

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



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## European Real Estate Society Conference 2015

Istanbul, Turkey

June 26<sup>th</sup>, 2015

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



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## 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



Images:  
bauverein AG  
darmstadt

# Expectations of stakeholders towards German housing companies are numerous compared to the situation in many other countries



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## 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).

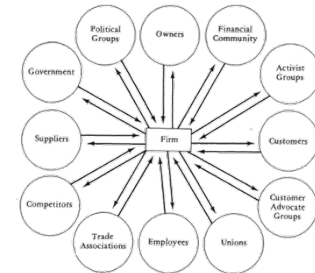
**Even more expectations towards public housing companies:** Due to their social mission, municipal housing companies need to consider an even broader spectrum of interest groups. Not meeting the financial expectations and not being able to convincingly demonstrate the value-add for the municipality, 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

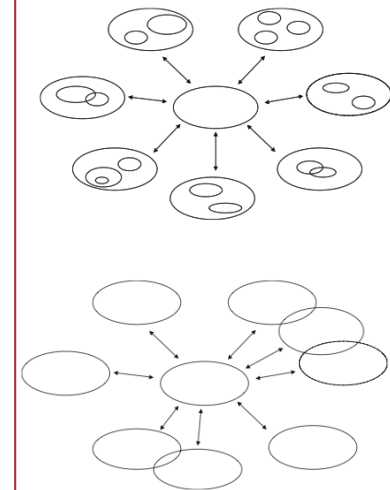
## Relevance of stakeholders for the company and the target-setting process

- 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 appartenance, network relationships, variability in dependence and impact of stakeholders, etc. (e.g. Fassin 2008)

Original by  
Freeman



Modifications by Fassin (extract)

