INNOVATION IN A REGULATED SERVICE:
THE CASE OF ENGLISH HOUSING ASSOCIATIONS

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Abstract

The paper is concerned with claimed innovation in public service organizations, taking the of the English housing association sector. Innovations, researched at three case study housing associations, are classified against Osborne’s (1998b) innovation typology. The research findings indicate that the majority of innovations are service (e.g. organizational expansion) and developmental (e.g. cultural change) rather than total innovations (e.g. private sector renting). The way in which housing associations are regulated is also explored as the funder-regulator has significant influence. The paper notes that total innovations occur at the boarders of regulatory jurisdiction whereas service innovation are typically within the regulator competence. It also highlights the way in which the regulator copes with innovation through sponsoring and supporting demonstration projects in individual associations, which it in turn promotes as good practice, such that innovations are drawn into the regulatory framework as legitimate areas of activity. This dynamic processes highlights and iterative nature of innovation and the difficulties associated with innovation classifications.

Key words: innovation, regulation, housing associations, public management, England
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I INTRODUCTION

Innovation has increasingly been the watchword for public service organizations across the world. It has been seen as: a social policy imperative following the introduction of market mechanisms (Osborne, 1998a); highlighted as an essential facet of public service management in the U.S.A. (see for example the prescriptive writings of authors such as Osborne and Gaebler (1993)); and, is currently extolled for British local government through the Labour government’s Best Value regime (DETR, 1998). Consequently, it is used in a normative way to suggest that innovation is both a desirable and necessary organizational aim. These concerns have been explored by Osborne (1998b) in relation to the personal social services. This paper seeks to understand similar concerns within the English housing association sector.

Housing associations (a diverse range of independent, voluntary non-profit organizations which fulfill social policy goals) were promoted in Britain as part of the Conservative government’s market reforms of the late 1980s to provide new solutions for meeting social housing needs. They were characterized as loose, small scale, sensitive, responsive and innovative organizations compared to bureaucratic, producer focused, inefficient local government housing departments. Housing associations were expected to work with the private sector to bring in additional resources whilst acquiring the private sectors (assumed) greater management discipline and superior performance (Langstaff, 1992). The housing association’s funder-regulator, the Housing Corporation, has played a major role in this policy process ensuring accountability for public resources. Regulation, which is often presented as the antithesis of innovation, has been shown to increase over the last two decades (Hood et al, 1999) as a ‘myriad of little threads’ (Hoggett, 1996, p23) have been spun around public service organizations. Increased regulation suggests increased organizational control over regulatees and mechanistic processes reducing innovation capacity as against notions of the organic or flexible and innovative organization (Burns and Stalker, 1994).

Nonetheless, within the housing association sector, as in other public service areas, the term innovation has come into popular use. The term is adopted and used in: organizational self-description and branding and through the promotion of innovative projects; is supported at the level of the housing profession through the Chartered Institute of Housing’s Innovation Awards; and, is a concept sponsored by the Housing Corporation through its Innovation and Good Practice work. The concept of innovation is also captured through the notion of diversification where we see associations move into new areas of
activity (Mullins, 1997b). However, it remains unclear what is meant by innovation within the housing association sector though new activities are seen to create regulatory difficulties (Housing Corporation, 1999).

The paper is concerned with understanding claimed housing association innovations. The nature of these innovations are of further interest because housing associations are amongst some of the most highly regulated public service organizations (Ashworth et al, 1999). Therefore the paper explores the relationship between the concepts of innovation and regulation. The paper describes what associations themselves identify as innovations; develops understanding of regulation within the sector; and, examine how this determines the nature of innovation. To achieve these aims Part II focuses upon recent work on innovation and social policy and utilizes Osborne’s (1998b) classificatory typology of innovation that emphasizes discontinuous change as innovation. Part III discusses methods. A brief overview of trends and changes in the housing association sector and the distinct nature of housing association regulation is discussed in Part IV. This section makes connections between the regulation and innovation literature through the adoption of Hood et al’s (1999) discussion of regulation as modifying or changing behaviour. Part V then applies the innovation typology to three research sites. Part VI concludes by highlighting that innovations

II THE CLASSIFICATION OF INNOVATIONS

The introduction to this paper noted the increased use of the term innovation in public management, social policy and the housing association sector in particular. This section critically explores innovation classifications and adopts Osborne’s (1998b) social policy derived typology of innovation for application to housing associations.

A reading of the organizational studies literature on innovation highlights a number of strands to this complex concept which are adopted in this paper. It is a process through which new ideas, objects and practices are created, developed or reinvented (Rogers, 1995; Kimberly, 1981). It relates to the introduction and application of ideas within a role, group or organization (King, 1992). It is most commonly associated with processes, products or procedures, or outcomes (Abernathy et al, 1983). It is something new and novel to the relevant unit of adoption, rather than newness per se (Aitken and Hage, 1971; Hage and Dewar, 1973; Rogers, 1995). It is designed with the intent to benefit the individual, the group, organization or wider society (Hosking and Morley, 1991; Anderson and King, 1991; Hosking and Anderson, 1992) though intentionally of purpose can overlook the unanticipated impact of innovation (Osborne, 1998b). Finally, and importantly, it is associated with
discontinuous change (Tushman and Anderson, 1986; Tushman and Nadler, 1996; Osborne, 1998b) and a process of destruction.

