
Anna Karenina and The Clash: Seeking alternative perspectives on the introduction of payment for boards of housing associations

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Abstract

This paper adopts a 'mash-up' of two apparently unrelated factors to reflect the 'chimera' nature of housing associations as hybrid organisations. It uses these as a basis for consideration of the governance consequences arising from the introduction of pay for housing association board members.

Reference to Anna Karenina reflects the intensely human nature of governance and apparent difficulty in defining good governance, despite the ease with which governance problems appear to be recognised retrospectively. The lyrics from The Clash and "Should I Stay or Should I Go?" link to the responses of Exit, Voice and Loyalty identified by Hirschman (1970) to the occurrence of organisational problems or decline in performance.

It is not proposed that these random factors should be linked to produce an integrated solution, but rather provide the basis for new insights into alternative means by which housing association governance could be appreciated and evaluated.

My research is exploring the assumptions and implications of the introduction of a power to pay housing association board members and how this affects the way board members see their role and the part they play in establishing good governance.

I have been fortunate enough to have been invited to also present a paper as part of the main programme of the NCVO Research Conference. That paper seeks to outline the territory I intend to explore and some of the questions I intend to address in my research. So I don't cover too much of the same ground again, I have focused this contribution on a consideration of just two particular aspects of my studies. Namely: the hybrid nature of housing associations; and the potential applicability of Hirschman's concept of Exit, Voice and Loyalty (1970), as a basis for assessing the consequences of decisions about payment of housing association board members.

HYBRIDITY AND THE CLASH OF CULTURES

Housing associations are classic hybrid organisations. The origins of the housing associations are in the charitable sector, they have taken over primary responsibility for public provision of social housing and yet they operate as commercial and entrepreneurial organisations often indistinguishable from for-profit businesses. This hybrid nature of housing association means that consideration of the governance challenges and choices they face has the potential to both be influenced by and influence the governance practice across other sectors.

Housing associations as hybrid organisations have been referred to as "Chimera", occupying a "confusing middle ground" between competing philosophies (Alder, 1993; Blessing, 2010; Alder and Handy, 1997). Hybridity is certainly a complex concept with inexact boundaries.

It is suggested that part of the problem is the insistence on seeing hybrid organisations as a mixture of other separate and discrete entities rather than having their own wholly distinct identity (Brandsen et al., 2005). Hence the title of this paper is an acknowledgement of the genre of 'mash-up' novels, such as *Pride and Prejudice* and *Zombies* (Austen and Grahame-Smith, 2009).

Jane Austen reflected that her views and opinions were inherently "partial, prejudiced and ignorant" (Austen, 1791) as are mine, but I do nevertheless hope to ultimately be able to offer some new insights and an alternative take on some of the assumptions that are made about the nature and purpose of housing association governance.

Difficulties arise when considering hybrid organisations because the theory and thinking about the different aspects of their nature and function arise from and are constrained by particular norms and expectations. Corporate governance is dominated by economic thinking and a world of certainty, rational choices and a belief that market forces are the only means to resolve any issue. Housing associations, however, operate in a domain where normal market conditions do not always work as intended because it is a third party that is paying, the goods and services are provided for public benefit and it is difficult to monitor their quality (Hansmann, 1981; Weisbrod, 1998). Yet as Sandel (2013) has noted, "in recent decades, markets and market oriented thinking has reached into spheres of life traditionally governed by non-market forms". He questions though the merits of "remaking of social relations in the image of markets" and the "growing use of monetary incentives to solve social problems".

Is it appropriate for housing associations to mimic the governance models that apply in for-profit businesses or should they resist the tendency towards "organisational Isomorphism" (DiMaggio and Powell, 1991) and instead seek to an approach to governance that is more reflexive and appropriate to their social purpose?

The introduction of payment for the board of housing associations was certainly seen by some as an attempt to coerce housing associations to become more like businesses (Housing Corporation, 2001). It was an issue that divided opinions and excited “strongly held but opposing views” (Hancock, 1995; Ashby and Ferman, 2003).

I am not proposing to take sides in the doctrinal disputes or polemic about which theory or approach is preferable. I am instead seeking to recognise and reflect the subjective, specific and situational nature of governance and inherent messiness that arises because of the hybrid nature of housing associations. Cornforth (2014) calls for us to adopt more “innovative perspectives and approaches” to the study of non-profit governance and in the same publication Renz and Anderson (2014) advocate the deployment of alternative theoretical perspectives that reflect the paradoxical nature of governance in hybrid organisations. This is what I am trying to do.