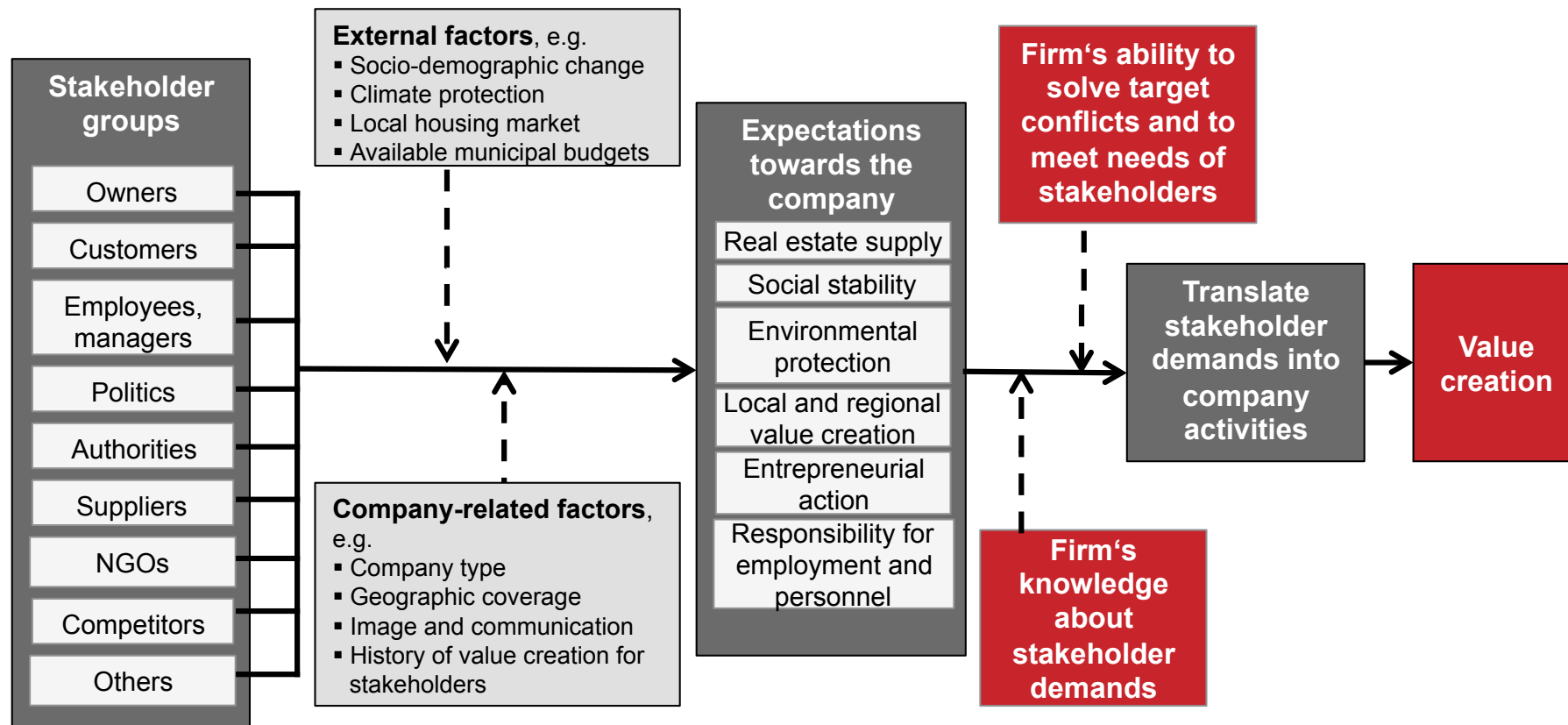


# Integration of the stakeholder interests is essential to create value beyond financial performance



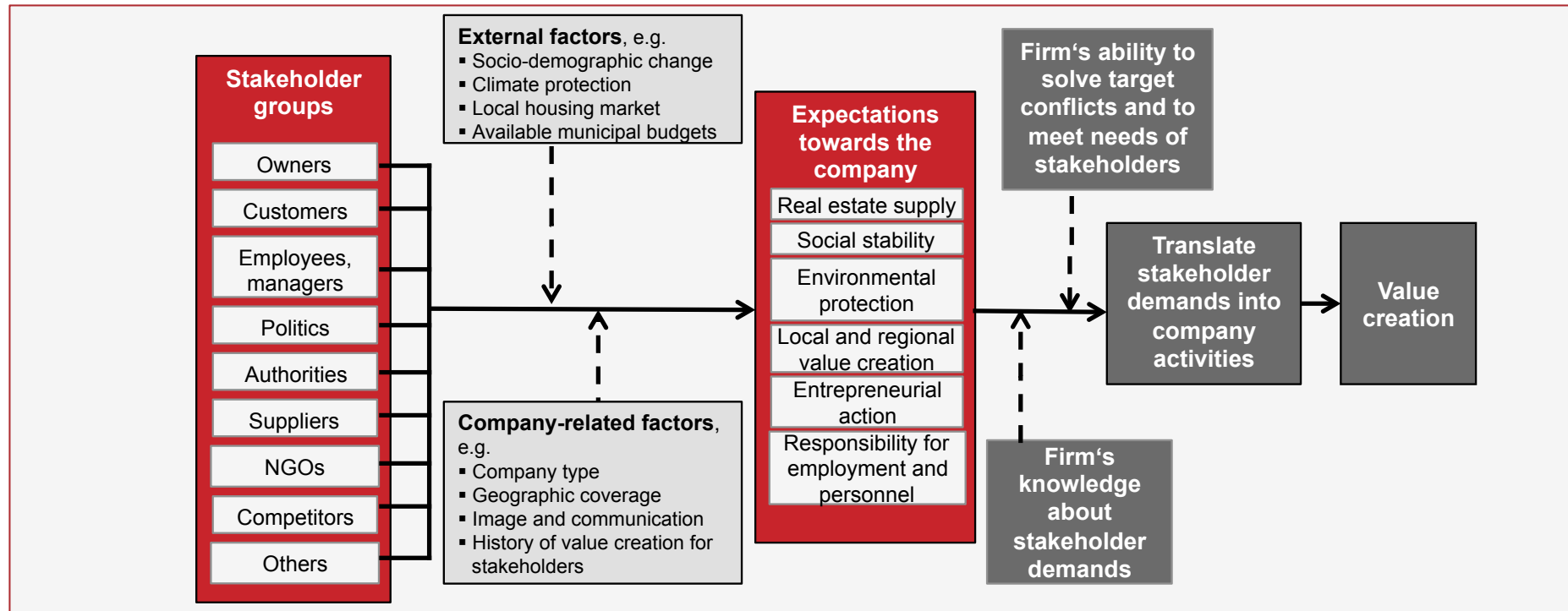
## Factors for value creation by housing companies related to stakeholders

Framework integrates ideas from Harrison et al. (2010) and Plaza-Úbeda et al. (2010)



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

## Framework and research questions



### 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

Main intention	Data gathering	Analysis	Participants
First comprehensive collection of expectations	Semi-structured interviews, recorded & transcribed	Qualitative data analysis (QDA)	35
Representativeness and quantitative evaluation	Web-survey	QDA, descriptive and multivariate analysis	> 270