Innovation research needs to define and classify its subject matter to its knowledge base (King and Anderson, 1995; Osborne, 1998; Wolfe, 1994). The variety of approaches to innovation research (e.g. diffusion, organisational innovativeness and innovation process traditions (Wolfe, 1994)) suggests that innovations will have many different attributes and characteristics. However, many attempts to classify innovations have typically relied upon uni-dimensional categories or dichotomies e.g. Damanpour and Evan’s (1984) technical-administrative. Wolfe (1994) argues that it is important for researchers to specify the attributes of innovation as a starting point for understanding innovation. His review of innovation research identifies 17 innovation attributes that can be used in the process of classifying and understanding innovations once identified. These include: adaptability (flexible or inflexible); complexity (low to high); organizational focus (technical vs. administrative) radicalness (low to high) and risk (Wolfe, 1994, p. 419). Though giving a range of dimensions to innovation the potential list of attributes allows for an eclectic, unspecified and subjective range of attributes to be selected. For example, King and Anderson (1995) highlight socio-technical innovation characteristics, innovation characteristics and innovation source but offer no guidance as to how such frameworks should be used. Whipp and Clarke (1986) provide a more useful categorization that moves from strategic innovations through to cosmetic change. This indicates the significance to an organization or an innovation and that there are generic differences between innovations. It nonetheless further serves to indicate the lack of accepted typologies of innovation and their attributes. Such typologies are important in a paper on innovation and regulation because a ‘yardstick’ is needed to locate innovations and understand the extent of innovativeness in relation to regulatory regimes.

Recent work by Osborne (1998a), on innovations in the personal social services, has developed a two dimensional typology of innovation building upon the traditional separation of innovations as product or process. Osborne, following Normann (1991), contends that social policy organizations develop innovations, which are simultaneously product and process because services are typically consumed at the point of production. The separation of product and process in the innovation literature is related to organizations life-cycles where new organizations produce product innovation whilst older, mature, organizations produce process innovations to enhance the technical efficiency of previous product innovations. However, such a perspective denies the possibility of ‘reinvention’ across organizational types or sectors or the impact of discontinuities (Tushman and Anderson, 1986) on individual organizations or the sector. In response to concerns about over simplistic
life-cycle perspectives Osborne (1998a, pp. 1138-9) draws on the work of Abernathy et al (1983) to argue that organizations can ‘de-mature’ and move away from the ‘mature’ productivity/efficiency focus, which often relates to standardization, to focus upon product development and diversity which is seen to be typical of organizations earlier in the life-cycle, to develop an innovation typology. His typology explicitly explores the inter-relationship between product and process and allows for product or process innovations to occur at any stage of the life-cycle and highlights discontinuity (innovation) and continuity (organizational development). Figure 1 presents this typology. The x-axis is concerned with the impact of organizational change upon the services that an agency produces categorizing them as existing or new ones which involve ‘service-discontinuity’. The y-axis is concerned with the relationship of an organizational change to the organizations users. Again it seeks to categorize the relationship to clients as meeting the needs of existing end-users groups, or new ones which involves ‘end-user discontinuity’. Central in this typology and definition of innovation is that innovation is concerned with discontinuity.

POSITION OF FIGURE 1

This two dimensional typology leads to four types of organizational change. First, total innovation, involving discontinuous change which is both new to the organization, or may even be the creation of a new organization itself, and serves a new user group. Second, expansionary, where the change involves offering an existing service of the organization to a new user group. Third, evolutionary, where the change involves providing a new service to the existing user group of an organization. Finally, developmental, where the services of an organization to its existing user group are modified or improved. In a number of papers Osborne (1998a, b, c) presents data from three geographically based case studies to describe innovative activity and estimate its extent amongst the voluntary and non-profit personal social services organizations. His findings indicate that about half his sample did not undertake any innovative activity though claiming to do so, whilst just over a third developed service innovations and the remainder developing existing services under the banner of innovation.

This typology of innovation is a useful classification mechanism which allows innovations to be identified as development, or a continuation of existing activities, expanding existing services into new markets or to new user groups or a total innovation. This is important for understanding the needs in the organization (i.e. total innovations will require new skills and a different approach to management) and critically to regulatory bodies. Regulators are unlikely to be concerned with developmental activities because they
are will only have a slight impact on the regulatory process. However, a total innovation involving an organization moving into new markets, or providing services to new users may challenge the very basis of the regulatory framework. Within the public sector regulation is typically concerned with establishing standards and protecting public investment consequently regulators will express concern if the activities of regulatees impacts upon the central factor. However, this typology cannot consider the nature of innovations and the range of attributes which innovations may display (see above). Greater clarity is needed here to inform innovation research of the nature of innovations in particular sectors—innovations which are radical or high risk may be expansionary or evolutionary and not automatically total innovations yet may lead to innovation processes which might be associated with a total innovation. Prior to discussing regulation in greater detail and applying the case study housing association’s innovations to this typology methods are discussed.

