Keystart Program, Aborigines shared equity scheme and others. It is necessary to improve the housing facilities of aborigines (ethnic minorities) in Western Australia because the percentage of homeless is higher compared to other ethnic groups. However, the overall level of housing need satisfaction of low-income household is higher in Western Australia compared with New Zealand and can be ranked as highly moderate outcome.
<i>Governance and Housing:</i> A major focus of the policy work is stakeholder relationship with other agencies to provide housing options to its clients. DH(W) also has a tenant satisfaction survey to gauge their service yielded with regard to housing management of clients. This service can be termed as moderate since the level of satisfaction is above 50%. Besides partnership with local authorities, community providers and other government bodies to provide and finance social and affordable housing for West Australians can be termed as above moderate.
<i>Strategic Asset Management:</i> An important achievement under is the completion of a review of financial governance. Tangible asset management such as financial capital, natural capital, human and social capital are considered here. At present DH(W) can be ranked as highly moderate in meeting the tangible asset criteria, while it can be ranked moderate in meeting the intangible asset criteria (human and social capital). Data from annual reports are used for this assessment.

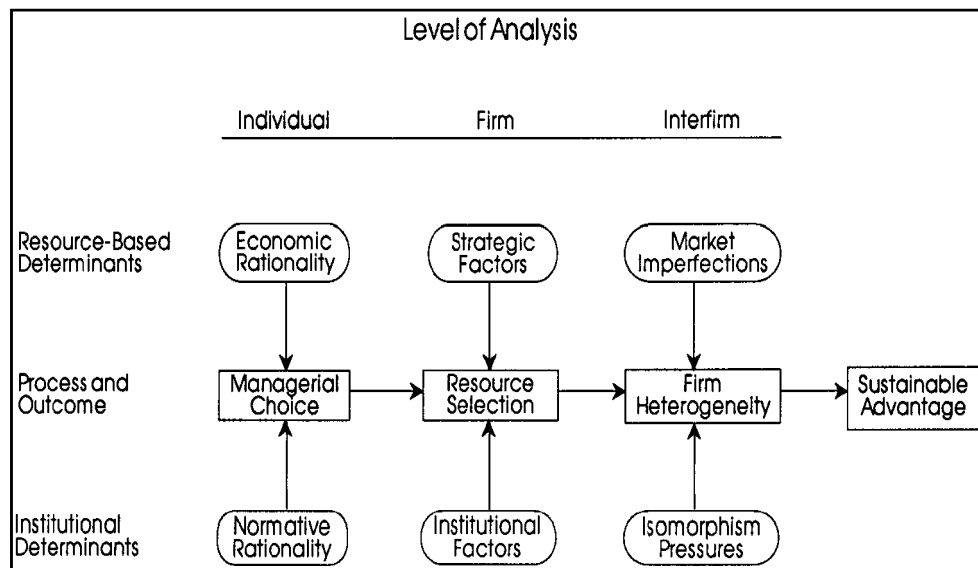


Figure 1. Sustainable advantage: determinants of the process

Source: This figure is adapted from Strategic Management Journal, Vol. 18:9, 697–713, Oliver (1997), Figure 1. Sustainable advantage: Determinants of the process, Page 699.

