



# Strategic planning process models: a step further

Planning process models

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## Abstract

**Purpose** – Following the neo-liberal trend of less government intervention and more room for market forces, the introduction of private sector models in the public or non-profit sector has gained a lot of attention and popularity. This has also been the case in several European non-profit social housing sectors. This paper aims to reflect on the practicability of strategic business planning models in the Dutch non-profit housing sector and to present suggestions for improvement of these models.

**Design/methodology/approach** – Case studies have been held among six Dutch non-profit landlords. These case studies included interviews with both policy staff and staff responsible for individual investment projects.

**Findings** – In the Dutch non-profit housing sector, models based on principles of strategic business planning and similar models have been applied to structure and to systematise decision making about investments in the housing stock. These models, however, appear to be unsuccessful in their impact on actual investments in estates or buildings. The main weakness is that these models implicitly suppose a vertical, top-down implementation of policies, whereas policies are also formed by other strategies, beliefs and motives in the organisation, either documented or undocumented.

**Research limitations/implications** – The research is confined to the Dutch non-profit housing sector. However, similarities of the findings with other policy implementation studies suggest that the implications for strategic planning models also apply in many other non-profit sectors and maybe even in commercial sectors.

**Originality/value** – This paper challenges classic strategic planning models and gives an adapted version of these models which meets the shortcomings identified in the research.

**Keywords** Social housing, Strategic planning, Business planning, Investment, Organisational behaviour, The Netherlands

**Paper type** Research paper

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## 1. Introduction

The last 20 to 30 years show a neo-liberal trend of decreasing government influence and support in several not-for-profit sectors in many European countries (see, e.g. Whitehead and Scanlon, 2007; Gruis and Nieboer, 2004b). In this period, the Dutch non-profit or social housing sector shifted from a sector dominated by government regulation and government support to a sector that, in financial terms, had to stand on its own two feet. In the 1980s, capital market loans were introduced in the sector. In the 1990s, brick-and-mortar subsidies were largely abolished and retrospective accountability, as opposed to asking consent beforehand, became the main principle in the national supervision of the sector (Boelhouwer, 2002; Priemus *et al.*, 1999).

Before the neo-liberal period, the development of the housing portfolio, including the planning of large-scale investments, was mainly directed by government via, for instance, land policy, subsidies for renovation and new-building, and norms for maintenance expenses. Developing portfolio policies was primarily the responsibility of the local government, and the same was true for bringing these policies into action.



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The responsibility of social landlords was largely confined to property management. As a consequence of the diminished government influence, however, portfolio development and long-term planning became a task for the social landlords themselves. This caused an increased interest in planning methods among these landlords, an increase that was further stimulated by problems of low demand in both some peripheral regions and several urban neighbourhoods in the years around 1990 (Gruis and Nieboer, 2004b; Gruis *et al.*, 2004).

It might be expected that social landlords, as a consequence of the developments just described, would behave more and more like “real” entrepreneurs, adopting a strategic approach, in which they anticipate market developments and adjust their housing stock accordingly. Ferlie (2002) for instance argues that models and methods originally conceived for business purposes are increasingly applicable to organisations in public or non-profit sectors, because these sectors have become more similar to the private sector. This could be seen in the adoption of approaches and methods such as “strategic business planning”, “portfolio analysis”, “benchmarking” and “balanced score cards”, which are used to evaluate the performance of organisation and assets and to help develop management policy.

