



KELL CONSULTING

MANAGEMENT PERSPECTIVES

A LETTER TO PHA EXECUTIVE DIRECTORS ABOUT QHWRA

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Dear Executive Director:

Unfortunately, and as you surely know by now, it is easy to get lost in the regulations and regulatory corrections, computerized templates, and stacks of data, and forget about the opportunity that QHWRA presents to you. Of course, meeting program compliance alone is sufficient in this effort, and considering all the other requirements and responsibilities placed upon you and your staff, choosing the compliance route is tempting. However, the Agency Plan process, if used correctly, can provide authorities with an unprecedented opportunity to re-think the business that they are in, the role that they want to play in their communities, and the ways in which they want their agencies to operate into the next century. Leaders in for profit business and not for profit organizations say that the strategic planning process is an essential element to controlled growth and change. It can also be a time of reflection and thought, as leaders assess their organization's values and make conscious choices among competing interests.

As any student of management will tell you, do not deny yourself this thought provoking and rewarding opportunity. Or, to put it more pragmatically: as HUD loosens the reins, someone will have to pick up the slack. Obviously, it is in your best interests that that person be you.

If possible, as you approach the development of your Agency Plan, keep four things in mind. **First, time is well spent in correctly and accurately defining your mission statement.** Only you will know what is right for your agency and your community because you manage the resources, provide the services, and know your customers best.

For that reason, we recommend that you do not immediately adopt one of the HUD developed, all-purpose mission statements as your own.

Consider this instead. A leader in management thought, Peter F. Drucker, says in his Managing the Non-Profit Organization, “look outside at the opportunities, the needs. Where can we, with the limited resources we have – and I don’t just mean people and money, but also competence – really make a difference, really set a new standard? The next thing to look at is what we really believe in. I have never seen anything being done well unless people were committed.”

Sometimes, housing authorities operate, or are forced to operate, for political reasons, as islands in their own community. The great danger here is that these agencies tend to look inward at themselves, rather than outward at the needs. As a result, some housing professionals become, as Drucker would say, “so convinced that they are doing the right thing, and are so committed to their cause, that they see the institution as an end in itself. Soon people in the organization no longer ask does it serve our mission? They ask, does it fit our rules?”

As you develop your mission statement, consider the following:

- Why are we in business?
- What exactly is the service we provide?
- Who do we serve?
- What are our core values?
- What does success mean to us?

These questions are much more difficult to answer than they appear, and the answers will differ from agency to agency. Each authority will bring its own local market considerations, organizational capacity, operational experience, and most importantly, its values, to the deliberation. The best advice is this: free up preconceived notions, and don’t be afraid of the outcomes. No PHA can be all things to all people. You have to choose.

For example, housing authorities are being encouraged to think along the lines of business and the bottom line, both for ideological reasons, and self preservation. One outcome of this is the mantra that PHAs must bring in higher income families in order to realize greater revenue. In reality, “bringing in higher income families” is as much a value judgment as it is a business decision, and it may or may not be the most important consideration for your community. If it is your authority’s goal to house people who cannot find shelter anywhere else – and this is a perfectly legitimate goal – then your mission will be quite different from another agency that strives to house higher income families. There is no right or wrong here. There is only what is best for your community.

The flexibility we have in establishing our mission is an advantage that public housing authorities have over their private sector counterparts. Because when all is said and done,

PHAs still have a public purpose, and can choose who to house based on other considerations than just profit.

Second, develop a marketing perspective that is customer focused. A marketing perspective may be a new concept for some PHAs, but it is an essential component of good business management. Philip Kotler, a Harvard marketing professor, says that “the most important tasks in marketing have to do with studying the market, segmenting it, targeting the groups you want to service, positioning yourself in the market and creating a service that meets the needs out there.” “Advertising and selling are afterthoughts.”

“The contrast between marketing and selling is whether you start with customers, or consumers, or groups you want to serve well – that’s marketing. If you start with a set of products you have, and want to push them out into any market you can find, that’s selling.”

