

POLITECNICO DI MILANO

Department of Management, Economics and Industrial Engineering

Ph.D. in Management, Economics and Industrial Engineering

- XXV Cycle -



**APPLYING AGENCY AND STEWARDSHIP THEORIES
AT THE INTER-ORGANIZATIONAL LEVEL:
THE CASE OF THE SOCIAL HOUSING SECTOR
IN ITALY**

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2014

Table of Contents

Preface: the motivation for this work	4
Abstract.....	12
1. Literature review	22
1.1. Agency theory	22
1.2. Stewardship theory	26
1.3. The joint use of the theories	30
2. The theoretical framework	36
2.1. The manager's characteristics.....	36
2.2. Contractual relationships	52
2.3. Sector characteristics	55
3. The social housing sector: an overview	60
3.1. Social housing in Europe	60
3.2. The social housing sector in Italy	65
4. Methodology and data.....	69
4.1. The sample selection	69
4.2. The variables selection	70
4.3. The data collection and validation	73
5. Findings.....	75
5.1. The manager's characteristics.....	75
5.2. The contractual relationship.....	90

5.3. <i>The analysis of performance</i>	93
6. Discussion	105
6.1. <i>How do the manager's characteristics affect its behavior (is it more of an agent or a steward)?</i>	105
6.2. <i>How are contracts structured and managed?</i>	108
6.3. <i>How do the manager's characteristics and contract rules affect service performance?</i>	108
7. Conclusion.....	113
References	117

Preface: the motivation for this work

In 2003 the Municipality of Milan contracted the management of social housing to three private, for-profit firms. This choice was justified under the assumption that private management alone would reduce public costs and improve quality. In this respect, the title of Van Slyke's paper (2003): "*The mythology of privatization in contracting for social service*" is illustrative.

The results, however, failed to meet expectations. Management performance declined relative to the previous management arrangement: "... *arrears increased substantially, as did the additional charges. Establishing control over [management's] activities was impossible because of the lack of data and data exchange procedures...*", a municipal official reported.

In 2008, near the end of the private firms' service contract, the head of social housing for the Municipality of Milan decided to explore the managerial choices made by other municipalities. Thus, she commissioned a study from my research group. The study was conducted in two phases: first, we briefly analyzed the sector's structure and size. Specifically, we assessed the distribution of competences among the levels of government (State, Regions and Municipalities), the number of families that had requested social housing and the number of social housing units in each municipality. Second, we selected seven case studies to compare managerial choices. The managers' legal status (public, private, for profit and nonprofit), certain contract rules (a list of contracted activities, the manager's fee, and data exchange procedures) and a pair of performance measures (arrears as a percentage of total revenues and percentage of units inhabited by squatters) were analyzed.

The research demonstrated that, with rare exceptions, the sector was dominated by public-to-public contract relationships; few contract relationships were incentive-based, but when they were, the incentives seemed to have a positive effect on the performance measures; public organizations seemed to enjoy better performance than private ones.

However, it must be noted that the results were not robust. The study suffered from methodological weaknesses. For instance, the suggestion that public management was structurally better than private management was exclusively based on a comparison

of two indicators (arrears and squatters). Our research was unable to address all of the complex facets of housing services. The analysis was also weak from an academic perspective. The study did not adopt an overall framework but simply described the situation.



Figure 1. The coverage of the change in management in the primary Italian newspaper.

However, the study produced certain useful recommendations for the Municipality of Milan, specifically with respect to the selection of new managers and defining a new contract relationship. Management was contracted to a public organization: ALER. A pay for performance criterion was included in the service contract. Additional tools were provided to favor joint decisions and, generally, a cooperative environment. Finally, thanks to benchmarks for managers’ fees, the lowest fee was negotiated in the Municipality of Milan’s new contract at the end of 2009. The local page of a national newspaper reported: “...thanks to the new contract with ALER, the Municipality will save 25 million euros in six years, reducing expenditures from 85.9 million euros [the cost when private firms were managers] to 59.9 million euros [the cost when ALCER was the manager]. Additional charges also declined by 10%”.

Figure 2. Some of the key points of the new service contract as reported in *Il GIORNO*.

Regarding our research, a new, more detailed study was commissioned conducted between 2010 and 2011. The methodological approach was more robust.