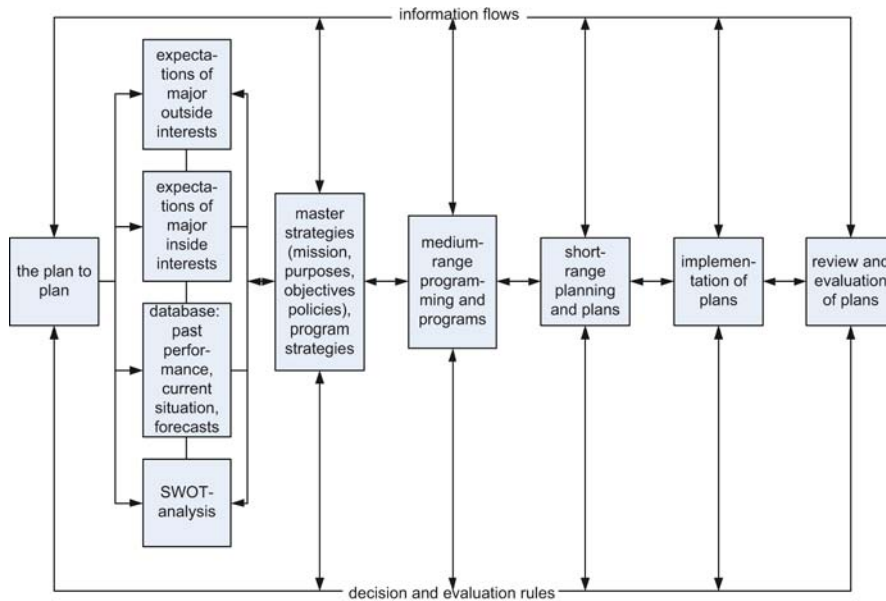
In strategic business planning, several models have been designed to assist organisations in developing their portfolio policies. Alternative versions of these models have been made for the social housing sector. This paper evaluates the practicability of these strategic business planning models. It makes use of a recent research into the extent to which portfolio policies of several social landlords are reflected in their investments. From the results of this study, conclusions can be drawn about the reasons behind the usability of strategic business planning models. Based on these conclusions, some suggestions for improvement are presented.

In the following section the most well-known models for strategic business planning are addressed. Variants of these models specifically targeted at the Dutch social housing sector are also presented. Section 3 and 4 deal with the research, mentioned in the previous paragraph, about portfolio policies and investment choices; section 3 is about the research method, section 4 about the research findings. Section 5 goes into the implications of the results of this research for the existing strategic business planning models. Based on these implications, an adjusted planning model is presented in section 6.

## 2. Models from strategic business planning

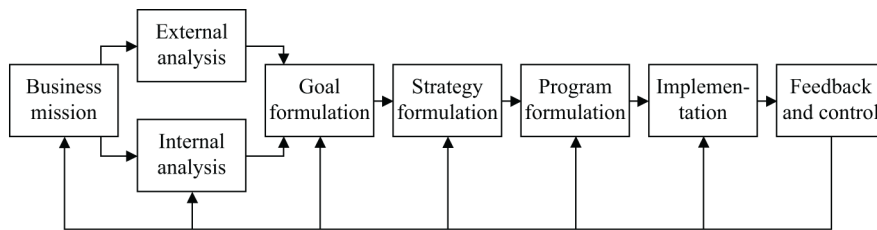
The development of business strategies, including models to conceptualise this development, is an important subject in strategic planning. Most models are normative, showing the stages that are seen as necessary or at least desirable in the development of business strategies. It often departs from the business mission, which is seen as the central objective of the organisation, to which the goals and strategies are subordinated. The business mission determines what to analyse. After the analysis, goals are formulated and worked out step by step towards individual actions. Steiner is generally regarded as the founding father of strategic planning. In his process model (Steiner, 1979), several of the above-mentioned stages can be recognised (see Figure 1).

In his widely cited textbook *Marketing Management*, Kotler (2003) presented a similar model (see Figure 2). In an earlier publication in this journal, Gruis and Nieboer (2004a) took this model as a basis for an asset management model for non-profit landlords. The figure depicted here is from the 2003 edition of the book, but the same model can also be found in earlier editions.



Source: Steiner (1979, p. 17)

Figure 1. Steiner's strategic planning process model



Source: Kotler (2003, p. 102)

Figure 2. Kotler's strategic planning process model

Today, numerous strategic planning process models are available, mostly following a common approach: most models include the development of a mission statement, followed by analysis, constructing and implementing goals, objectives and strategies. In addition, there is growing number of models aimed at the non-profit sector (e.g. Bryson, 2004; Allison and Kaye, 2005).

