

A complex adaptive system approach to failure in public sectors – The example of the Dutch Public housing sector

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Abstract

Institutional failure of societal sectors has become a major subject of public inquiry since the financial crisis. The Dutch public housing network is used as an empirical example for the demonstration of a theoretical framework for institutional failure of sectors.

A network is descriptively modeled as a multi principal agent system, in which a population of private agents is placed under state authority. The authority is not in one hand, but distributed over a state department, a state controlled agency, and a private guarantee fund. Both agents and supervisors have the objective to provide distinguished goods and services. Despite of the shared public objectives a substantial part of agents fail on issues of competence and integrity. Neither morally driven agents, nor the principals fail in controlling the opportunistic behavior of particular agents.

Theoretically the network is modeled as a complex adaptive system. A major source of the inner complexity is the dual-mode concept of organization, namely the formal and informal organization. Ideally, formal and informal organization compensate each other's shortcomings. Formal organization normally guarantees stability of the provision, while informal organization facilitates adaptation to environmental changes. However the failure of networks can be explained by a counterproductive adjustment of formal and informal organization. Formal organization is lacking alignment and corrective force. This is due to a deliberate preference of the principal(s) to informality and agents' autonomy. Instead of promoting responsible behavior, occasion is given to an unguided reputation pursuit by the agents. Agents come in the lead by appearance, not by competence and responsible behavior. The theoretical framework includes also an explanation of the absence of inner system resilience.

The theoretical framework is illustrated by observations in the Dutch public housing network. In a final discussion is argued why the framework is better in explaining institutional behavior and network failure than currently used policy networktheories.

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1 Historical introduction of the Dutch housing sector

In the Netherlands social housing is delivered by a public private policy system. Private organizations, the Dutch housing corporations, are responsible for the development and management of approximately 2.3 million social houses. The Housing act provides objectives for their *modus operandi*, implying a set of public tasks on them. Since 1990 the relative autonomy of the housing corporations has become a leading principle in the policy of the Dutch government. The government has committed itself to this autonomy, respecting the own policy discretion of the organizations and refraining from interventions. In 1995 long term subsidization and state provided loans have been converted in lump sums, providing housing corporations large injections in their working capital without issuing additional spending conditions. Upwards of 2000 housing corporations are stimulated by the government to sell a part of their rental housing stock, a policy that enhanced their capital and freedom of operation furthermore.

From that moment all kinds of incidental regulation have been issued by government, including restrictions to commercial activities in real estate development. A complaint of a Dutch sector organization of commercial landlords has induced an EU intervention in the Dutch policy (European Commission, 2009; European Commission, 2010). The EC supports the allegation that housing corporations use state aid to compete unfairly the commercial rental sector.

It is interesting to pay more attention to the initial phase of the policy change. State secretary Heerma, the initiator of the autonomy policy, expressed expectations at the start of the process (Zoon, 1988). Ideologically driven he expected an entrepreneurial spirit owing to their private status. More autonomy would be accompanied by more responsibility of the housing corporations for their own policy and a better allocation of resources. One expectation had a pragmatic motif: the sector of the housing corporations should solve its own problems, such as financial defaults. Leading up to his initiative the political position of Heerma had been at stake by a few incidents of failing housing corporations.

However since 2009 the game is back to square one. Ministers keep so to speak (Bertram, 2010) a camping bed in the house of parliament in order to answer unremitting questions about failures of housing corporations. A sequence of media reports on commercial investment failures and integrity violations have affected the credibility of the Dutch social housing sector (Koolma, 2011). Mismanagement and bad calculations have caused million losses. Recently the corporation Vestia committed itself completely to interest rate derivatives, a policy that has resulted in an unsecured 2 billion debt. A default of Vestia was a real option and would cause a financial breakdown of the Dutch social housing sector.

In reaction to this sequence of debacles the sector organizations no longer support the idea of autonomy of housing corporations unconditionally, on the contrary they call for resolute state control and enforcement by peer reviews (Aedes, 2012) and introduction of internal discipline (VTW, 2009). Employees of a state research bureau blame corporations of an alleged misallocation of societal resources (Koning & Leuvensteijn, 2010) and dispute the legitimacy of the Dutch social housing sector.