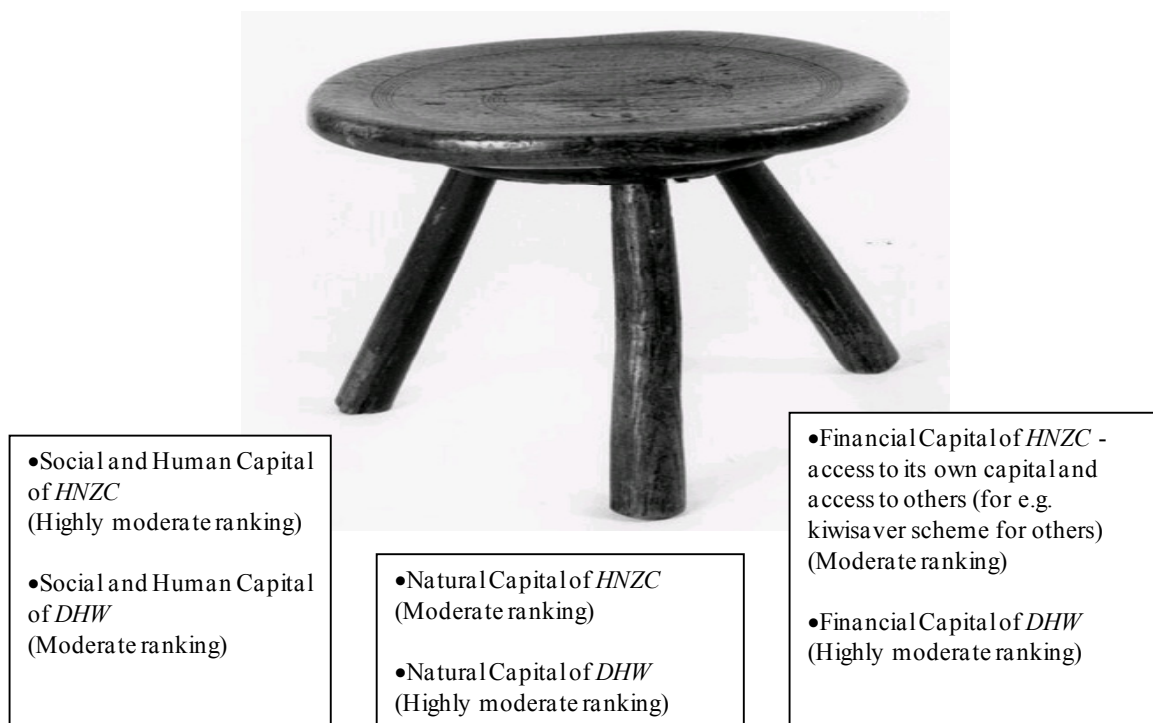


Figure 2. Measuring the strategic capabilities, DH(W) and HNZC

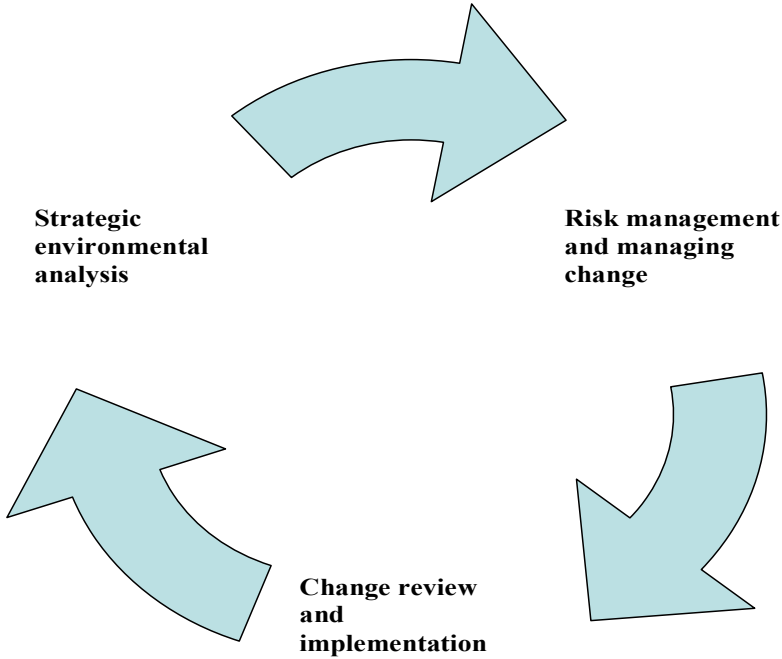


Figure 3. Contingency framework