Since the 1990s, similar models have been made for the social housing sector, especially in The Netherlands, the UK and Australia (e.g. Larkin, 2000). Van den Broeke (1998) was one of the first authors who applied strategic planning process models in the Dutch social housing sector. His model starts with the outline of a general policy, which can be seen as the policy framework for investment choices regarding individual estates, buildings or dwellings. The phases in his model are:

- inventory (including business mission and policy outline);
- analysis;

- strategy formulation;
- strategy appraisal; and
- implementation and adjustment.

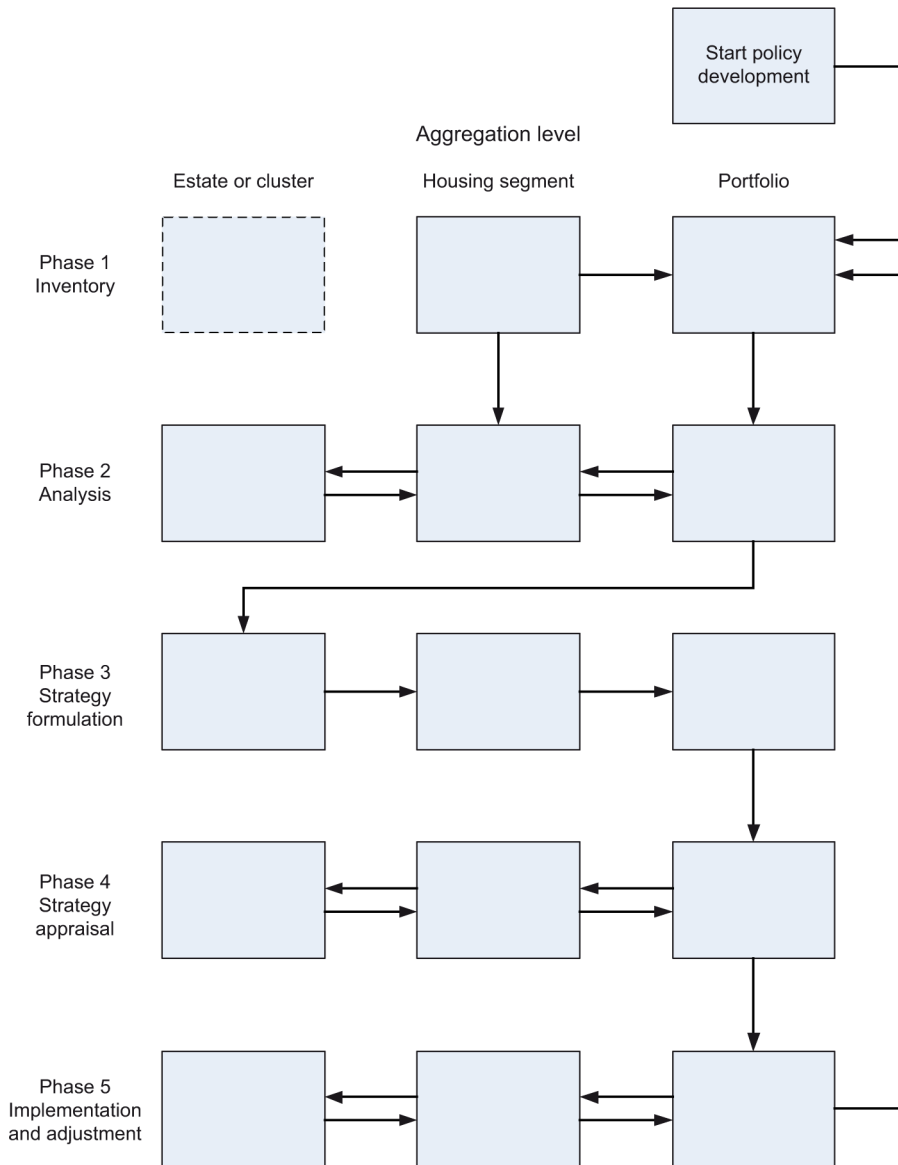
Although van den Broeke does not explicitly refer to Kotler's model, the phases in his model show several similarities. The appearance of Van den Broeke's model, however, is quite different because it also contains several scale levels, taking into account the interaction between the portfolio level and lower geographical levels (see Figure 3).