How could this all happen, why were the initial expectations reversed by the course of business?

2 Main questions

When a policy does not succeed causes can be sought in different directions. In this paper the probable cause is placed in the way of public governance of the sector. Regarded in this way, one could suppose that the conceptualization of the environment in which the governing actor intervenes has not been adequate. In the tradition of the Dutch public administration such a conceptualization is called policy theory (Hoogerwerf, 1987), supposing that actors use a causal model of reality in order to achieve a policy. The idea of rational, scientific policy making is contested by several scientists including van Twist. He argues that the concepts underlying a policy can better be regarded as narratives (Twist, 1995). The policy assumes a division between state and private actors in which the state has a coordinating role (VROM, 1989, pp. 51 - 52), refraining from direct central steering of the private actors. Strikingly similar Gaebler and Osborne (1992) have written about transformations of public sectors. Closer reading of policy documents discloses the role of narratives: a belief in self-fulfilling evolution to autonomous and accountable enterprises instead of clear observations and sound reasoning. The hardly defined borders between civil society and market in Heerma's memorandum (Koolma, 2008, p. 306) indicates thin reflections on the expected behavior of the housing corporations. Foreseeable decision dilemmas between nonprofit objectives and market operations stayed below the surface. The sector organization coined the *societal enterprise* in a publication of essays, rather abstracted from the organizational practice and promoting the societal enterprise as way to realize autonomy of the housing corporations (Aedes, 1999). Commissioned by the sector organization Aedes researchers warn in a booklet against moral hazard due to an unbalanced principal agency structure and unclear property rights (Dijk, Klep, Maden, Duit, & Boekel, 2002). Another early warning indicates a bias of the boards of governors to strategic issues like mergers, takeovers and real estate investments (CFV, 2003), leaving social housing objectives to the concerns of the CEO's. Organizational issues like cost control do not get significant attention in 2002 (Koolma, 2008, p. 356). A report commissioned by the House of Parliament expresses doubt about the legitimacy, efficacy, and efficiency of housing corporations (Conijn, 2005). Neither the government, nor

the housing sector itself spent appropriate attention to those major issues of organizational behavior by the publicly governed agents. A vision on behavioral control has not been part of the arrangement between state and sector, a shortcoming that is regretted at the end of the decennium (Minister voor WWI, 2009; Aedes, 2012).

Vague definitions and poor elaborations of concepts are typical phenomena of policy theories and sector narratives. Practice models of reality fail to describe, explain or predict the course of business since the start of the autonomy policy. A more scientific view of the sector might clarify the sequence of events.

This brings us to the main questions of this paper. *Firstly, how can the organization of Dutch social housing policy as a whole be adequately conceptualized and modeled? And secondly, can the reported sector failures be explained by the way of public government?*

The elaboration of the two questions will be theoretical. Empirical observations are made to illustrate theoretical points. The paper will be used as a conceptual framework for a comprehensive research on Dutch policy making and public sector governance. The case is interesting because it brings in the results of a very early experiment with new public management. Therefore it will be a nice frame of reference for the final discussion on the eight questions of the symposium.

3 Modeling of the Dutch social housing sector

Researchers commonly highlight the successes of the Dutch social housing sector, based on tradition of building of good and moderately priced houses for a clientele extended to the middle class. There publications mostly treat the sector as a whole, ignoring possible differences between housing corporations and the interdependence between governance of the sector as a whole and the behavior of distinct housing corporations. Few studies pay attention to the organizational level, in particular on themes like efficiency (Graaf, Winter, & Berkhout, 2001) and corporate culture (Dreimüller, 2008).

3.1 Modeling of Dutch social housing sector in recent literature

A serious attempt to conceptualize a model of the sector is made by Koffijberg (2005). He uses a network approach to observe and to analyze major changes in the sector, including the promising start of the autonomy policy of the Dutch state. Special attention is paid to interaction strategies of the central state towards the sector organizations and specific corporations. Koffijberg distinguishes hybrid interaction strategies between state and sector.