## 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

**35 stakeholder interviews,  
recorded & transcribed**

Internal	Owners	Holding, chairman of the supervisory board
	Management	Board of directors
	Employees	Works council
External economic	Tenants	Tenant's advisory board, further representatives of tenants
		Local tenants' association
	Subcontractors & service- providers	Social service provider
		Technical service provider, architects, engineers
		Energy supplier, waste-disposal firm
Banks	Local savings bank	
External non- economic	Politics	City administrators, city council
	Authorities	Authorities, e.g. for urban planning and housing, for social affairs and prevention, for youth welfare
	NGOs	Associations e.g. for children, elderly or disabled people, environmental protection

Analysis

Qualitative Data  
analysis with  
MaxQDA

Category System  
with 6 main areas

Deduction of  
items for web-  
survey


**50 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



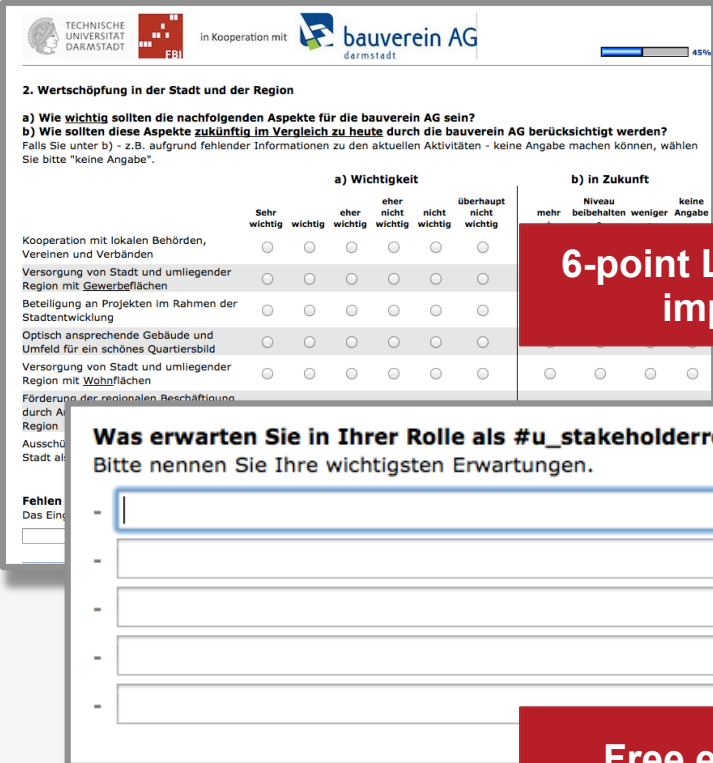
www.immobiliens-forschung.de/stakeholderbefragung  
Zugangscode: Passwort 75ajy8b

Bei inhaltlichen oder technischen Rückfragen können Sie sich gerne an Frau Heitel (heitel@bvt.tu-darmstadt.de), wissenschaftliche Mitarbeiterin am Fachgebiet Immobilienwirtschaft der TU Darmstadt, wenden.

Mit Ihrer Bewertung helfen Sie der bauverein AG dabei, ein differenzierteres Bild von den Erwartungen ihrer Stakeholder zu erhalten. Gleichzeitig leisten Sie einen wertvollen Beitrag zur wissenschaftlichen Untersuchung des Themas „Stakeholdermanagement in der Wohnungswirtschaft“ - Hierfür möchten wir Ihnen an dieser Stelle danken!

Mit freundlichen Grüßen  
bauverein AG  
Darmstadt

Dr.-Ing. Hans-Jürgen Braun  
Prof. Dr. Andreas Pfnür  
Leiter Forschungszentrum Betriebliche Immobilienwirtschaft an der TU Darmstadt



**2. Wertschöpfung in der Stadt und der Region**

a) Wie wichtig sollten die nachfolgenden Aspekte für die bauverein AG sein?  
b) Wie sollten diese Aspekte zukünftig im Vergleich zu heute durch die bauverein AG berücksichtigt werden?