Another example of a planning process model developed for the Dutch social housing sector is from Van Os (2007, 2008). As Van den Broeke's model, his model also contains aggregation levels. It distinguishes between two policy cycles: one cycle running from the strategic level to the tactical level and then back to the strategic level, the other cycle running from the operational level to the tactical level and then back to the operational level. Both cycles meet at the tactical level, where the investment options for the individual estates or buildings are formulated. Unlike former models, Van Os' model shows that these investment options are not only formulated at the strategic level of the respective organisation, but also at the operational level. We will return to this issue later in this paper. The model is depicted in Figure 4.

### 3. Research method

As has been stated in the introduction, we have tested the applicability of the existing strategic planning models by making use of a research into the extent to which portfolio policies of several social landlords are reflected in their investments. The study has been carried out among six Dutch social landlords, which form the empirical cases of the research. We have not aimed at a statistically representative selection: the six selected social landlords form only a little part of the whole sector, which counted 430 organisations at the end of 2008 (CFV, 2009). Assuming that strategic planning is rather unusual in the social sector, we have selected relatively advanced and also larger housing associations, which are expected to have a sophisticated portfolio management. All selected landlords have an own policy department. This, plus indications (from either literature or personal connections) for development of strategic asset management, has been the basis for selection of these housing associations. The names of the selected landlords, the main city in which they are active and the number of homes that they manage are given in Table I.

With each landlord, we have investigated concrete investment choices on the estate or building level and the motives behind these choices. Because it is, of course, not possible to take all the investments of a social landlord into account, we have selected two neighbourhoods for each landlord: one neighbourhood in a politically designated urban renewal area (referred to as restructuring neighbourhood) and one neighbourhood elsewhere in the respective city. We have made this distinction because we expect that these two types of neighbourhoods differ considerably in the extent of transformation of the housing stock and, equally important, in the involvement of other parties, leading to different decision-making processes. Because certain investments are preferred above investment plans that are still uncertain, we have chosen restructuring neighbourhoods that are relatively advanced with regard to the progress of redevelopment. "Advanced" in this context means that the investments in the housing stock are carried out or that the investment plans have such a solid base among the relevant actors that major changes are unlikely to occur.