Closer reading reveals the intention of Koffijberg (2005, pp. 267 - 273) to distinguish between formal and informal organization. He rejects the idea of a strict dichotomy between hierarchy and network approach. Koffijberg analyses in time restricted periods of change in the relationship between state and housing corporations. At these moments state representatives approach members of the sector as partner and peers. After an informal exchange of ideas and information, the normal relationship, assumed to be hierarchical, is restored. Koffijberg's network analysis does not cover the 'going concern' periods of the organizations in the sector.

3.2 Considerations on modeling sectors

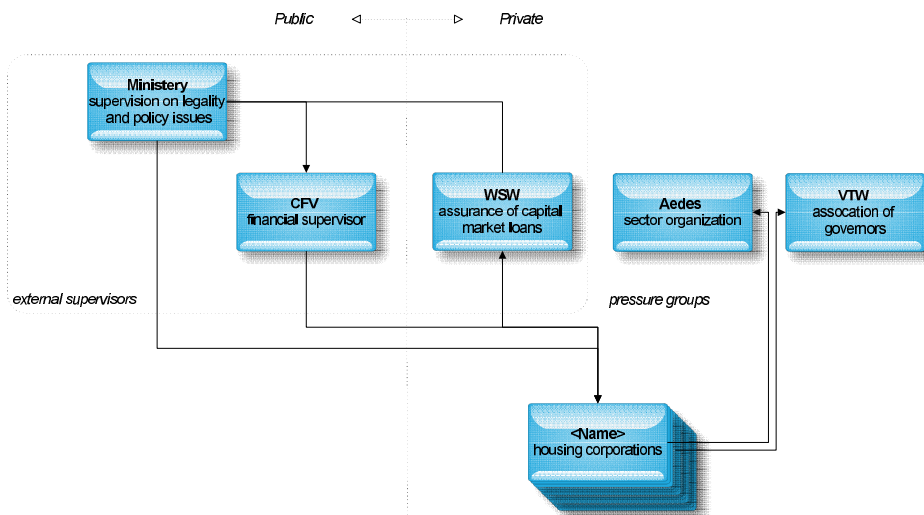
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O'Toole and Meier (2003) have studied networks in a sector of public education. They state that individual network nodes of members of the organizations cause changes in the regular operational decisions of the organizations. These changes could be considered as innovations. However, O'Toole and Meier observe a shift to a more advanced clientele, a change not in line with the primary objectives of this public sector. So, network activities can have a dark side.

Can network analysis cover the course of action in a sector after a major change is made? It is not the common scope of network analysis. Semi-autonomous organizations use occasional network activities to make adaptations in their objectives and way of operation. The network has no direct and tangible result like the realization of a common project or the solution of a wicked problem. The effect of network activity is mediated by the linked organizations.

<< multi principal multi agent : zie abstract en figuur.

Figure 1 Formal organogram of sector



3.3 Other fundamentals: formal and informal organization

The findings of Koffijberg show a striking similarity to concepts of a founding father of American organizational science, namely Barnard. He distinguished scalar and lateral connections between member of organizations and between organizations. Organization by free agreement is inherently more flexible and adaptable than that of scalar organizations (Barnard, 1949, p. 155).

Barnard has coined the bi-polar concept of the formal and informal organization (Barnard, 1938, pp. 114 - 120). Formal organization serves operational consistency and stable provision of goods and services, while informal organization is indispensable for the adaption to the environment and the vitality of organizations. Formal organization has a reduced power to cope with complexity, while informal organization lacks alignment and stability. He stresses the interdependence of formal and informal in organizations and large collectives: ‘a society is structured by formal organizations, formal organizations are vitalized and conditioned by informal organization. What is asserted is that there cannot be one without the other. If one fails, the other disintegrates (Barnard, 1938, p. 120)’. Formal and informal organization will reinforce each other in healthy organizations, or disrupt each other in pathological situations. Leaders (‘executives’) play a key role in the adjustments between formal and informal organization.

