Multiple interests as management challenge for German housing companies: How diverse and conflicting are their stakeholders‘ expectations?

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Housing companies have to satisfy diverse stakeholders & fulfill an increasing number of tasks

Special characteristics of housing and challenges for housing companies

**Housing ...**

... is a necessity without substitute

... -related spending can account for a considerable proportion of a household’s income

... impacts numerous important issues such as urban development, quality of life, education, health, crime and climate change

The range of tasks and responsibilities of housing companies increased within the last several decades, driven by socio-demographic factors and climate change.

Sources: e.g., Read and Tsvetkova, 2012; Just, 2014; Spars et al., 2008
Expectations of stakeholders towards German housing companies are numerous compared to the situation in many other countries

Special characteristics of the housing market in Germany

**Stakeholder-oriented Corporate Governance System:** Companies are expected to consider the plurality of interests of different affected groups, including among others employee participation by law (e.g., Detomasi, 2008; Fifka, 2013).

**Important role of rental housing:** The housing market is traditionally dominated by the rental market, which provides 60% of all dwellings. The population density is high and land is a scarce resource in some cities (e.g., BMVBS and BBR, 2007).

**Integrated rental market:** Private and public companies can offer social housing, and both are in competition on the market (e.g., Kemeny, 2006).

**Strong regulation:** The housing market is highly regulated, e.g. limitations of rent increases and energy-efficiency standards for new buildings (e.g., Kühne-Büning et al., 2005).

**Even more expectations towards public housing companies:** Due to their social mission, municipal housing companies need to consider an even broader spectrum of interest groups. Not meeting the financial expectations and not being able to convincingly demonstrate the value-add for the municipality, several German publicly owned housing stocks were sold in the decade between 2000 and 2008 (e.g., BMVBS and BBR, 2007; Heitel et al. (2011)).
Organisational targets should comprise expectations from active & passive stakeholders

Relevance of stakeholders for the company and the target-setting process

- A stakeholder is "any group or individual who can affect or is affected by the achievement of an organization’s purpose” (Freeman (1984))

- Stakeholders expectations to be fulfilled to a certain extent for the survival of the firm (cf. incentive contribution theory by Barnard 1938)

- Existing expectations and targets can be complementary, competing or indifferent.

- Coalition model of the firm with active & passive stakeholder groups; organisational targets as result of a bargaining process. (cf. Cyert/March 1963)

- Reality more complex than simplified stakeholder model, e.g. heterogeneity within stakeholder groups, multiple inclusion and double appartenence, network relationships, variability in dependence and impact of stakeholders, etc. (e.g. Fassin 2008)
Integration of the stakeholder interests is essential to create value beyond financial performance

Factors for value creation by housing companies related to stakeholders
Framework integrates ideas from Harrison et al. (2010) and Plaza-Úbeda et al. (2010)

External factors, e.g.
- Socio-demographic change
- Climate protection
- Local housing market
- Available municipal budgets

Expectations towards the company
- Real estate supply
- Social stability
- Environmental protection
- Local and regional value creation
- Entrepreneurial action
- Responsibility for employment and personnel

Firm's ability to solve target conflicts and to meet needs of stakeholders

Translate stakeholder demands into company activities

Firm's knowledge about stakeholder demands

Value creation

Stakeholder groups
- Owners
- Customers
- Employees, managers
- Politics
- Authorities
- Suppliers
- NGOs
- Competitors
- Others

Company-related factors, e.g.
- Company type
- Geographic coverage
- Image and communication
- History of value creation for stakeholders

Responsibility for employment and personnel

Entrepreneurial action

Local and regional value creation

Environmental protection

Social stability

Real estate supply

Politics

Authorities

Suppliers

NGOs

Others

Firm

Employees

Managers

Competitors

External factors, e.g.

- Socio-demographic change
- Climate protection
- Local housing market
- Available municipal budgets

Company-related factors, e.g.
- Company type
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- Image and communication
- History of value creation for stakeholders

Responsibility for employment and personnel

Entrepreneurial action

Local and regional value creation

Environmental protection

Social stability

Real estate supply

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Authorities

Suppliers

NGOs

Others

Firm
Research focuses on more insights in stakeholder expectations towards housing companies

Framework and research questions

- What kind of expectations are addressed towards housing companies?
- How differ these expectations between stakeholder groups?
- What kind of target conflicts exist?
Two surveys were conducted in a case study with one company to collect stakeholder expectations

Research design - Overview on collection and analysis of stakeholder expectations

<table>
<thead>
<tr>
<th>Main intention</th>
<th>Data gathering</th>
<th>Analysis</th>
<th>Participants</th>
</tr>
</thead>
<tbody>
<tr>
<td>First comprehensive collection of expectations</td>
<td>Semi-structured interviews, recorded &amp; transcribed</td>
<td>Qualitative data analysis (QDA)</td>
<td>35</td>
</tr>
<tr>
<td>Representativeness and quantitative evaluation</td>
<td>Web-survey</td>
<td>QDA, descriptive and multivariate analysis</td>
<td>&gt; 270</td>
</tr>
</tbody>
</table>