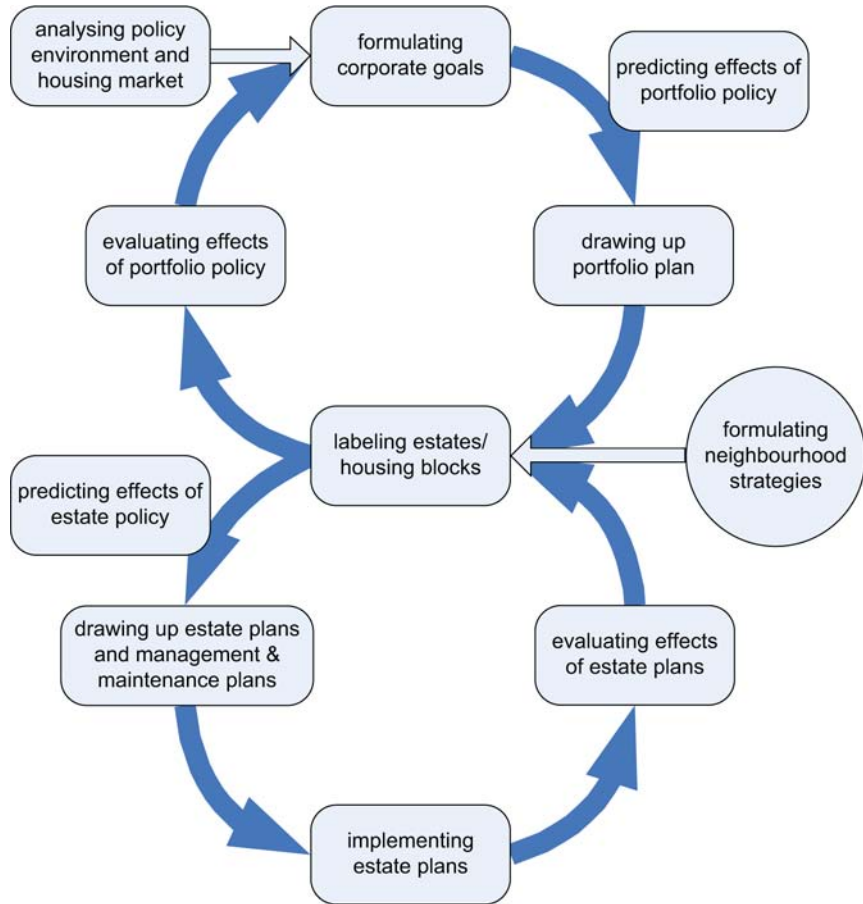


Source: Van den Broeke (1998, p. 71) (own translation)

Figure 3. Van den Broeke's strategic planning process model

The research has been carried out through interviews and literature study. The interviews have been held with two types of employee:

- (1) Persons who are closely involved in or responsible for policy development of the respective social landlord.



**Figure 4.**  
Van Os' planning process model

Source: Van Os (2007, p. 25) (own translation)

Name of the landlord	Main city in which active	Number of homes
De Key	Amsterdam	30,000
Ymere	Amsterdam	77,000 (45,000)*
Stichting Volkshuisvesting Arnhem (SVA)	Arnhem	13,000
Trudo	Eindhoven	7,000
Staedion	The Hague	33,000
Waterweg Wonen	Vlaardingingen	13,000

**Table I.**  
Selected social landlords

Note: \*Before a merger on 1 January 2008 the number of homes was 45,000

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- (2) Persons who are closely involved in or responsible for major development projects. Planning process models

The main topics of the interviews are the portfolio management of the respective landlord, the translation of the portfolio policy into investment decisions, and the motives behind the investments that are actually made. The documents studied are mainly stock policy plans and neighbourhood investment plans.

#### 4. Findings

This section describes the results of the fieldwork. First, the policy ambitions of the selected landlords are dealt with, then the investment decisions at the neighbourhood level are addressed.

Modernisation of the housing stock occupies a prominent place in the portfolio policies of all six landlords. Considerable parts of the housing stock are regarded as out-of-date. According to the landlords, these homes do not meet present standards, because they are too small, have a poor physical appearance or lack several amenities. The ambition to transform deprived neighbourhoods into mixed-income neighbourhoods is also often mentioned. Not surprisingly, the latter argument is notably heard with respect to restructuring neighbourhoods, in which considerable changes in the housing stock are planned.

Concerning the desired composition of their housing portfolio, the social landlords have formulated the following policy statements:

- De Key has indicated a few priority groups and determined for each population group the number of homes to be realised (think of several thousands of homes per group in a five-year period). In its portfolio policy plan for the years 2002-2007, three priority groups were identified, namely students, the elderly and so-called “urban families”. After an evaluation in 2006 the latter group was abandoned as a priority group, because the production and rent level ambitions for this group were not met and seen as unrealistic and because the definition of the group was internally criticized for being vague and unpractical.
- Ymere discerns between what they call “product-market combinations” (PMCs). There are PMCs for traditional social housing, housing for the elderly, student housing and more expensive housing for higher-income households, for example. For each PMC annual targets are set regarding, for instance, financial return, sales and production. The desired returns differ according to PMC: the desired rate for the traditional social housing market, with relatively cheap homes for low-income households, is lower than for relatively expensive housing for higher-income groups.
- SVA and Waterweg Wonen apply a self-developed classification of maintenance standards. Each standard in this classification refers to a predefined quality level, for instance a basic standard, which can be regarded as the usual level, a “plus” standard for homes in a higher market segment and a “plain” standard for homes that are to be demolished. All homes have to meet one of these standards in the future.
- Staedion, SVA and Waterweg Wonen apply a minimum for the number or share of affordable homes available for low-income households. Next to this, these and other landlords in the selection for this research have made agreements with local governments on various issues, notably on the affordability of their housing supply.

