Developing a business case for housing governance

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Abstract

In the past 20 years, Malaysia’s housing prices have steadily outpaced its residents’ incomes and outstripped inflation. The size of the property overhang is increasing. Costs and delays in housing construction are high. Foreclosures and dissatisfactions are becoming more frequent. Homeownership is sliding at approximately 1% annually. Consequently, governments have introduced various schemes and programmes and many policies have been formulated and implemented. Notwithstanding these measures, the housing market has remained increasingly volatile. Because of this, it is pertinent to revisit the literature and empirical proof to determine the relevance of the governance theory to advancing housing delivery. This study has two objectives. The first is to explain the roles of governance as a framework to increase homeownerships. The second is to identify the critical success factors (CSFs) in affordable housing delivery. The results support the researchers’ hypothesis that the application of governance theory provides a fresh insight to affordable delivery. The results are useful to policy makers, developers, banks, consultants, housing associations and academics. This study lays the foundation for future research and for forming CSFs that will allow meaningful applications and interpretations of governance frameworks for different projects.

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1. Introduction

This research seeks to advance the governance theory to the housing supply. It pulls from, and combines, two different theoretical perspectives: affordable housing and governance theory. The literature on affordable housing examines the nature and problems in affordable housing delivery and the various means of housing delivery. The

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literature on governance theory examines the relevance of the theory to affordable housing. Putting these two together, the research moves to exploit what governance configurations/frameworks are needed in order to improve homeownership among medium income earners. Housing affordability is measured by the easiness at which medium incomes could buy a house. In other words, if those in medium incomes could buy a house that meets their requirements, homeownership in the Malaysia is expected to be high.

A survey conducted by the Department of Statistics, Malaysia revealed that Malaysian homeownership is decreasing by approximately 1% annually [1]. Those in the low and medium income groups are losing their homes and renters are increasingly unable to pay rent. Debts on utility bills are also on the increase. Property overhangs have increased by up to 100% since 2005 in terms of value [2,3]. The increases in the affordable housing shortage and distribution have prompted researchers and writers to examine the affordable housing delivery. This includes investigating homebuyers’ satisfaction [8,9], factors affecting housing cost [4, 5, 6], neighbourhoods [7] and some have taken purely economic and policy views in the affordable housing delivery [10]. While these researches did not focus on ‘affordable housing’, implicit in these researches is to improve the performance of the affordable housing market by controlling the factors and resources applicable in the housing supply. Despite these findings and measures, problems of shortages and poor distributions are on the increases [4, 5]. Thus, it is imperative to revisit literature and empirical evidence for alternative explanations.

This study emanates from the observation that the application of the governance theory is promising in housing delivery considering the positive relationship between governance structure and project performance [11, 12, 13]. Positive relationships were also found between organisations and between governance and projects. The governance theory is appropriate for addressing issues relating to poor organisation, poor coordination, composite transaction costs, high risk, social complexity, political complexity, political influence, complex stakeholders. Therefore, it may be assumed that a positive correlation exists between governance theory and housing supply. However, this is only a speculation and most of the project governance theories are currently based on conceptual analysis [14]. Furthermore, while governance theory is being recognised as a means to obtain and increase efficiency and effectiveness in products and service delivery, there is a continuing concern regarding what it essentially means especially in practice. However, critical reviews of the literature show that few studies have started to rethink housing supply using the governance theory [15]. In this study, we discuss governance theory and project governance theory from which a linkage is made to the affordable housing segment. The study examines the factors hindering affordable housing delivery as a basis for the development of critical success factors, CSFs for affordable housing supply.

2. Research background and theoretical framework

Governance is about the rules of collective decision making in settings where there are pluralities of actors and where no formal control system can dictate the terms of the relationship between these actors [16]. According to Bekker [17], governance is a hybrid arrangement which combines administrative systems with market mechanisms and public organisations. Elsewhere, governance is defined as a means of infusing orderliness to mitigate conflicts and to achieve collective gain [18]. In the view of Olanrewaju et al. [15], governance is a process through which guidelines, roles, duties, and resources are established, coordinated, implemented and monitored. Essentially, ‘governance’ as a concept originates from the need to have a unified mechanism involving diversity in products/services provisions. The academic literature has shown that there is an increasing shift from the application of management theories to governance theories to address project or organisation performance. The distinctions between ‘governing bodies’ and ‘management bodies’ in organisation theory exemplify this argument, and project failure is now associated with poor governance rather than poor management. Governance is not explicit to any field or scope of works, rather it is applicable to any decision making process that seeks better performance through stakeholders identification and engagement, risk identification and mitigation, and collaboration in decision making.

Governance theory has been applied to IT, agricultural, farming, banking and business sectors. One of the fields that the governance theory has found application lately is project/programme/portfolio management. An argument for the application of the governance theory on housing delivery has just begun. Project governance became a ‘vogue’ term in the mid-2000s, mainly to underscore the necessity to rethink the ‘project delivery’ presumably due to the increasingly failure rate of projects [12, 19, 20, 21, 22]. The reason for this is the failure of the management
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