Case study with one German municipal housing company
- member of EURHONET (European Housing Network)
- pioneer in publishing CSR report
- approx. 19 thousand dwellings
Item list for web-survey was developed based on stakeholder interviews followed by pretesting

Pre-study for conception of online questionnaire

<table>
<thead>
<tr>
<th>35 stakeholder interviews, recorded &amp; transcribed</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Internal</strong></td>
</tr>
<tr>
<td>Owners</td>
</tr>
<tr>
<td>Management</td>
</tr>
<tr>
<td>Employees</td>
</tr>
<tr>
<td><strong>External economic</strong></td>
</tr>
<tr>
<td>Tenants</td>
</tr>
<tr>
<td>Subcontractors &amp; service-providers</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Banks</td>
</tr>
<tr>
<td><strong>External non-economic</strong></td>
</tr>
<tr>
<td>Politics</td>
</tr>
<tr>
<td>Authorities</td>
</tr>
<tr>
<td>NGOs</td>
</tr>
</tbody>
</table>

Analysis

Qualitative Data analysis with MaxQDA

Category System with 6 main areas

Deduction of items for web-survey

- Pretest with participants from diverse stakeholder groups
- 50 items within 6 main areas:
  1. Real estate supply and services
  2. Local & regional value creation
  3. Social stability
  4. Environmental protection
  5. Economical & entrepreneurial action
  6. Responsible personnel management & good governance
- Consultation of company managers and databases for generation of participant list
Stakeholder web-survey with individual code – answers combine scales & free entry fields

Invitation letter, reminder and screenshots of web-survey

6-point Likert scale on importance

Free entry fields
1,433 stakeholders were invited – highest participation by owners and employees

<table>
<thead>
<tr>
<th>Stakeholder Group</th>
<th>Total</th>
<th>Participation Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Owners</td>
<td>9</td>
<td>78%</td>
</tr>
<tr>
<td>Employees</td>
<td>163</td>
<td>39%</td>
</tr>
<tr>
<td>Tenants</td>
<td>888</td>
<td>10%</td>
</tr>
<tr>
<td>Buyers</td>
<td>102</td>
<td>16%</td>
</tr>
<tr>
<td>Business partners</td>
<td>83</td>
<td>30%</td>
</tr>
<tr>
<td>Politics</td>
<td>78</td>
<td>29%</td>
</tr>
<tr>
<td>Authorities</td>
<td>36</td>
<td>22%</td>
</tr>
<tr>
<td>Other interest groups</td>
<td>74</td>
<td>24%</td>
</tr>
</tbody>
</table>

Participation rates* by stakeholder sub-groups

*: ‘Completion > 1/3’ / ‘adjusted sample 2’

In total: 1,433 stakeholders
Stated expectations relate to direct interaction & incentives for contributions by stakeholders

Main expectations stated in free entry fields within stakeholder groups, examples

<table>
<thead>
<tr>
<th>Stakeholder Group</th>
<th>Owners</th>
<th>Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1. Information on strategies, business activities, financial situation</td>
<td>1. Good personnel management</td>
</tr>
<tr>
<td></td>
<td>2. Effective steering and controlling</td>
<td>2. Personnel development and training possibilities</td>
</tr>
<tr>
<td></td>
<td>3. Performing in line with citizens’ interests</td>
<td>3. Remuneration and employee benefits</td>
</tr>
<tr>
<td></td>
<td>5. Active influence on the housing market</td>
<td>5. Good working atmosphere</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>Tenants</strong></td>
<td><strong>Business partners</strong></td>
</tr>
<tr>
<td></td>
<td>1. Customer-oriented service</td>
<td>1. Reliability</td>
</tr>
<tr>
<td></td>
<td>2. Effective property management</td>
<td>2. Adequate process and quality management</td>
</tr>
<tr>
<td></td>
<td>3. Adequate price level</td>
<td>3. Securing the future &amp; innovation</td>
</tr>
<tr>
<td></td>
<td>4. Services for buildings and outdoor facilities</td>
<td>4. Competent employees</td>
</tr>
<tr>
<td></td>
<td>5. Peace and tranquility among the tenants</td>
<td>5. Good communication &amp; dialogue</td>
</tr>
</tbody>
</table>

→ Clear differences of stated expectations between stakeholder groups
→ Results relate closely to the ideas of the incentive contribution theory
A large number of issues was rated as being important

Items by weighted average on importance and expected future extent of activities

- Real estate supply and services
- Local & regional value creation
- Social stability
- Environmental protection
- Economical & entrepreneurial action
- Responsible personnel management & good governance

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Results of factor analysis - Principle Component Analysis (PCA), Varimax rotation