III METHODS
The evidence presented in this paper is drawn from a detailed study of innovation in three housing associations. The research was undertaken between the autumn of 1997 and the summer of 1998. These case studies were selected to represent the larger associations who are the main providers of homes. In 1997 there were 2,237 registered associations of which 370 owned nearly 95% of all homes leaving 1,800 associations owning 70,000 homes. The latter associations are often highly specialist small scale providers e.g Abbeyfields, Almshouses or co-operatives. Many of these smaller associations have no paid staff and may use larger associations to manage their property. The larger 370 associations have an average stock holding of 2,481 units. These associations are also specialist providers, for example serving only older people or young people or people with ‘special needs’ or households disadvantaged in the housing market. Others will provide homes for ‘general needs families’ yet combine this with other forms of more specialist provision. In addition to this some associations may be involved in the provision of various forms of low cost home ownership. It was not possible to gain a representative sample of all associations through the case study process. The approach taken was to select three associations that would allow for in-depth case study work. These associations were selected to capture some of the key aspects of all association activity. Consequently, the three associations are different in size, origin, location and provision.

One association was established in the early part of this century. It manages over 20,000 homes focusing upon general needs provision. The majority of its stock is concentrated in the North West of England, through it increasingly owns and managers homes in the Midlands. It was founded during the early part of the twentieth century though
its major stock expansion dates from the late 1960s. It has a range of provision extending to special needs and ex-New Town stock. The second is a ‘transfer’ association with around 3,000 homes near the south coast. Its stock was transferred from the local authority though the Large Scale Voluntary Transfer (LSVT) mechanisms in the early 1990s. It has been spatially concentrated in its original authority boundaries until relatively recently. Its main provision is general needs and elderly accommodation. The third association manages around 12,000 homes across a large geographical area, concentrated around the Midlands, with a number of regional offices. It was the product of a merger between two associations in the early 1990s with the larger of the two previous organizations being established in the late 1960s in response to problems of urban deprivation. It has recently disposed of its residential care provision and focuses upon general needs stock. It also has a very large portfolio of low cost home ownership provision with a particular emphasis upon older people.

The concern of the research project was to understand organizational perceptions of innovations and the innovation process. In order to establish the case study organizations understanding and identification of innovations a grounded approach was taken to build up pictures of their innovations. The areas of innovation presented later in the paper are the associations’ own definitions of their innovations that have been categorized by the authors of the paper together with the associations. The research strategy was based upon semi-structured interviews with key, typically senior, members of each organization, though embracing all staffing levels. The emphasis of the data presented here is from senior organizational members, as other research on housing associations has noted, they are the drivers of change (Walker, 1998), often the key representation of the organization (Riseborough, 1997) and have seen their role strengthened over recent years (Pollitt et al, 1998). The categorization process was undertaken in relation to the organizations current experience and general developments in the sector. Sectoral activity was noted through the professional press and through interviews with key actors (financiers, regulators, local authorities etc.). In addition to the interviews which provided the innovations this process was supported by the observation of meetings, for example board meetings, and the extensive use of organisational documents (past and current plans, the minutes of board meetings etc). Once the innovations had been categorized they were discussed with each association and these are presented as agreed in section V.

IV THE REGULATION OF HOUSING ASSOCIATIONS
This section draws upon the limited research on housing association regulation. It examines the nature of regulation, its purposes and the extent to which regulatory mechanisms and processes are able to control the activities of associations. It draws upon Hood et al’s (1999)
tripartite interpretation of regulation as effecting change which is in turn linked to the prior discussion on innovation. Prior to this the nature, scale and scope of English housing associations are discussed to place the paper in context.

The housing association sector

Housing associations were promoted as the main providers of new social housing following the enactment of the 1988 Housing Act. This altered their nature, as often specialist but complementary providers to local authorities, to give them a specific general needs remit. The social housing ‘quasi-market’ (Le Grand and Bartlett, 1993) was initially production focused—introducing greater competition between associations for now fixed government subsidy and private finance in the development process thereby transferring risk from government to associations. Risk was also passed to associations in the on-going management and maintenance of their homes (for a more detailed discussion see Walker and Smith, 1999). This policy reform, into a new competitive environment, has fundamentally altered the behaviour of associations (Mullins et al, 1998). Notable here has been the emphasis placed on core business property management processes (rent collection, allocations and repairs) and the recent re-emergence and tensions with the welfare people orientated processes (Walker, 2000). The market has become customer focused over recent years as the supply of customers has dwindled and associations compete for tenants (Niner, 1999).

The scale of the sector has increased as it has taken on its new responsibilities and it has come to resemble European models of social housing provision (McCrone and Stevens, 1995; Priemus, 1996). There are now over 1.3 million housing association homes in England, an increase of nearly 500,000 homes during the 1990s. Housing associations now represent 20% of all social housing in England and 5% of the housing stock. Growth has come though the provision of new social housing and the acquisition of local authority housing stock. Local authorities have been busy transferring their stock into the housing association sector to access resources that are denied to them as public sector bodies. These processes of expansion and transfer have brought further changes to the nature and scope of the sector. The scope of associations’ work has been always been broad and it is characterized by diversity of providers and provision (Cope, 1999). Malpass (1997) has captured the range of association activity through four ‘waves of formation’. This serves to indicate that the diversity of association’s origin and illustrates the importance of social, economic and political factors in the public policy arena. The ‘waves’ also serve to indicate ways in which the sector and organizations have been reinvented through its ongoing life-cycle. Malpass (1997) identifies the final wave of associations as the local authority stock
transfer associations, who have transferred their whole housing stock or elements of it. These associations are very different from the more traditional associations in that they own large estates, which are concentrated in particular localities, and are typically family housing. Around 70 local authorities have transferred their entire stock and there is an on-going programme of estate transfers. Consequently, of the 370 larger associations which own 95% of the stock, 70, or nearly 20% of all associations, have entered the sector in the last decade. This represents a major reinvention in the sector and exemplifies discontinuity and establishes new trajectories.