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The sale of homes has a special place in the portfolio policies of the researched landlords. This is especially true for Trudo, because this landlord strives to sell the majority of its homes. Ymere yearly determines a number of homes to be sold – a number that the district offices have to divide among themselves, taking into account the guidelines of the central office about priority areas. De Key, Staedion en Waterweg Wonen have also set an annual target for themselves, but have also carried out a portfolio-wide investigation to assess the homes eligible for sale. SVA performs a similar investigation, but per neighbourhood instead of simultaneously for the entire housing stock.

A striking phenomenon is the variety of sale possibilities. Most options found in the research include a discount off the market price, which may amount to 50 per cent. In return for this discount, households are obliged to sell the home back to the landlord when they move out. At that time, the increase in value of the property will be divided between the household and the landlord. For Trudo, such an arrangement is central in its portfolio policy, because this landlord strives to sell about 75 per cent of all its homes under this regulation (Smeets *et al.*, 2009, p. 74).

The “translation” from the portfolio policies into decisions about what to invest in which estate is mainly made on the district or the neighbourhood level. For example, Ymere’s decisions on investments in estates are primarily to be made at its district offices, after which follows an appraisal carried out by the central office. De Key and Staedion follow a similar procedure. In the last five to ten years, SVA and also Staedion have undergone a development from a central approach to a more area-based approach. Staedion indicates that there has been a shift from a more or less imposed translation of portfolio policies towards a more flexible policy that leaves more room for operational aspects and for new developments. SVA has initially made global investment choices for all its estates (so portfolio-wide), but has dropped these for the benefit of a neighbourhood approach.

For each of the building blocks in the selected neighbourhoods, the arguments and motives behind the investment choices have been investigated. It is not surprising that, speaking about individual estates, arguments on the estate level, such as technical state and improvement costs, dominate. More surprising is the virtual absence of arguments related to the portfolio policies of the organisation. Sometimes arguments referring to the portfolio policies are made (e.g. making the building block appropriate for a designated priority group), but it is unclear if this is “translation” of these policies or a lip service to them. Some interviewed staff responsible for investment projects remarked that portfolio policies hardly have an impact. Some policy staff even complained that all their work to develop a more sophisticated portfolio policy seems to be a waste of time.

Nevertheless, the results of this research show that portfolio policies have a noticeable impact on certain aspects, notably:

- general notions about the state of the housing stock;
- the presence of specific investment options (e.g. choice between buy or rent, sale arrangements);
- external agreements (e.g. with local government) about the minimum supply of affordable homes in existing and/or new building; and
- sale policy, especially the determination of the homes eligible for sale.

In general, however, the influence of portfolio policies on investment choices on the estate or building level is modest. Most portfolio policies are formulated in general