Informal organization is usually placed in organizations, and addressed as culture and so on. Following Barnard, the connections of organizations to peer and superior organizations in their relevant environment have formal and informal aspects. This concept

has an advantage compared to network analysis. Structure (hierarchical, lateral) is distinguished from the informal processes. Informal processes can be addressed as independent variable instead of being an attribute of a network (Benson & Weitzel, 1985; O'Toole & Meier, 2003).

The separation can be illustrated in the case of the Dutch public housing sector. The government has decided to leave the idea central control in favor of communicative steering. The formal organization of the sector does not include control of issues of effectiveness, efficiency and societal outcome (Schilder, Mosch, & Hage, 2006). First analyses of the cases of failure show direct personal involvement of the minister, who has been acting as a peer of the misstepping managers. Enforcement of risk adverse regulation has been neglected.

3.4 Informal processes of information exchange and social comparison

Barnard has described the paired functions of formal and informal organization quite abstractly. Festinger and colleagues have made a beautiful study on informal organization, including network analysis *avant la lettre* (Festinger, Schachter, & Back, 1950). They describe informal processes in a provisional settlement on a campus: the exchange of information, inclusion and exclusion of members in the network, and the growth of cliques around informal leaders. Informal organization is characterized by inequality in the distribution of information and power.

Festinger has made another major contribution, namely the theory of social comparison processes (Festinger, 1954). The theory is applicable on professional peer groups. The member of the peer groups have to deliver certain achievements. The measurability and even the observability of the achievements can be difficult because of the nature of the performance. Marris indicates also the absence of clearly defined goals ('unlike football') and the lack of established criteria for judgement as an occasion for social comparison processes (Marris, 1964). Under those circumstances a peer group makes mutually judgements by comparison, in which opinions on the showed abilities are more leading than evidence of actual achievements. Two extensions can be made to this theory. Firstly, the gap between opinions in a professional peer group upon actual performance can be seen as an example of decoupling (Meyer & Rowan, 2000). Secondly, ranking performance of organizations by shared opinions is commonly called reputation.

A quantitative study (Koolma, 2008) shows no correlation between sector notions on performance and measured performance. Although less effective and efficient, larger housing corporations have more chance to acquire resources like land and building opportunities. The most common criterion in mutual comparison is the size of the housing stock.

3.5 Processes of undirected goal seeking and shifting normalcy

Reputation is no more of less than a ranking account of praising gossip and defamations in an informal network (Koolma, 2008, p. 70). The more informally and socially comparing a professional peer group is, the more compelling and uncorrected is the force of reputation. Because of the decoupling the action of informal leaders and followers is attracted to the issues which provide impressions of success. The goal selection is made by estimation of chance, and does not arise from e.g. an assignment to solve societal problems or draws back to commands and instructions of an authority.

Sequences of actions and reactions between the members of a peer group can be interrupted by moments of moral judgment and recalibration. If not, the reputation-driven goal seeking lacks moral orientation or misses ethical constraints, finally resulting in destruction of value and harm interests of the group as a whole (Koolma, 2008, p. 86). In that case the state of normalcy (Grassiani, 2009)² will be shifting: what in present is experienced as normal behavior was probably neither imaginable nor acceptable before. If the evolution of the in-group normalcy deviates from normalcy in the out-group society – as consequence of autonomic behavior and the rise of own norms of the group – the group can be characterized as deviant (Merton, 1957).

Williamson states that Barnard has not paid enough attention to eventual disadvantages of informal organization. Informal action may undercut the efficacy of internal organization and lead to resource misallocation, like ‘on-the-job leisure, waste, investment distortions and other forms of subgoal pursuit (Williamson, 1990, p. 177).