Falls Sie unter b) - z.B. aufgrund fehlender Informationen zu den aktuellen Aktivitäten - keine Angabe machen können, wählen Sie bitte "keine Angabe".

	a) Wichtigkeit					b) in Zukunft		
	Sehr wichtig	wichtig	eher wichtig	eher nicht wichtig	nicht wichtig	überhaupt nicht wichtig	Niveau mehr	keine Angabe
Kooperation mit lokalen Behörden, Vereinen und Verbänden	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Versorgung von Stadt und umliegender Region mit <b>Gewer</b> flächen	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Beteiligung an Projekten im Rahmen der Stadtentwicklung	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Optisch ansprechende Gebäude und Umfeld für ein schönes Quartiersbild	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Versorgung von Stadt und umliegender Region mit <b>Wohn</b> flächen	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Förderung der regionalen Beschäftigung durch A Region	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

**Was erwarten Sie in Ihrer Rolle als #u\_stakeholderrolle# von der bauverein AG? Bitte nennen Sie Ihre wichtigsten Erwartungen.**

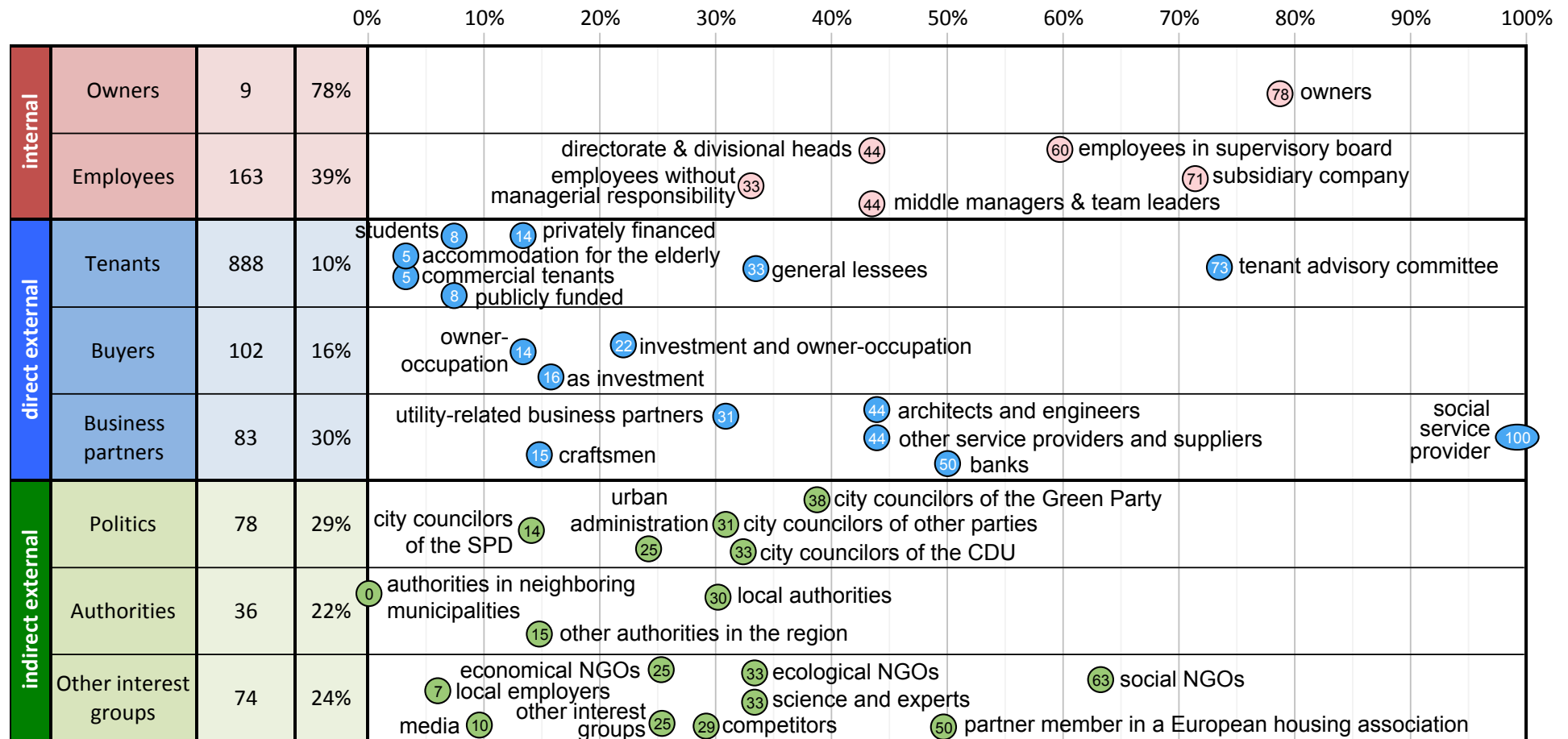
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6-point Likert scale on importance

Free entry fields

# 1,433 stakeholders were invited – highest participation by owners and employees

Participation rates\* by stakeholder sub-groups \*: 'Completion > 1/3' / 'adjusted sample 2'