terms (e.g. a considerable quality improvement of the housing stock, more homes for the elderly), leaving a lot of room for interpretation on a lower scale. There is a considerable difference between portfolio policies and investment choices as regards the level of abstraction. So, the intrinsic nature of both portfolio policies and investment choices requires a long bridge to overcome the gap. Neighbourhood plans could help to bridge this gap, but findings from this research indicate that these plans tend to supersede the portfolio policies rather than to support them. Not the portfolio level, but the neighbourhood level proves to be the main integration framework for investment decisions. This geographical scale is apparently considered high enough to balance the gains and losses on individual projects and low enough to be manageable. This is especially true for restructuring neighbourhoods, where area-based interventions in the housing stock dominate investment decision-making. Furthermore, none of the social landlords in the research has imposed systematic methods to decide which of the relevant investments should be chosen, nor do they have corporate wide norms (cost levels, quality levels etc.) regarding investment choice, for instance about when to demolish, when to refurbish, and when to choose for “only” regular maintenance (the only exceptions to this are norms for the selection of homes eligible for sale). The absence of such methods and norms does not necessarily mean that social landlords take unsophisticated decisions, but that these decisions are hardly based on portfolio policies. From all these findings it can be concluded that an area-based, neighbourhood approach dominates over a central portfolio approach.

### 5. Implications for strategic business planning models

As has been indicated in section 2, an important element of the “traditional” models for strategic business planning is the stepwise elaboration of central goals and objectives into strategies and concrete actions. Because of this structure, these models seem to assume that:

- investment decisions follow from centrally developed policy and are a crystallisation of these policies;
- with respect to policy making, the social landlord can be seen as one undivided actor, speaking with one voice; and
- the social landlord decides about its investments on its own.

The findings described in section 4, however, do not support these assumptions. Instead of an only centralised policy, there appears to be a division of responsibilities within the organisation, in which each department has its own part. This means that policy development does not only take place in a (central) policy department, but also elsewhere in the organisation. Following from this, there is not one, but there are more actors involved in policy making within each organisation. As indicated above, each of these actors may have drawn up its own plan and does not necessarily “wait” for a portfolio plan. The strategic planning models assume that portfolio plans come first and are then stepwise elaborated in plans at the estate or building level. In reality, however, plans are made all the time, and mostly not in the order of geographical scale.

In this research, there are at least two actors, namely those responsible for the development of portfolio policies and those responsible for the development and execution of investment projects, but is also conceivable that there are more actors. This multiplicity of actors is even truer if we also take external actors into account. From this point of view, it is easy to explain why portfolio policies play such a modest

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role in investment choices: these choices can be seen the result of interaction of various internal and external actors. Instead of vertical steering, in which decisions are imposed from the top, we have to deal with non-hierarchical, “horizontal” relationships between mutually dependent actors. In situations as this, theories based on a network approach or on implementation studies apply rather than strategic business planning models.

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Seen from such a network approach, the weak connection between portfolio policies and investment choices is not to be seen as negative, but rather as a result of a realistic balancing of different interests. In addition, the weak connection can be regarded as a “fact of life” that must be taken into consideration. Nevertheless, the modest implementation of portfolio policies entails some risks that can better be avoided or minimised. The first and most obvious risk is that portfolio policies will not be realised, because interests on other geographical levels (e.g. neighbourhood, estate, building) dominate, pushing the portfolio ambitions into the background. The second risk has to do with investment allocation: if the (financial) consequences at the portfolio level of the investment decisions at a lower geographical scale are not known, it is difficult to assess whether these investments overcharge the total budget of the organisation. The research gives some examples of landlords unable to maintain their quality standards in restructuring the housing stock because it turns out to be too expensive. These two risks can largely be reduced through a regular interaction between the policy actors, in this case between the “official” policy developers and those responsible for project management. This interaction also opens the possibility for integrating new developments and insights, which frequently occur, in the planning process.