<table>
<thead>
<tr>
<th>Area</th>
<th>Rotated component matrix</th>
<th>Rotated sum of squared load</th>
<th>Reliability</th>
<th>Cronbach's Alpha</th>
<th>Items per factor</th>
<th>Components</th>
<th>Explained variance</th>
<th>No. of items</th>
<th>Cumulative %</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Environmental protection in the district</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>2.</td>
<td>Constructive and responsible dealing with one another</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.</td>
<td>Social and ecological responsibility for the city and the region</td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>4.</td>
<td>Social stability in districts with own buildings</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5.</td>
<td>Efficient corporate management</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6.</td>
<td>Voluntary local contributions</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7.</td>
<td>Satisfying the basic need for housing</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8.</td>
<td>Promoting urban development</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>9.</td>
<td>Profit generation</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10.</td>
<td>Satisfying additional needs of tenants</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>11.</td>
<td>Reduction of the utilities costs</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>

- 3 items eliminated
- Crossloadings accepted due to explorative design
- 11 components
- 65.3% explained variance
- 1-8 items per factor
- Cronbach’s Alpha > 0.5 for all factors
### Housing related basic needs clearly at the top – higher variances for less important expectations

Summated scales of factors, by weighted importance

<table>
<thead>
<tr>
<th>Factor</th>
<th>Average*</th>
<th>Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Satisfying the basic need for housing</td>
<td>1.56</td>
<td>.28</td>
</tr>
<tr>
<td>Reduction of the utilities costs</td>
<td>1.61</td>
<td>.56</td>
</tr>
<tr>
<td>Constructive and responsible dealing with one another</td>
<td>1.71</td>
<td>.31</td>
</tr>
<tr>
<td>Environmental protection in the district</td>
<td>1.78</td>
<td>.38</td>
</tr>
<tr>
<td>Efficient corporate management</td>
<td>1.79</td>
<td>.38</td>
</tr>
<tr>
<td>Social stability in districts with own buildings</td>
<td>1.97</td>
<td>.48</td>
</tr>
<tr>
<td>Satisfying additionals needs of tenants</td>
<td>2.21</td>
<td>.60</td>
</tr>
<tr>
<td>Voluntary local contributions</td>
<td>2.25</td>
<td>.68</td>
</tr>
<tr>
<td>Promoting urban development</td>
<td>2.49</td>
<td>.55</td>
</tr>
<tr>
<td>Social and ecological responsibility for the city and the region</td>
<td>2.60</td>
<td>1.00</td>
</tr>
<tr>
<td>Profit generation</td>
<td>2.98</td>
<td>.75</td>
</tr>
</tbody>
</table>

*weighted by relevance of stakeholder groups

All factors < 3

Low variance for most important expectations

Higher variances for less important expectations
Significant differences between internal and external stakeholders exist for specific topics

Mann-Whitney-U-Test for comparison of averages, significance level 5%

<table>
<thead>
<tr>
<th></th>
<th>INTERNAL stakeholders</th>
<th>EXTERNAL stakeholders</th>
</tr>
</thead>
<tbody>
<tr>
<td>EFFICIENT CORPORATE MANAGEMENT</td>
<td>(1.63/1.99)</td>
<td>REDUCTION OF THE UTILITIES COSTS</td>
</tr>
<tr>
<td>IT AND COMMUNICATION SYSTEMS</td>
<td>(1.60/2.19)</td>
<td>PROMOTING URBAN DEVELOPMENT</td>
</tr>
<tr>
<td>PROCESS AND QUALITY MANAGEMENT</td>
<td>(1.66/2.04)</td>
<td>STRENGTHEN REGIONAL EMPLOYMENT</td>
</tr>
<tr>
<td>TRANSPARENCY</td>
<td>(1.68/2.00)</td>
<td>PROVIDING SOCIAL INFRASTRUCTURE</td>
</tr>
<tr>
<td>EFFICIENT MANAGEMENT OF THE BUILDING STOCK</td>
<td>(1.56/1.78)</td>
<td>REASONABLY PRICED ACCOMODATION</td>
</tr>
<tr>
<td>PROFIT GENERATION</td>
<td>(2.74/3.15)</td>
<td>INITIATIVES FOR PREVENTION OF SOCIAL PROBLEMS</td>
</tr>
<tr>
<td>PROFIT GENERATION</td>
<td>(2.15/2.94)</td>
<td>QUICK REACTION TO INQUIRIES</td>
</tr>
</tbody>
</table>
Target conflicts may arise when ecological, social or economic contributions exceed a threshold.

Complementary & conflicting targets visualized in Balanced Scorecard perspectives.
Definition and alignment of targets with main stakeholders enables a sustainable management

Conclusion & outlook

- Municipal housing companies in Germany are confronted with various expectations.
- Managers should be aware of the heterogeneity of these expectations.
- Instead of focusing only on stakeholders with whom they interact regularly or who engage proactively, companies should try to integrate multiple stakeholder perspectives for decision-making to fulfill the diverse needs as best as possible.
- Target-conflicts seem to exist especially between social, ecological and economical goals – as soon as a certain threshold is exceeded.
- Definition and alignment of targets with main stakeholders enables a sustainable and long-term oriented management of housing companies.

Outlook

- Cluster analysis of stakeholders to get more insights on heterogeneity of stakeholders
- Quantitative testing of dependencies and target conflicts by using Structural equations modeling
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Thanks for your attention!

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