The theoretical processes can be illustrated by the case. Ascribed reputation and building of expensive houses for sale have been strongly related for a long time. Risk taking investments in other kinds of property (for instance cruise ship and campus) contributed to the innovative reputation of the CEO’s and their companies and has been applauded as excellent examples of entrepreneurship by members of the institutional network. Later on the goal-displacement and investment distortions have become apparent. A loss of normalcy can be illustrated by the gap between an ongoing in-group believe in the innovative force of the sector and a public disapproval of the adventures of the sector (Koolma, 2011).

3.6 Controlling informal groups

Professional peer groups have to cope with dilemma’s of collective action. Protection of the resources of the group is the theme of the well-known free-rider dilemma. In professional peer group the reputation of the profession is a collective good. Actions of a individual

² In the line of argumentation an a-symmetrical conflict with the environment is presumable.

member, like professional failure, cheating clients, and abuse of resources, may harm the reputation of the group as a whole.

Recent studies conceive groups as complex systems balancing between cooperation and competition (Axelrod, 1997; Fehr & Schmidt, 1999). An important element in this experimental literature is normative control by punishment of individual members. Real live observations show also informal control by punishment of members who oppose to the course of action in a group (Festinger, Schachter, & Back, 1950, pp. 8, 101 - 113). Anticipating on defamation and exclusion, members hesitate to protest and avoid participation. In disputes eventual inequity in social status or in-group reputation is decisive: guided by informal leaders define socially what is real and true, regardless of facts, and enforce conformity by social pressure.

Individual initiatives to punish other members for norm violation are risky and imply high costs (Heckathorn, 1990, p. 368; Fehr & Schmidt, 1999, p. 817), in some situations a reason to apply exogenous control to force compliance of group norms (Heckathorn, 1990, p. 366). In terms of this paper, a principal is introduced. In that case the group shows an ambivalent attitude towards members which are transgressing norms of the principal, depending on the acceptance of the authority of the principal. If the authority is not beyond doubt, transgression is a strategy that does grow the in-group reputation, even if the punishment is applied by the authority. A real live example is the interaction between juvenile gangs and the policy. Challenging exogenous authority can be a very attractive strategy, despite of the costs of the punishment.

Failing punishment has a high impact on the members in the group: if norms are meant to support in-group cooperation a major part of the members shift to competitive, opportunistic behavior (Fehr & Schmidt, 1999, pp. 833, 849). In mixed populations norm guided agents are defeated by non-normative agents (Castelfranchi, Conte, & Paololucci, 1998, p. 12).

Fehr & Schimdt stress the importance of what they call the interaction between the distribution of preferences and the strategic environment (1999, p. 856). There are 'environments in which the behavior of a minority of purely selfish people forces the majority of fair-minded people to behave in a completely selfish manner'. In public goods games a minority of fair-minded players can effectuate cooperation, provided that strategic environment is shaped as a public good game and punishment is applied, regardless of the reputation of the transgressors. This last remark point a shortcoming of the social-dilemma games (Levine & Moreland, 1990, p. 607): namely, status differences are decisive. Social dilemmas can be breached by an appointment of a leader, but what to if an informal leader is acting self-interested and does not want to resolve the dilemma? Who is giving the definition of the strategic environment and determining the rules of the game to play?

In the Dutch housing sector the strategic environment is shaped firstly by the state and the sector organizations, encouraging housing corporations to be entrepreneurial without criteria for the new actions. Since 2001 restrictions have been formulated, but the enforcement of the regulation has been incidental. Lacking cost control and risk assessment have not been serious issues. The first decade the strategic environment has been in favor of the transgressors. The obvious appearance of failures has urged the state to intervene in the management and governance of the housing corporations. The support for enforcement of public regulation has grown rapidly.

3.7 Group mediated decision failure

The relation between dominant leaders and critical decision errors is subject of studies on 'groupthink' (Hart, 1990; Whyte, 1998). Whyte states: 'the lack of vigilance and preference for risk that characterizes group contaminated by groupthink are attributed in large part to perceptions of collective efficacy that unduly exceed capability. High collective efficacy may also contribute to the negative framing of decisions and to certain administrative and structural organizational faults.'