# Stated expectations relate to direct interaction & incentives for contributions by stakeholders

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

## Owners

1. Information on strategies, business activities, financial situation
2. Effective steering and controlling
3. Performing in line with citizens' interests
4. Transparency
5. Active influence on the housing market

## Employees

1. Good personnel management
2. Personnel development and training possibilities
3. Remuneration and employee benefits
4. Job security
5. Good working atmosphere

## Tenants

1. Customer-oriented service
2. Effective property management
3. Adequate price level
4. Services for buildings and outdoor facilities
5. Peace and tranquility among the tenants

## Business partners

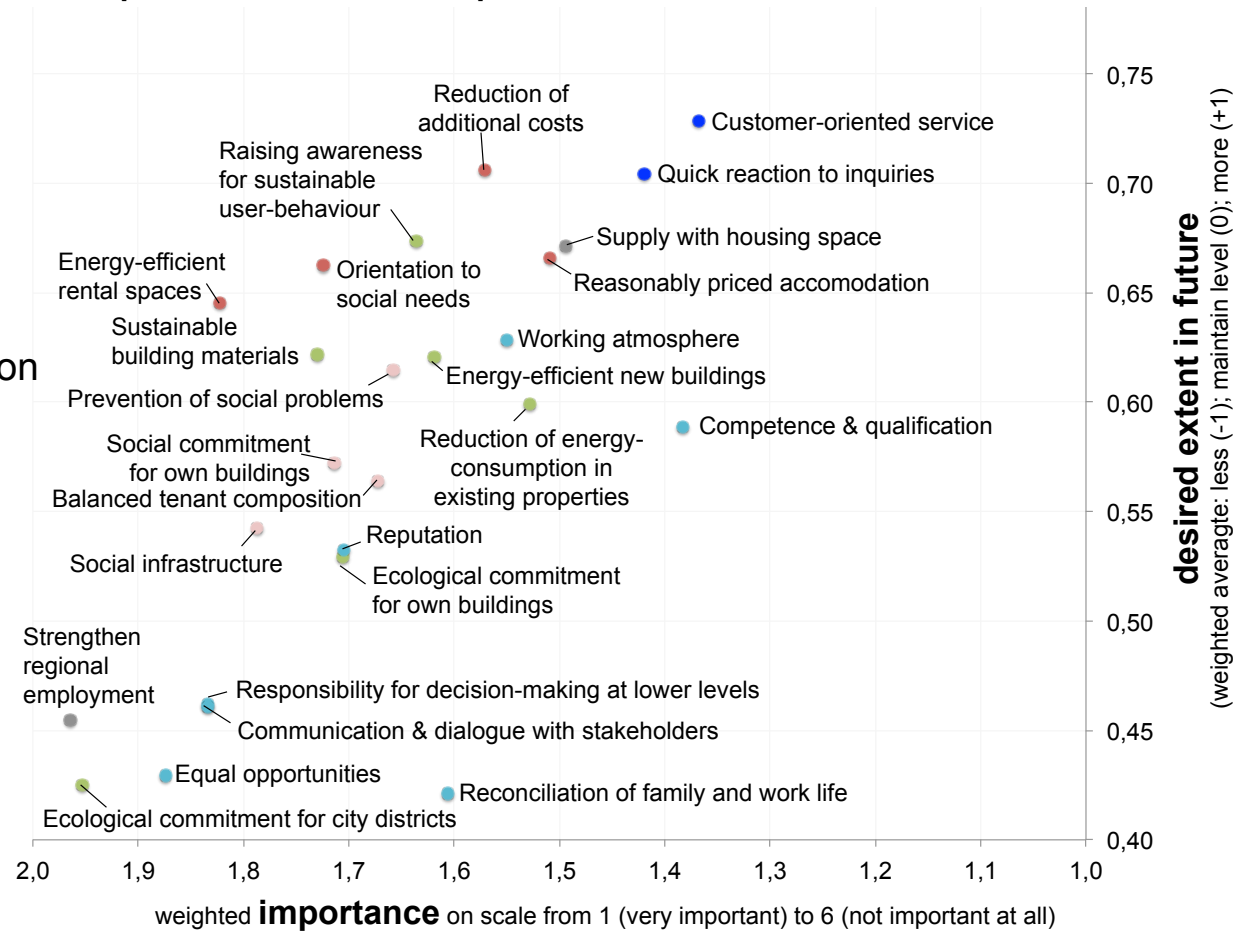
1. Reliability
2. Adequate process and quality management
3. Securing the future & innovation
4. Competent employees
5. Good communication & dialogue