INHERENTLY UNSTABLE AND INTENSELY HUMAN

I chose Leo Tolstoy’s classic novel, *Anna Karenina* (Tolstoy, 1878) as the starting position for my consideration of the governance challenge because of its opening line.

“All happy families are alike; each unhappy family is unhappy in its own way”.

This statement is distinctive because it is expressed in the present tense and at odds with the traditional narrative approach to story-telling. It suggests Tolstoy doesn’t want us to just read his account of the activities and actions of the characters but to also consider the context and causes of the relationships that ensue. Although there are many prescriptions for success and normative views about how good governance is to be achieved, it remains an elusive concept that demands a deeper appreciation and the position and perspectives of those involved. Like the novel, governance is also “an intensely human activity” (Chhotray and Stoker, 2009).

Despite the assertion that all happy families are alike it is difficult to assess this from the story as we don’t get to hear about any families that are ideally happy. Similarly governance is normally only discussed and diagnosed when something has gone wrong (Cullinan and Sutton, 2002; Tickell and Phethean, 2006). Perhaps good governance, like happiness, is ephemeral and is only noticed when it is lost. Chait, Holland and Taylor (1996) drew the conclusion from a ten year study that effective board governance is “a rare and unnatural act” and Drucker (1990) suggested that the boards of non-profit organisations “malfunction as often as they function”. The paradox is that whilst we want to be happy, nobody wants to be exactly like everyone else. It is the human essence of governance that makes it inherently unstable and hence it has been categorised as “the original sin of all large, modern organisations” (Klein and Day, 1994) and is perhaps why I previously found my attempt to critically examine the reality of governance such an intense experience (Moore, 2007).

Above all else *Anna Karenina* is a story about family relationships and inter-relationships which is also the essence of hybridity. Housing associations have thus been described as being a “distant uncle” of the voluntary sector (Mullins, 2010), but perhaps the status and intimacy of their relationship with the commercial sector has still to be determined.

Can money buy happiness? There is no obvious correlation between wealth and contentment for the characters in *Anna Karenina*. In relation to the introduction of payment for boards of housing associations the obvious question is has it made governance more effective as a consequence? Money provides a utilitarian and value neutral means of exchange, but it also capable of reducing qualitative differences and important characteristics into a common arithmetic measure devoid of meaning (Simmel, 1900; Marx, 1973; Barber, 1977). Zeliizer (1994), however, has shown that money is highly symbolic and can be used to create, transform and differentiate social relationships.

HIRSCHMAN – PASSION AND INTERESTS

Albert O. Hirschman (1915 – 2012) was an influential political economist (Adelman, 2013). He consistently demonstrated a willingness to look beyond the absolutism of neoclassical economics and market assumptions in order to consider social, political and human perspectives and afforded them equal status in his search for insights and understanding. He thus sought to bridge the worlds of markets and morality and challenged assumptions in order to try to present a more complete perspective.

In his study of the oscillation in prevalence of perspectives between ‘public purpose’ and ‘private concern’, Hirschman (1982) noted the “almost total lack of communication between conflicting theses” with “intimately related intellectual formations unfolded at great length, without ever taking cognisance of one another”. This clearly resonates with the challenges of hybridity.

He also had also considered the ideological origins of the rise of capitalism and regretted the effect that rational thinkers and economists had in repressing passions and idiosyncrasies to produce a reductive account of human relations as if merely a “utility maximising machine” (Hirschman, 1977). Whilst Hirschman’s analyses were deceptively clear and simple, his underlying philosophy was always to “explore the best ways to ‘complicate’ economic life” (Hirschman, 1986 quote in Z).

SHOULD I STAY OR SHOULD I GO?

Hirschman is best known for his work ‘Exit, Voice and Loyalty: Responses to decline in Firms, Organizations and States’ (1970). This considered the alternative responses that participants could adopt, collectively or individually, as a means of ensuring that organisations should self-correct when a problem was encountered or they experienced a decline in performance. An economic assumption would suggest ‘exit’ to allow market influences to take effect, a political reaction would be to exercise ‘voice’ to try secure corrective action and loyalty is a psychological factor that moderates and influences the relative propensity for exit or voice and manner in which they are exercised.