This brief summary has outlined some aspects of a sector undergoing transformation. This transformation is leading to the emergence of a range of themes for associations. These are predominately a product of associations working as the providers of new social housing. This new provision role is undertaken in a more competitive market place, where there has been a reduction in state subsidies since 1992-93 and where access to non-governmental resources has become more important. The themes to emerge from this transformation include: diversification into regeneration and community facilities; diversification into care and special needs; diversification into private renting and contract management; the adoption of new organizational forms through mergers and group structures; a greater emphasis on a business ethos and management; and, a changing regulatory regime (see Clapham and Evans, 1997; Mullins and Riseborough, 1999; Walker, 2000). The paper now addresses this latter point.

**The extent of housing association regulation**

Day and Klein (1993, p.35) identify three aims of housing association regulation. First, the accountability of public resources and to ensure their economic, efficient and effective use by associations. Second, good stewardship, to guarantee that housing associations provide adequate standards of management and service provision for tenants and third, a social policy role to ensure that associations meet national social policy objectives. Mullins (1997a) has identified three additional areas through his interest group analysis of regulation. These are the protection of housing association interests, which come through the system of registration, trade body activity and regulatory requirements. Second, offering comfort to private lenders, who have invested over £14 billion in the sector since 1988. Third, responding to the needs of consumers. This latter point extends Day and Klein’s stewardship role as it is concerned with tenant involvement—this ranges from complaints (both within the without the housing associations regulatory system) to involvement in the management of the organization. This has been actively promoted by the regulator, notably in its interpretation of the Best Value regime for housing associations (Housing Corporation, 1998a).
The above regulatory aims highlight its predominately social form, seeking to establish housing standards and the fair treatment of tenants within a broad social policy objective of housing those in need. This role has been undertaken by the Housing Corporation (who is regulator and funder) through audit, inspections and statistical returns since the establishment of its regulatory role in 1974. Regulatory activity has become more focused following the 1988 Housing Act and the introduction of private finance. The regulatory emphasis has moved away from a blanket approach, which would seek to capture all associations, to one based on risk assessments. This seeks to identify those associations which may be at the greatest risk, i.e. those in receipt of large amounts of public subsidy or experiencing management difficulties. This shifting emphasis has been accompanied by an intensification of information requirements, for example, the quarterly return of accounts.

Recently the Housing Corporation has extended its remit to the second form of regulation—economic (Mullins, 1997a). It now controls the costs of social housing to tenants. This represents a reversal in policy from the early 1990s when its attitudes, reflecting those of the then Conservative administration, towards rents were very much laissez-faire. Building on a model developed by the Welsh regulator (see Walker and Smith, 1999 for an account) the Housing Corporation has imposed a rent regime which only allows associations to increase rents by a maximum of the Retail Price Index plus one per cent. The penalties for exceeding this can lead to a withdrawal of new public subsidy (made possible by the regulator-funder position). However, as public subsidy has substantially fallen the Corporation has recently sought to ensure its policy is adhered to by ‘naming and shaming’ those whose rent increases exceed the target (Cooke, 1999).

The extent and complexity of housing association regulation is witnessed in the range of other organizations which have an interest in their affairs. Associations, as non-profit voluntary organizations also face regulation dependent upon their legal status—which can embrace one or more of Companies House, the Registrar of Friendly Societies or the Charities Commission. This can place additional constraints on associations. For example, there have been on-going debates about the definition of poverty for housing associations registered as charities and their ability to provide forms of low cost home ownership which might mean that the people they are housing are not in ‘necessitous circumstances’. The scope of the sector and the movement by some associations into new areas of activity also exposes them to new areas and types of regulation. For example, associations who provided social care services, to say people with learning difficulties or residential homes for the elderly, will also be inspected by the Social Service department’s placing a further set of externally imposed standards upon them. Social Service inspections are now undertaken in conjunction with the Audit Commission to ensure that the professional and managerial
aspects of regulation are encompassed (Day and Klein, 1990). The Housing Act, 1996, extended the Audit Commission remit beyond local government and the health service to include advice on value-for-money measures and practices which housing associations could adopt. This has lead to a number of studies which re-emphasize core business processes which the funding regime has brought (e.g. Audit Commission/Housing Corporation, 1995, 1996a, 1996b, 1998). Furthermore, the funding regime, via the private financiers, impose a range of internal controls through the use of covenants on their loans to associations.