Some housing authorities, particularly those with vacancy problems for example, can fall into the trap of selling rather than marketing because of the need to lease up vacant public housing units. So, rather than conducting a market analysis, and re-positioning the product if necessary based on customer need, a sales brochure is prepared and disseminated instead.

If used properly though, the Agency Plan includes sections in which marketing research and analysis can be conducted that will lead an authority to a marketing oriented solution. For example, if considered thoroughly, the outcome of the Statement of Housing Needs analysis will detail information regarding current needs, future population trends, employment opportunities, and projected housing needs. Combining this information with that regarding capital improvement requirements, the potential necessity of demolition and disposition of units, and the results of a PHA’s own customer satisfaction surveys, can become the basis for a meaningful strategy.

The ultimate question for you to ask in the development of a marketing based approach is this: In considering our target market -- our customer base -- what can we do better than anyone else in serving their needs? What are our core competencies? In what way do we stand out from other housing service providers? The answer to these questions is our competitive advantage and should be part of the building block of our strategy.

Third, consider the costs and benefits of your decisions. There was an interesting HOM interview in the May, 1999 edition with Dennis Guest from Columbus, Ohio. In it, Dennis talked about the costs and benefits associated with reducing the authority’s vacancy rate from 3% to 2%. The 2% vacancy rate would earn the housing authority a higher PHMAP/PHAS score, but the cost of that reduction could be “four times” what could be gained from the funding formula. Is that trade-off worth it?

When considering whether to adopt an improvement, consider the balance between available resources and effectiveness. If the low income housing industry had all of the world's money in its possession, PHAs could provide a higher level of service than they provide right now. But, no industry or business has all the financial resources it wants or thinks it needs. Constraints are part of every business enterprise, and housing authorities are no exception. As a result, all organizations, including housing authorities, need to know what it costs to operate and provide services so that intelligent decisions can be made. Unfortunately though, many PHAs cannot say how much it costs to operate a given development or reduce the authority's vacancy rate by 1%.

There is no substitute for good cost data, and if the lack of cost data is a reality for your agency, it should be remedied, either as part of the Agency Plan development, or during the five-year plan. Once costs are known, the information can be used in many ways that will assist your planning and management. There are the obvious uses such as performance evaluation, better financial forecasting and so forth. Also though, improved knowledge regarding cost and performance can contribute to scenario analysis whereby potential outcomes are projected based on certain occurrences in the internal or external environment. Scenario analysis is a useful tool that is used by business leaders in all industries, and which could be used to great effect by housing authority Executive Directors.

Fourth, **are you organized for yesterday and not for today?** Well conceived organizational architecture is a building block of any high performing system. Structured correctly, it will contribute to the success, growth and innovation of any organization. However, the change in the HUD rules and requirements, and the development of your agency's mission statement will very likely change what is required in your organizational structure. Just like the other three issues discussed here, creating the correct organizational model for your authority requires thought and consideration.

There is no one "correct" way to organize a housing authority, particularly now with the changes taking place related to QHWRA. When evaluating your agency's organizational structure, focus most on performance, and consider the following:

- If the mission statement your agency develops changes the service that you will provide, how does that impact on the structure? What changes will need to be made to the structure to make it relevant for today and tomorrow?
- What is the level of quality of the outcomes or products currently produced? Are there organizational bottlenecks that prevent your authority from being its best? Make every attempt to honestly separate out those problems that are "people" problems vs. those that are "organizational" problems.
- What is the cost in dollars associated with the level of service being provided? Can cost reductions be realized by improving the organizational structure? Quite often, it can.

- Do the processes and procedures flow from the structure? Do they avoid overlap and duplication? Do they make sense?

Last but not least, consider the corporate culture. A positive, shared culture can be a source of strength for an organization, and the myths and stories that spring from it can often be of inspiration to the staff.

Ask these questions: Is the work environment casual or formal? Is creativity and initiative, or following rules and procedures rewarded more? What does client service mean? What is the authority's pace, the kind of employees it attracts, its relationships with the families, its relationship with HUD? Is it team-oriented, or do people work as individuals more? Which people are admired more than others, and why? Who are the legends, and why?

The answers to these questions will lead you to a more effective structure that will meet the needs of your newly defined agency.

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