- 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



# Items were aggregated by factor analysis to 11 components

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

	Area	Rotated component matrix										Rotated sum of squared loads		Reliability			
		1	2	3	4	5	6	7	8	9	10	11	% of variance	cumulative %	Cronbach's Alpha	No. of items	
1	Environmental protection in the district	4 Sustainable building materials	0,73	0,12	0,16	-0,01	-0,01	0,19	0,09	0,06	-0,03	0,07	-0,02	10,54	10,54	0,89	8
		4 Energy-efficient new buildings	0,71	0,04	0,15	-0,04	0,20	-0,05	0,11	0,19	-0,07	0,21	0,07				
		4 Reduction of energy-consumption in existing properties	0,68	0,20	0,11	0,09	0,23	-0,03	-0,02	0,18	0,03	-0,05	0,22				
		4 Ecological responsibility for own buildings	0,67	0,30	0,24	0,25	-0,02	-0,05	0,27	-0,07	0,08	-0,02	-0,07				
		1 Energy-efficient rental spaces	0,67	0,08	0,01	0,14	0,11	0,14	0,07	0,03	0,15	0,09	0,17				
		4 Ecological measures in the residential surroundings	0,66	0,17	0,22	0,05	-0,11	0,24	0,22	0,01	0,06	0,08	-0,20				
2	Constructive and responsible dealing with one another	4 Raising awareness for sustainable user-behaviour	0,65	0,23	0,17	0,17	0,15	0,26	0,00	0,08	0,09	-0,16	-0,11	8,80	19,34	0,86	7
		4 Ecological responsibility for districts	0,58	0,18	0,45	0,31	0,07	-0,02	0,17	-0,09	0,08	0,16	-0,02				
		6 Working atmosphere	0,13	0,81	-0,03	0,08	0,14	0,03	-0,01	0,06	-0,02	0,08	-0,04				
		6 Competence and qualification	0,04	0,67	0,01	0,14	0,21	-0,13	0,13	-0,03	0,16	0,19	0,12				
		6 Equal opportunities	0,21	0,66	0,08	0,10	0,02	-0,01	0,22	0,19	0,03	0,10	0,13				
		6 Communication and dialogue with stakeholders	0,19	0,63	0,13	-0,01	0,28	0,23	0,12	0,12	0,00	-0,03	-0,15				
3	Social and ecological responsibility for the city and the region	6 Reconciliation of family and work life	0,18	0,61	0,07	0,11	0,06	0,33	0,05	-0,04	-0,02	0,02	0,03	7,49	26,83	0,90	4
		6 Decision-making responsibility at lower levels	0,23	0,56	0,09	0,30	0,24	0,11	-0,03	0,07	0,08	0,01	0,07				
		6 Reputation	0,12	0,53	0,03	0,16	0,33	-0,01	0,12	0,23	0,15	0,02	-0,26				
		4 Ecological responsibility for the region	0,36	0,01	0,83	0,01	0,10	-0,03	0,09	0,04	0,01	0,13	0,04				
		4 Ecological responsibility for the city	0,45	0,01	0,78	0,10	0,04	-0,05	0,12	0,00	-0,05	0,09	-0,01				
		3 Social responsibility for the region	0,10	0,10	0,78	0,13	0,10	0,23	-0,03	0,22	0,24	0,02	0,07				
4	Social stability in districts with own buildings	3 Social responsibility for the city	0,14	0,09	0,70	0,31	0,08	0,31	0,05	0,14	0,16	0,09	-0,05	6,88	33,71	0,82	6
		3 Balanced tenant composition	0,06	0,17	0,04	0,74	0,18	-0,02	0,08	0,10	-0,01	0,10	0,23				
		3 Social commitment for own buildings	0,15	0,19	0,18	0,65	-0,02	0,15	0,36	-0,06	0,08	0,12	-0,02				