The aims and forms of regulation suggest an institutional context where associations are constrained. They have to meet a range of regulatory requirements if they wish to gain access to public funding (Pollitt et al, 1998). The regulator-funder status of the Housing Corporation gives it a full set of regulatory tools to control housing associations. The enhanced control of housing associations by a range of bodies is seen across public services as a whole following the extension of markets and ‘quasi-markets’ into the public sector (Hood et al, 1998). This has led commentators such as Hoggett (1996) to note the degree to which public service organizations are now controlled from a of variety sources. However, what is notable about associations are the range of regulatory controls and the number of organisations with an interest in them.

Regulation and innovation in the housing association sector
The regulatory process is usefully explained by Hood et al (1999) who draw upon a cybernetic (control theory) perspective. They argue that regulation is concerned with setting standards (or directing), gathering information about whatever is being controlled (or detecting) and modifying or changing behaviour (or effecting change). If these ideas are applied to housing associations they have to meet basic standards to be registered. When in receipt of public funds they have to conform to Performance Standards (Housing Corporation, 1998b) which directs them to meet key standards in internal organizational governance, financial probity and housing management. The Housing Corporation have at their disposal some of the most extensive detection mechanisms of any public service regulator (Ashworth et al, 1999), which includes: inspection, annual reports and plans, data and performance indicators and budgetary controls. The intervention powers of the Corporation are also extensive. Where associations run into ‘difficulties’ the Corporation has powers to change board members and to alter staffing and to ‘shut down’ associations. The Housing Corporation can also change the behaviour of associations in a number of other ways which includes the development of policy to create new standards, as noted through their intervention into rent setting, and through the promotion of good practice and innovation.
The Housing Corporation has extensive powers to direct, detect and effect change. The extent of regulation paints a picture of bounded and constrained organizations who have to behave mechanistically in order to comply with the regulatory regime. However, the regulator promotes new ideas and acts as the agent who disseminates ideas for change across the sector to positively effect change and raise standards. It is possible to suggest that the regulator is then receptive to innovation though could be viewed as promoting innovation in a ‘blind’ manor assuming that ‘it must be good for the sector’ or that innovation is change within definition and scope.

However, having painted a picture of bounded and constrain organizations (they are socially and economically regulated, with ever increasing rules, standards and procedures) a range of difficulties with the regulatory regime, notably the Housing Corporation’s,

The sectoral transformations highlighted above do suggest that housing associations are capable of producing substantive change if not innovations through their capacity to identify new areas of activity (as noted above). It is possible to suggest that this is in part a product of regulatory regimes, even ones which potentially bind and constrain organizations to the extent to which the Housing Corporation’s control of associations does, because regulatory problems can create the capacity for innovation. X examples are highlighted here.

First, Mullins (1997a) highlights the process of regulatory capture noting the substantial interplay between the staff of the regulator and of associations. This is seen as providing the regulator with specialist skills and knowledge about associations and means it can remain abreast of the key developments and issues in the sector. However, it can also mean that the capacity for independent judgment is clouded as the distance is reduced between the regulator and regulatee. Therefore there is a need to classify the nature of innovations to understand the ‘extent’ to which an organizational change is an innovation.

Second, though single purpose organizations, housing associations remain part of the wider public sector and consequently there are problems of performance ambiguity where it can be difficult to define appropriate standards, behaviour and outcomes—reflecting the regulators focus on property aspects of core business. Furthermore, the regulatory regime involves regulators intervening to rectify problems that have been identified. The example of rent controls cited above is one such illustration where the regulator has acted on government concerns to ensure rents remain affordable and comparable between associations and local authorities. Consequently, it can be difficult to detect the activities of associations and thus effect the ‘right’ change by the regulator. This then gives associations space for innovation.

Another example is the Housing Corporation’s (1999) paper on Regulating Diversity which puts forward proposals to which seek to limit non-core activities, where associations move into new markets and/or develop new services, within its regulatory framework.
These problems suggest that the areas for innovation and organizational change, as suggested in Osborne’s typology, present themselves at the boundaries of association activity and regulatory competence. Innovation and regulation are simultaneously concerned with effecting change. Regulatory change is concerned with meeting standards or promoting new ways of delivering products and services with an emphasis upon control. Innovation is concern with discontinuous changes in reaction to ‘shocks’ (Schroeder et al, 1988) which may be effected by the organization itself or from external regulator action. The paper will now move on to look at the housing association case studies to explore this proposition.

V INNOVATION IN HOUSING ASSOCIATIONS: EVIDENCE FROM THE CASE STUDIES

The following section goes on to explore the relationship between regulation and innovation. First, the housing associations’ innovations are discussed. Second, the innovations identified in the housing association case studies are applied to Osborne’s typology. Third, three innovations are briefly examined to develop an understanding of the relationship between innovation and regulation in practice.

Housing association’s innovations

One of the main issues to emerge from the research was the internal focus of many innovations and the emphasis upon service (evolutionary and expansionary) innovations. Where total innovations were seen they relate some of the transformations seen at the sector level. This partly concurs with work on changing organizational direction by Mullins (1997b) though identifies fewer examples of inter-organizational innovations than in the work of Reid (1995). Six areas of innovative activity are discussed below.