The alternative options can be shown in table format (adapted from Keeley and Graham, 1991)

		EXIT	
		Stay	Leave
VOICE	Speak Up	<i>Internal Change Effort</i>	<i>Vociferous Departure</i>
	Remain Silent	<i>Passive Acceptance</i>	<i>Quiet Exit</i>

This framework of options has been applied in a multitude of situations and contexts over the past 40 years. One of the original scenarios considered the likelihood that shareholder investors in companies would use their voting rights to control or remove managers who are self-serving or under-performing (Hirschman, 1970; Parkinson, 2002). Even when there are obvious and acknowledged problems and notwithstanding that exit may have cost consequences there are sometimes cultural norms such as the ‘Wall Street Rule’ that act to deter institutional investors from activating the voice option (Clearfield, 2005).

As the other paper I am presenting at the NCVO Conference (Moore, 2014) indicates, the role of the board in larger housing associations may not be to run the business, but to instead act as quasi-owners representing the interests of the stakeholders and holding the executive management to account (Hansmann, 1996; Fama and Jensen, 1983). It therefore seems appropriate to use the framework of exit, voice and loyalty to consider how housing association board members are likely to respond when things go wrong (as inevitably they will).

However, merely monitoring and holding management to account is a relatively passive role so may lead to a tendency towards passivity. Boardrooms are seldom effective arenas for dissent or challenge and there is a tendency to avoid conflict (Warthera, 1998; Barakso and Schaffner, 2007) which can in turn result in a proclivity towards “Group Think” (Janis, 1982). Control will be weakened if board members choose to exit rather than confront poor performance or wrongdoing, but the position may be even more problematic if they are loyal and remain in post, but sit idly by and simply hoping for the best rather than exercising voice and holding management to account. This is the reason for the reference to UK punk band The Clash. The only song from the Clash that got to number 1 was “Should I Stay or Should I Go?” (The Clash, 1982/1991) and included the lyrics:

***“Should I stay or should I go now?
If I go there will be trouble
And if I stay there will be double”***

A key question to consider in relation to the introduction of payment for board members of housing associations is whether being remunerated will make them more or less inclined to exercise voice and cause trouble when this is needed? Does board pay create a commitment to stay and speak?

The motivation and propensity to act in a particular manner is an inherently personal issue that is inextricably bound up with the messiness, subjectivity and unpredictability of human behaviour. How people say they will act and what they do may not always match (Rynes et al, 2004). Whilst economists assume that monetary incentives will always be beneficial, there are many psychological experiments and social studies that suggest the opposite and that the introduction of payment and financial rewards to certain types of activity may stifle altruism and crowd out the inherent intrinsic motivation (e.g. Gneezy and Rustichini, 2000; Lepper and Greene, 1978; Kohn, 1993; Frey, 1997; Titmus, 1971). As Zeliizer (1994) has demonstrated payment and money has the capacity to either create or break social ties, but in any situation it is not always possible to be entirely certain which effect will show itself.

WHAT ABOUT Q?

As Einstein recognised the “formulation of a problem is often more essential than its solution ... to raise new questions, new possibilities, to regard old problems from a new angle requires creative imagination” (Einstein and Infeld, 1938). Housing associations do not necessarily need more governance in terms of added controls or processes, but may require new insights and understandings that are suited to their hybrid status and circumstances.

I am proposing to pursue a mash-up of a mix of methods to gather multiple perspectives and views of how the role of governance is seen and operates in housing association. I do not expect these disparate and paradigmatically different elements to triangulate to a universal view of ideal governance. Instead I am

proposing to adopt Q methodology to find the ways in which participants from across an array of housing associations subjectively sort and make their own sense of the set of assessments and evaluations I manage to assemble. I hope this will then provide some insight into the alternative ways in which housing association governance should be appreciated and evaluated.

Hirschman's reflection on the contribution that his work *Exit, Voice and Loyalty* had made was that he had tried to show how "simple concepts and their interrelationship can be used to throw new light on a vast range of seemingly disparate social political and economic situations" (Hirschman, 1995). Whilst I am certain my contribution will not be nearly as profound I do in my own way hope to play a small part in this process.

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