Other authors indicate also obstructions to learning: perceptions of competence leads to misspecified connections between actions and outcomes, 'superstitious learning' (March & Levitt, 1999) and 'traps of distinctive competence' (March & Levinthal, 1999). So, exploration of new tasks can proceed without proper feedback. Social psychologists pay attention to the social context of learning failure. Social facilitation works out negative if persons perform unlearned tasks in the presence of bystanders (Blascovich, Mendes, Hunter, & Salomon, 1999).

Another reason why professional peer groups do not react on errors adequately is defensive of nature. Colleagues avoid awkward questions about in-side know failures of one of them (Hood, 1998, p. 41). Salient examples of this kind of failure can be found in hospitals. However, the phenomenon is universal. Covering up peer failure protects the reputation of the professional group and the institution, while continuing consequences of failure to clients and the environment are taken for granted.

The Dutch public housing sector show clear examples of group think leading to decision failures. The failures have been framed as successes by peers and followers the institutional network. There is a misconception of the working of feedback. Positive feedback is given where negative would be wiser. The organizations and the sector as a whole show an indifference to investment failure and waste of resources. Early warnings of failure by 'whistleblowers' have been ignored.

3.8 Characteristics of leadership: responsibility or in lead of herds

Leadership in informal organization is a troublesome issue, in scientific aspect too. Barnard (1949, p. 81) pointed out that *leadership* includes the meaning 'to be in advance' as well as 'to guide others, to govern their activities'. There is a fundamental difference: in the first meaning the collective action is without command and coordination, the second meaning implies the acceptance of a position of responsibility (Barnard, 1938, p. 174). Only in the second case, moral shifting and eventual dilemmas of collective action can be overcome.

Organization based on free association has a weak leadership structure (Hood, 1998, pp. 142 - 143; Arrow, McGrath, & Berdahl, 2000). The ultimate punishment for members which are violating norms and codes is dismissing and exclusion from the professional community. The punishment bears costs for the collective: the size and the resources of the collective diminish and the dismissal itself can cause a sequence of voluntary exit of members sympathizing with the dismissed member. As consequence, the collective has a weak power to enforce compliance to norms and codes.

The leadership in the meaning of being in advance of the collective refers to self organization, acting with an own set of rules (Schelling, 1978; Lakomsky, 2005, pp. 121 - 127). In this respect, the efforts of institutional economists on the subject of herd behavior have to be mentioned. In a review Bikhchandani & Sharma (2000) distinguish three kinds of explanation: information-based, compensation-based and reputation-based herding. Scharfstein & Stein (Scharfstein & Stein, 1990) represent the approach of reputation-based herding. Corporate acquisition and investment decisions are made in a competitive field, in which some managers take decisions in advance, without ex-ante economic evidence. The decision itself provides them reputation and the impression of being successful. Others observe the decision, neither knowing if it is a sound decision. They follow the head runner(s). If not, they risk the chance of losing connection and getting the reputation of a backward sucker. Being part of a trend in a sector, following decision makers are protected against blame of their principals in case of failure. It is a setting in which decision makers easily can avoid responsibility. The head runners find confirmation of their improvident decisions by success attributions of the following competitors and other members of an economic field like sector analysts (Scharfstein & Stein, 1990).

The Dutch public housing case shows the predicted weakness of collective action. Leadership is informalized and is not more than being in the lead. Leading agents in the sector bear responsibility neither for their own actions, nor for the actions of their peers and followers. The sector organizations are forceless when trying to implement sector codes on governance, on confirmation of the public objectives and on the remuneration of the CEO's.

Information-based herding is stimulated on subjects of innovation. Mergers can be indicated as reputation-based. Empirical evidence (Koolma, 2008, pp. 424-442) shows inefficiency of large scale operation. Nevertheless large corporations are appraised as more professional. Mergers can be also considered as a compensation-based type of herding. The remuneration code favors being CEO of a large corporation, and is an incentive to mergers (Koolma, 2008, p. 521).