Cultural change This was a theme running through all the case study associations. The pressures for cultural change related to the need to develop a ‘business focus’—two of the associations commented they were seeking to achieve ‘reduced costs and better quality services’. This reflected the growing financial pressures on the sector as a whole (discussed above). For the third association, its transfer from council ownership into the housing association sector had exposed it to a new more competitive environment where business focus became more important. In all cases financial pressures flowed from the private finance environment meaning it was necessary to ensure income was collected and the stock of a good condition to both repay existing loans and attract new ones. Alongside the performance measures set by private lenders to achieve this the regulator now requires, as was noted above, more sophisticated range of performance and management information. These pressures were noted at each association where differing forms of performance measurement
and staff appraisal systems had been put in place. The relationship between organizational performance and staff rewards was seen most clearly in one association which had introduced a form of performance related pay linked to key organizational objectives to reinforce the behaviour it wished to see amongst its staff. Each association had made moves towards staff empowerment to ensure that decisions were taken as close to the customer as possible to increase responsiveness, thereby reducing bureaucracy. A distinct element of all the associations cultural change programmes were in summary to develop a more ‘private sector ethos’, or as one chief executive commented ‘to get rid of the housing association mentality’.

Customer focus/information technology Customer focus and information technology were used in conjunction to increase the responsiveness of services. Specific projects were undertaken to gain more detailed feedback from customers, including the use of questionnaire surveys and focus groups, the results of which were subsequently used to inform management decisions. For example, the LSVT association first spoke to its tenants at the time of transfer as it had to gain their support in the vote to change landlord. This interaction with tenants lead to an on-going process of consultation and data collection from tenants, typically through the use of consultants. The constitutional structure for the Board has also led to the appointment of tenant members. The emphasis on customer focus has been pressed by the regulator keen to encourage greater organizational accountability to tenants and has been central to the Corporation’s interpretation of Best Value (Housing Corporation, 1998b)

The move to more responsive services was seen in two of the associations through the development of call centres as a new form of service delivery. This adopted innovation from banking and insurance services was seen to be much more responsive to tenants than traditional methods of communication. Call centres represent a substantial change in the delivery of services to customers by focusing the whole housing management service into one point of contact, a telephone operator, rather than a face-to-face interaction with specialist staff. They also represent new ways of working as operatives become multi-skilled dealing with the whole range of housing management services. The introduction of call centres, in turn, leads to the development of other areas of information technology, including the more frequent use of e-mail, document imaging (so that tenants files could be brought up on a computer screen when a tenant rang the call centre) and the development of intranets to manage knowledge and the new information requirements and demands placed on them through a move away from face-to-face interaction—an example of innovation proliferation. The generic and remote nature of service delivery means that the associations are in turn able to market their services to other associations and their tenants.
Expansion was achieved through the diversification of provision. Two key examples of this were identified (and are discussed in greater detail below). Private sector renting (renting homes not to those in greatest need at an affordable rent but to whom ever is willing to pay a market rent) was developed to provide a wider asset base for two of the associations, to house a different user group and to generate profits for the social side of the business. It also allowed associations to become established in new areas where they could subsequently become involved in their more mainstream social housing activities, as a legitimate local provider. Housing plus (the provision of a range of services beyond traditional property based housing management, examples of which include furnished tenancies, community centres youth schemes etc.) has similarly been used by one association to ensure it accesses new development opportunities, as well as delivering new services to existing tenants, whilst another has develop community services for existing users.

A range of new, typically private sector, management techniques had been adopted in each association, often as tools to manage change. One association had a long pedigree in the use of these techniques. Its current chief executive joined the association from the private sector in the 1970s and applied production management and manufacturing techniques to the rehabilitation of homes to increase their output above other associations who would be competing for public subsidy. The use of private sector techniques continued through the association. It introduced a version of Total Quality Management (TQM) in the late 1980s and has more recently used business process re-engineering (BPR) techniques. Process based benchmarking visits, to typically non-housing organizations, were used by one association to examine, for example, team work and information technology.

Management techniques were introduced to achieve organizational goals, adopting the hard and soft technologies of new public management to, for example, ensure a wider ownership of organizational goals through visions statements as noted in the cultural change discussion above. Many new management techniques were also used to implement innovations, including project management and BPR. In essence these were used as new product development teams to develop new ideas for service delivery or new products or to develop the ideas of executives.

Organizational or stock expansion was a common theme in all associations. The two ‘traditionally’ structured associations (see below) have continued to expand through their development programmes and through partnerships and have benefited from the new financial regime. However, the funding difficulties faced by the sector from 1993 onwards, together with the business and financial pressures have led to an increase in the number of mergers. One of the case studies was a product of a merger whilst
another merged with an association during the research taking it into its devolved structure. The perceived dynamism and innovative capacity which growth brings led one of the association’s to explicitly seek geographical growth, though this also overcame the problems of low investment where the majority of its stock was located.

Organizational structure One of the associations has a relatively traditional housing association structure of one registered company with a single office. One has a number of regional offices and a range of linked companies. Both of these organizations attempt to deliver a standard housing management product to tenants. The third has however, developed a core and periphery organizational structure through the establishment of divisions, each with its own board with delegated authority from the main board. The aim here has been to achieve more locally appropriate decision making, developing local policy and procedure, and to allow for geographical growth.