		3 Promotion of cohesion and solidarity among tenants	0,14	0,11	0,07	0,63	0,11	0,34	0,17	0,11	-0,19	0,08	-0,13				
		3 Social commitment for districts	0,16	0,19	0,39	0,59	0,01	0,25	0,21	0,01	0,06	0,13	-0,18				
		2 Visually attractive buildings	0,23	0,07	0,15	0,49	0,12	-0,15	0,07	0,35	0,24	0,10	-0,37				
5	Efficient corporate management	3 Prevention of social problems	0,07	0,33	0,25	0,49	-0,08	0,44	0,03	0,07	-0,11	0,04	0,21	6,51	40,21	0,79	5
		5 IT and communication systems	0,11	0,12	0,10	-0,02	0,80	-0,07	0,06	0,06	0,00	-0,06	0,02				
		5 Process and quality management	0,04	0,35	0,08	0,06	0,68	0,06	0,19	-0,05	0,12	0,28	0,05				
		5 Effective management and control	0,10	0,26	0,04	0,07	0,67	0,09	0,16	0,04	0,06	-0,14	0,02				
		5 Transparency	0,00	0,19	0,16	0,25	0,51	0,20	0,15	-0,07	0,15	0,15	-0,28				
		5 Efficient management of the building stock	0,20	0,16	-0,10	0,20	0,46	0,22	0,11	-0,26	0,23	0,07	0,27				
6	Voluntary local contributions	3 Sponsoring	0,17	0,06	0,20	0,17	0,11	0,71	0,16	0,06	0,16	0,15	0,07	5,15	45,36	0,72	3
		2 Cooperation with local authorities and associations	0,24	0,10	-0,06	0,09	0,12	0,61	0,12	0,38	0,08	0,20	-0,22				
		3 Providing social infrastructure	0,20	0,21	0,26	0,28	-0,09	0,52	-0,04	0,28	-0,16	0,12	0,24				
7	Satisfying the basic need for housing	1 Reasonably priced accommodation	0,18	0,07	0,11	0,18	0,01	0,09	0,64	-0,02	-0,19	0,08	0,10	5,13	50,50	0,66	4
		2 Supply with residential space	0,11	-0,03	0,04	0,02	0,25	0,00	0,63	0,32	-0,07	-0,04	0,04				
		5 Customer-oriented service	0,09	0,15	-0,01	0,20	0,17	0,14	0,57	-0,14	0,27	0,14	0,01				
		5 Supply in line with local demands	0,19	0,31	0,05	0,17	0,22	0,03	0,55	0,08	0,06	-0,06	-0,12				
		2 Strengthen regional employment	0,21	0,27	0,14	0,08	-0,11	0,12	0,01	0,63	0,07	-0,12	0,22				
8	Promoting urban development	2 Participation in urban development projects	0,10	0,05	0,09	0,20	0,09	0,13	0,10	0,63	0,03	0,29	-0,07	4,35	54,85	0,53	3
		2 Supply with commercial premises	0,00	0,12	0,08	-0,11	0,00	0,17	0,08	0,51	0,42	-0,05	-0,02				
		1 Building-related services	-0,01	0,09	0,26	-0,08	-0,02	0,12	0,00	0,02	0,71	0,00	0,11				
9	Profit generation	5 Profit generation	0,14	0,15	-0,04	0,02	0,38	-0,13	-0,02	0,16	0,55	-0,03	-0,12	4,18	59,03	0,57	3
		1 Higher quality housing	0,22	-0,13	0,00	0,15	0,33	-0,03	-0,15	0,12	0,54	0,26	-0,07				
10	Satisfying additional needs of tenants	1 Tenant-related services	0,01	0,20	0,21	0,14	-0,11	0,19	0,20	0,04	0,21	0,63	-0,17	3,47	62,50	0,60	3
		1 Innovative offers	0,26	0,13	0,14	0,30	0,13	0,20	-0,15	0,03	-0,03	0,60	0,19				
		1 Orientation to social needs	0,16	0,29	0,17	0,11	-0,04	0,12	0,36	0,23	-0,22	0,45	0,14				
11	Reduction of the utilities costs	1 Reduction of the utilities costs	0,42	0,07	0,13	0,10	0,06	0,04	0,30	0,18	0,12	0,09	0,54	2,79	65,28	-	1