4 Toward a general model of sector failure

This paper concludes with a tentative design of a formal model of sector failure. This model is abstracted from the case of the Dutch public housing sector.

The starting point is the structure: a multi agent system with multiple principal substructure. The principal substructure is characterized by a division between a political part and a functional part. Assumed incentives are the following:

- The political principal part has a need for involvement in practices of innovation. This part has a network governance attitude towards the agents and a has preference to informal exchanges.
- The functional principal part is assigned to be accountable for the operations of the agents. This part has a by formal rules bounded attitude towards the agents.

The population of the agents shows a diversity of attitudes towards the operations of their organizations. In line with Weber's three type of legitimate rules (Weber, 1962) the population is divided in groups with distinguished incentives:

- Traditionalists, representing the historic values of the sector.
- Rational norm partisans.
- Charismatic transgressors of tradition and rational norms.

The third group is presumed to be a collection of reputation-driven and status inconsistent leaders (Barnard, 1949, pp. 207-244). Origin for their status inconsistency is their status as agent resorting under the power of a principal. They are restricted in the ownership of the companies, bearing unwillingly the burden of stewardship.

In the following table the process of sector failure is modeled. Conditions are by single characters and consequences are set up in formula format.

Table 1 The process of sector failure

A Dominance of the political part of the principle
B Dominance of the collection of transgressing agents in the sector population
A + B > C Success attribution becomes decoupled from agents' performances
C > D Negligence of consequences facilitates irrational choice
A + B > E Institutional field becomes reputation-driven place for aiming new goals
E > F Herding driven by status inconsistency or roaming (Marris, 1964, p. 60)
G Affluence of resources in the sector (Blanchard, Lopez-de-Silanes, & Schleifer, 1994)
H Weak and positive feedback giving governance structures of the agents
D + F + G + H > I Long period with occasions for misappropriation of resources for reputation enhancing decisions and other personal interests.

The process inflicts damage to the members in the sector and to the environment of the sector. Interests of clients are overridden. And the examples of incompetence and abuse deface the sector reputation. Reactions to the consequences of obvious failure will be delayed, because of the time needed to build up conflicting power. In terms of system theory, resilience is activated.

Table 2 Delayed resilience to sector failure

J Resources of single leading agents evaporate.
J > K Resources of other agents go under in a chain reaction.
I > L Sequence of salient failure causes a loss of public credit and destroys sector legitimacy.
K + L > M The political part of the principle takes the opportunity to appropriate remaining sector resources for reallocation to goals outside the sector.
K + L > N The functional part of the principle restores law enforcement and pushes the sector of private agents into a new kind of bureaucracy (Olsen, 2005).

5 Discussion

The paper is concluded with a discussion in two.

Firstly, the model is faced with competing explanations. Classic network analysis will be suitable for analysis and explanation of events in the process, although Dutch network research expresses doubts (Koffijberg, 2005). New Public Governance claim advantages in compassion to Classical Public Management and New Public Management. The characteristics of the case are more familiar to New Public Governance than to New Public

Management. Some market sector practices are transposed to the sector, but the negligence of issues as effectiveness and efficiency is striking. When the case is conceived as an early example of New Public Governance, it is not heralding victory. The capability of the sector in handling environmental complexity by network arrangements is certainly increased, but this advantage is eliminated by the rise of internal complexity to the agents and the principals. Neither can the case be put forward as an attractive way of enhancing legitimacy.

The ill-adapted market strategies bring us to authors who argue that the hybrid character is the main cause of failure. However, at first sight, the explanation of sector failure seems to be applicable to the rise of the crisis in world's financial sector. Closer analysis of the Dutch public housing sector failures, for instance on the subject of real estate transactions, reveal lack of competence and misplaced belief in good intentions of the counterparts. Not all housing corporations fail in this regard. The absence of operational control and effective feedback on market decisions is the real problem. Keeping away from the capital and real estate market is not an option, because that would mean that housing corporation could not acquire necessary resources anymore.

Voluntary sector failure

Some approaches zoom in on treats of the CEO or Major chain

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