Categorizing the housing association’s innovations
Having described, and given some context to the innovations identified by the associations, table 1 classifies them against Osborne’s typology. As was noted above the emphasis has been upon internal innovations to improve processes. This is typically seen as a sign of more mature organizations who are seeking to improve efficiency, rather than to develop new products. The evidence here suggests that the case study associations are ‘mature’ organizations focusing upon service innovations to improve efficiency and performance. Evolutionary service innovations have been seen by existing tenants as the operations of the organizations change to provide new and or highly adapted services, notably through call centres which extend the use of telephone based working, but are new services because of the adoption of this way of working as ‘normal’. Organizational expansion seeks to provide the association’s existing services to new groups of users (e.g. ex-council tenants or tenants of another association) or existing services to different users (e.g. through geographical growth) and are expansionary activities. New management techniques and cultural change do not sit neatly within Osborne’s typology as they are processes which seek to enhance organizational performance (i.e. improve or introduce new services) but are neither a new service or meet new users needs. They have been classified here as developmental because of this. However, they have the capacity to introduce new services e.g. the call centre in one association emerged from its use of BPR, and to manage the innovation implementation process.

POSITION OF TABLE 1
Only one example of a total innovation is identified in the table—private renting. Private renting provides a similar form of housing, but is a new service and provides it to a different user group—it is often ‘up-market’ in attractive inner-city locations and seeks to attract more wealthy tenants. This would suggest that though the majority of innovations are concerned with services, and a substantial proportion with developmental activities, associations still have the capacity to develop new services and products.

**Innovation and regulation in practice**

The three innovations or private sector renting, call centres and housing plus, usefully highlight two themes that emerge in this paper. These are the tensions between innovation and regulation and the contingent nature of innovation classification including the capacity of innovations to move between total and evolutionary innovations in different organizations and through time. First, private renting. The introduction of private finance into associations new build and maintenance programmes had led to an emphasis on core business process as noted above, but also lead to the introduction of asset management. This is seen in the variety of treasury management (e.g. derivatives trading in two associations) and financial modeling techniques adopted by associations to examine the longer term implications of economic change for their loan and stock portfolios. One outcome of this is that if stock is difficult to let or presents a particular maintenance problem associations will now dispose of it—a concept unheard of less than a decade ago—or let it to anyone irrelevant of circumstance. A longer term outcome of this emphasis on property as an asset has been to exploit new markets. Two of the case study housing associations had moved into private renting to broaden their asset base, covenant profits back into the ‘social’ side of the business and to alter organizational images away from being solely social providers of homes. However, the regulator has no jurisdiction in this area—private renting is a non-social and non-government subsidized area of activity. Association activity here could nonetheless have a fundamental impact on an associations balance sheet if a project went wrong, thus the Corporation has been taking an interest in this area to understand what role it might play. It has not yet identified a legitimate role for its regulation. Interestingly all the case study associations identified regulator action and interest as a potential block to innovation for any activity. A strategy put in place by one organization to cope with the uncertainty of regulator response to new initiatives was to open up dialogue and keep the regulator abreast of developments thereby ‘testing the water’ and the acceptability of their actions.

The second area relates to the opposite tension within the sector: the welfare as against the property needs of tenants. As housing associations have developed housing plus agendas to deliver a wider range of ‘community’ and regeneration services to tenants so
questions have been raised about the role of regulation. The regulatory framework for 
associations primarily focuses on the core business of property management. Thus again the 
Housing Corporation has had to respond to the activities of associations and develop rules 
and regulations and in the case of housing plus sought to lead the debate (Housing 
Corporation, 1997). More recently it has suggested specifying the range of non-core business 
associations can undertake to capture the diversity of association activity it is faced with 
(Housing Corporation, 1999). The dynamic and subjective nature of innovation means that 
the identified innovations can move between categories in the classification. For example 
one association undertook a vast array of community based non-housing activity during the 
1970s and 1980s, including supporting community technical services agencies and engaged 
in employment training for youth. This form of activity reduced during the late 1980s and 
early 1990s as the new financial regime impacted on the association and focused its attention 
on core business management processes. As with other associations, following a number of 
high profile practice reports (e.g. Page, 1993), it began to re-engage with this activity 
undertaking social audits, play ground schemes and community centres. In the case of this 
association this work can be seen as evolutionary. However, there was a substantive gap 
between the two phases of this work could therefore lead one to define this as a total 
innovation. This new work was then a high risk innovation requiring new skills and 
knowledge. For the transfer association its adoption of housing plus is a total innovation. As 
a local authority housing department it focused on property management, its recent entry into 
the provision of a community centre and support for its operation is new to the association 
and its users.