- 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

	Average*	Variance		
<b>Top 5</b>	Satisfying the basic need for housing	1,56	,28	Low variance for most important expectations
	Reduction of the utilities costs	1,61	,56	
	Constructive and responsible dealing with one another	1,71	,31	
	Environmental protection in the district	1,78	,38	
	Efficient corporate management	1,79	,38	
Social stability in districts with own buildings	1,97	,48		
Satisfying additional needs of tenants	2,21	,60		
Voluntary local contributions	2,25	,68		
Promoting urban development	2,49	,55		
Social and ecological responsibility for the city and the region	2,60	1,00		
Profit generation	2,98	,75		

*\*weighted by relevance of stakeholder groups*

All factors < 3

Higher variances for less important expectations

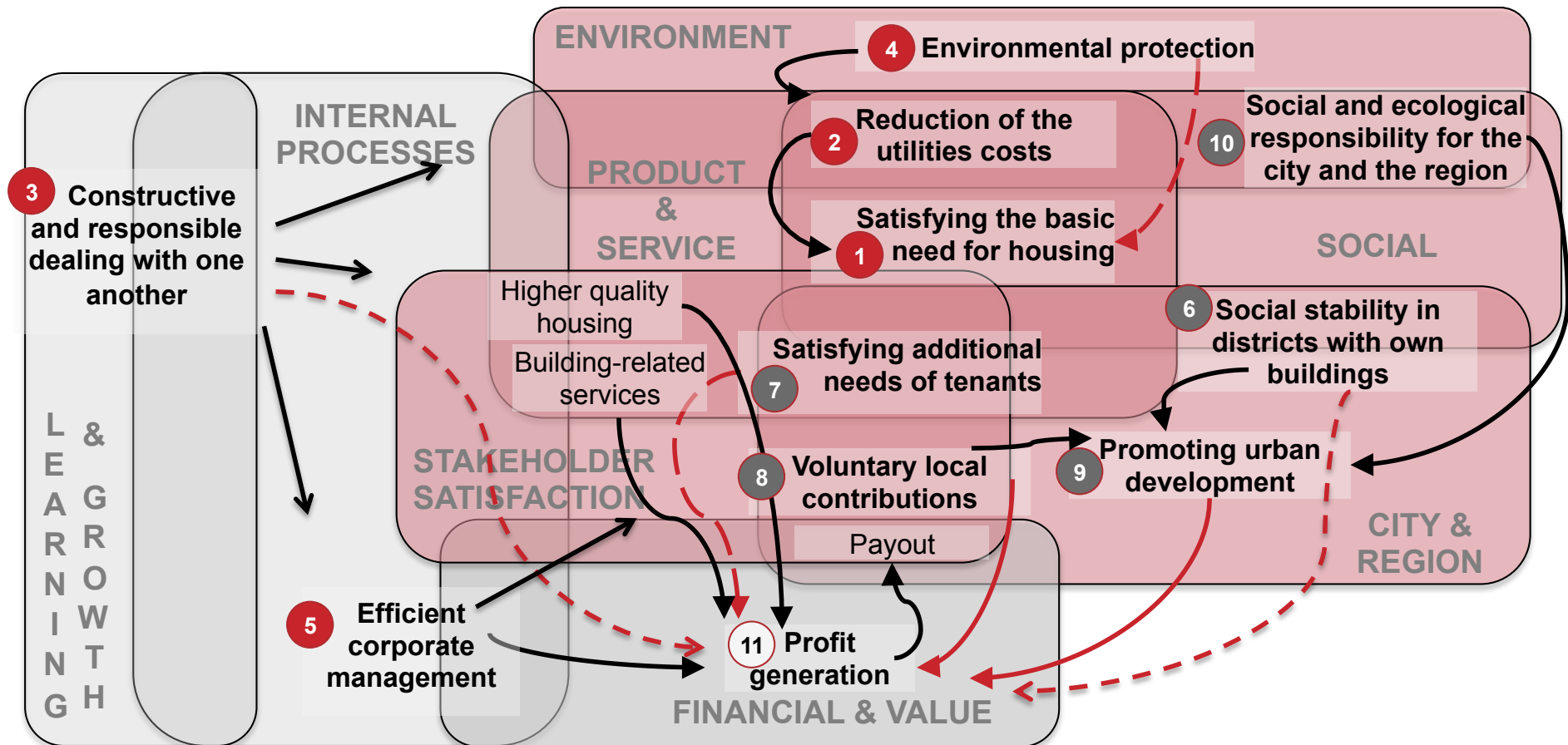
# Significant differences between internal and external stakeholders exist for specific topics

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

significantly more important for		(avg. internal / avg. external)	
INTERNAL stakeholders		EXTERNAL stakeholders	
<b>Efficient corporate management</b>	<b>(1.63/1.99)</b>	<b>Reduction of the utilities costs</b>	<b>(1.78/1.51)</b>
IT and communication systems	(1.60/2.19)		
Process and quality management	(1.66/2.04)	<b>Promoting urban development</b>	<b>(2.68/2.40)</b>
Transparency	(1.68/2.00)	Strengthen regional employment	(2.17/1.77)
Efficient management of the building stock	(1.56/1.78)		
<b>Profit generation</b>	<b>(2.74/3.15)</b>	Providing social infrastructure	(2.13/1.69)
Profit generation	(2.15/2.94)	Reasonably priced accomodation	(1.78/1.55)
		Initiatives for prevention of social problems	(2.13/1.69)
		Quick reaction to inquiries	(1.69/1.37)

# 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

### Conclusion

- 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

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



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**Thanks for your attention!**

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