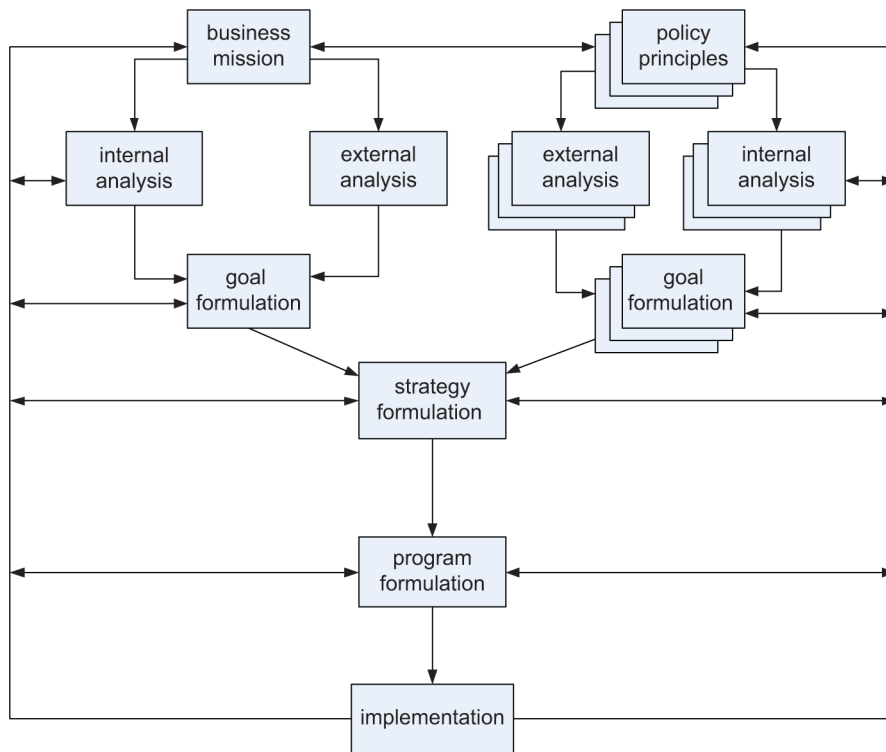
## **6. Conclusion: towards an adjusted model for strategic planning**

Although many authors are aware of the fact that strategies are not only formulated by strategists and other policy developers (or those that are appointed to act as such), but also by other persons, centrally formulated policies are often put in the middle as if this is the overarching policy for the entire organisation. Although this is correct in the sense that these policies pretend to be so, our findings from the selected social landlords shows a different picture: portfolio policies are just one of several policies. What is more, these other policies sometimes prevail over portfolio policies. From the viewpoint of a portfolio policy developer, other policies in the organisation could be seen as flanking measures, but the reverse can also be true: portfolio policies act as flanking measures to another policy.

As Kotler’s strategic planning process model is one of the most cited strategic planning models, we return to this model and take it as a point of departure for our adjustments on the basis of the research. The following principles for adjustments to this model are suggested:

- Strategy formulation (in this case investment choices such as refurbishment, demolition, sale or regular maintenance) is not only dependent on goal formulation at the top or in policy departments, but also on policy formulation of other (internal and external) actors.
- These actors can have their own policy principles and their own analyses.
- These policy principles are not developed entirely on their own, but there is a mutual influence with the business mission and the policy principles of other actors.

This results in the following model (Figure 5).



**Figure 5.**  
Adjusted model of Kotler with several policy actors

The model shows two ways to get from the business mission to strategy formulation. The first and most direct way is through stepwise elaboration of this mission via organisational goals, as depicted at the left side of the figure. Vertical steering, whether or not accompanied with strict planning methods, dominates here. The second, more indirect way is through interaction with policy principles of other actors, as depicted at the right side of the figure. Discussion about values, ambitions and objectives dominates here. As for the strategy formulation of the social landlords in this research, the second way seems to prevail. The “translation” of portfolio policies into concrete investments does hardly take place through vertical steering and through the application of systematic planning methods as described above, but more through the mutual transfer of norms and values between equal parties.

It can be argued that the applicability of the results is limited because the fieldwork is based on a small number of organisations in one sector in one country. However, there are indications for a much wider applicability. The weak implementation of central policies is in line with many implementation studies in a variety of countries and sectors. Notions from spatial planning theory, notably notions of collaborative planning, and notions from network theory apply to a larger extent than the business planning models mentioned above. Thus, although the research is confined to the Dutch non-profit housing sector, similarities of the findings with those of other policy implementation studies suggest that the implications for strategic planning models also apply in many other non-profit sectors and maybe even in commercial sectors.

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