These first two examples fall outside the regulators remit, but the third, call centres, is part of the housing management process for which the regulator has control over. However, they too can move to be seen as total innovations through the extent to which they modify service delivery and restructure the organization, its staffing and skills based. For 
example in one association it restructured its front-line staff into specialist work, away from 
generic working practices, and attempted to create time for housing plus work amongst its 
staff. These call centre result in the need for radical staff training and the adoption of new 
skills. Call centres also have the capacity to be marketed to other housing associations to 
provide services to their tenants. They thus extend beyond service innovation, and in the 
case of one association it now provides services to other association’s tenants. The Housing 
Corporation has actively supported these moves into new forms of technology by 
associations through its promotional activity funding demonstration projects into call centres 
or ‘housing management direct’ and other uses of new technology.
VI CONCLUSION

The paper has highlighted the need for multi-disciplinary and multi-theoretical approaches to the management of public service organizations. The focus here as been upon the common boundaries between innovation theory and regulation theory as change. For innovation theory the change is discontinuous and radical, though more limited, incremental innovation takes place through change. For regulation theory change is about the modification or change of behaviour of regulatees to secure control over them.

It has indicated the value of Osborne’s typology of innovation to other areas of public service management beyond the personal social services. However, that data presented has indicated that the iterative and dynamic nature of innovation make classifications of innovations problematic. Innovations themselves change through time as what was once a new and radical project requiring new management skills becomes a normal way of working, a routine, not a departure. Develop innovation theory, classifications by nature static, need for processes research?

The paper has shown, that even though housing associations are both economically and socially regulated by a regulator-funder with a full array of control processes (director, detector, effector) they have put in place a number of total innovations. They have also developed a range of evolutionary and expansionary service based innovations which have extend their service areas to users. This innovation activity has been supported by a range developmental activities which have facilitated change and innovation. Consequently the innovation claims made by individual associations and their institutions, noted in the introduction, are more than rhetorical. Housing associations do have innovatory capacity. However, further research is needed to place these findings in the context of a broader range of providers with differing levels of regulation.

The proposition that total innovations occur at the extremities of regulatory competence has been demonstrated. The total innovations of private renting and housing plus have challenged the regulator more than the service (user or service only) innovations, including the example of call centres. The service based innovations identified formed part of the regulators core interests and sit comfortably within the regulatory framework. The total innovations of private sector renting and housing plus do not sit within the regulators core areas of activity but raise the regulator concerns over the risks they may pose to associations, these total innovations also carry greater risks. What makes the regulation of these new activities more complex is the innovation process itself. This is not a linear process of sequential stages but rather an iterative one as the product or process is redefined and modified over time, note the evolution of housing plus. The complexity of the innovation gives further weight to this observation and in the case of call centre the intra-
organizational impacts are substantial, meaning it takes time for innovations to bed down and become normal ways of working. The transformation of the sector noted in Part III of the paper are likely to be ongoing in the medium term, thus innovations are like to continue to be developed by associations.

The promotion of innovation and good practice by the regulator allows it to control what is funded and disseminated. Standard setting and the effecting of change are therefore controlled to reflect what the regulator sees as the key issues and provides a climate for innovation within particular boundaries. The lessons for regulation are that organizations do not need too tight a control but attempts to limit the proportion of activity which is non-core or innovatory will be problematic leading to a tight straight jacket with mechanistic structures and processes. Could promote broad framework for each HA who set own standards and innovate within this. The key is detection and the extensive range of mechanisms, there should allow associations to develop more broadly but take a range of information and then change can be effected if HA direction of change is in appropriate.

Conversely, if HAs want to be innovative they need to challenge the boundaries of their activities continuously, scan the environment broadly and understand the management skills/capacities needed for innovations e.g. one case study HA was downsizing, aim of call centre, research here suggests if doing innovations, need more and new management skills therefore need more staff.

The case study material has indicated that total innovations occur at the boarders of regulatory jurisdiction and that the regulator copes with innovation through sponsoring and supporting demonstration projects in individual associations, which it in turn promotes as good practice. In both cases the regulator seeks to legitimize association activity. Thus new standards are in part set by the regulatee and regulator but modifications in behaviour across the sector are effected by the regulator to change innovation into routine.
References


Osborne, S. P. (1998a) ‘Naming the beast’ defining and classifying service innovations in social policy’ *Human Relations*, 30 pp1133-1154


Figure 1: A typology of social policy innovation

Key: ‘x’ axis services of the agency
‘y’ axis needs of the client (end-user) group

Source: Osborne (1998)
### Table 1 Classification of case study housing associations innovations

<table>
<thead>
<tr>
<th>Organizational innovation classification</th>
<th>Innovation area</th>
<th>Examples</th>
</tr>
</thead>
<tbody>
<tr>
<td>TOTAL</td>
<td>Diversification</td>
<td>Private renting</td>
</tr>
<tr>
<td>EVOLUTIONARY</td>
<td>Customer focus</td>
<td>Call Centres</td>
</tr>
<tr>
<td></td>
<td>Diversification</td>
<td>Housing plus</td>
</tr>
<tr>
<td></td>
<td>Organizational structures</td>
<td>Network form, Demonstration projects</td>
</tr>
<tr>
<td>EXPANSIONARY</td>
<td>Organizational expansion</td>
<td>Stock transfers, Mergers, Contract management,</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Geographical growth</td>
</tr>
<tr>
<td>DEVELOPMENTAL</td>
<td>New management techniques</td>
<td>Benchmarking, TQM, BPR etc.</td>
</tr>
<tr>
<td></td>
<td>Cultural change</td>
<td>Business focus, performance targets etc.</td>
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