Using agency theory¹ as framework, we sought to understand how both the risk sharing and monitoring mechanisms written into the service contracts affected performance. We selected five case studies and interviewed eighteen people, some of them multiple times. We analyzed laws, institutional documents, and internal reports and surveyed the literature to increase the number of performance measures we employed. Finally, we devoted substantial attention to data triangulation.

The results revealed a positive correlation between monitoring mechanisms and performance. The findings related to the relationship between risk sharing mechanisms and performance were unclear. However, there were weak signals of a positive correlation. Additional contextual variables affected performance, particularly the size of suppliers (the number of social housing units managed by a single manager) and the level of rent². Specifically, we observed inverse correlations between the supplier's size and the level of rent and the performance measures.

Although the second study was more rigorous and had potential applications for the Municipality of Milan, it failed to elicit any response. I believe that no more than five individuals read the work, and three of those were the authors. However, it represented a good point of departure for my doctoral dissertation. Good, but not satisfying enough. I was not completely convinced of the lens used to interpret the data. Agency theory only partially explained the results. In some cases, risk sharing mechanisms were entirely absent but performance was good. In other cases, better performance was produced by weak or informal monitoring mechanisms than formal ones. Moreover, we insisted that public management was structurally better than private management and compared performance under ALER in 2010 to that of private firms in 2008 and 2009 as a test case. However, agency theory did not provide support for this conjecture. In addition, the methodology was subject to critique: we only reported on a single case of private management in the most complex context. ALER had improved performance in this context, but this could have been linked to the effect of new contractual rules rather than the organization's profile. No one was able to determine

¹ Briefly, agency theory is used to analyze how contractual relationships are structured. It suggests that the contractor and contractee are motivated by different goals and the contractee attempts to pursue his own interests at the expense of the contractor. Thus, the contractor needs to employ risk sharing mechanisms to align the contractee's incentives with his own and control mechanisms to monitor the contractee's behavior. A contractor can only obtain good performance by using these tools. For additional details, see the literature review in chapter one.

² The level of rent is an exogenous variable because it is imposed by law.

whether the private firms' performance would have improved or declined under the new contractual rules. Why did public and private managers perform differentially under the same rules?

Roughly, New Public Management asserts that private firms perform better than public agencies because the rules and methods employed by the private sector are different. The theory is principally concerned with the conditions that make a sector performance oriented (competition, incentives, human resource flexibility and so on). In other words, the contextual rules are what make the difference, not the nature *per se* of an organization. Studies attempting to understand organizational differences between public and private management obtain contrasting results (Rainey and Bozeman, 2000). Boyne (2002) tests 13 hypotheses concerning the difference between public and private management with respect to environment, goals, structures and values. Empirical studies only support three of these hypotheses: public organizations are more bureaucratic, and public managers are less materialistic and have weaker organizational commitment than their private sector counterparts. However, Boyne (2002) criticizes the method used to test these latter three hypotheses and concludes that the evidence has not provided clear support for the view that public and private management are dissimilar in every important respect. Work attitudes and motivations seem to be the characteristics in which public and private managers are more dissimilar (Buelens and Van den Broeck, 2007). Specially, the literature suggests that public employees are less extrinsically motivated, meaning that they are less attracted by high rewards and more motivated by public service. However, some prior studies are unable to observe such differences (Gabris and Simo, 1995; Junkiewicz *et al.*, 1998). In sum, scholars have not arrived a definitive conclusion regarding whether public management meaningfully differs from private management (Maier and O'Toole, 2011). However, the key point is not understanding whether differences exist but if and how they affect organizational performance in terms of outputs and outcomes. In this sense, the question becomes: "why would social housing be better managed by public organizations?" Blank (2000) employs a framework to determine when social service provision can be contracted to private firms and when it must be delivered by public agencies (table 1). She argues that social services are often provided in areas characterized by various forms of market

failure. She lists four such failures: a) externalities³; b) informational asymmetry⁴; c) agency problems; d) distributional concerns⁵. The occurrence of one or more forms of these market failures indicates what type of management may be optimal. In services affected by externalities, government regulation seems the most effective form of public intervention. Here, the private sector both owns and manages the service, while public agencies regulate it by limiting the private sector’s activities. When externalities and distributional concerns occur simultaneously, public regulation should be supplemented by, for example, the use of vouchers to help low-income families access certain services. When, in addition to externalities and distributional concerns, services are characterized by agency problems, contracting for them may be viable. Public agencies own the service provider and private firms manage it. Finally, when all four market failures occur in tandem, public ownership and provision is preferable.

Table 1 Models of public/private interaction by types of market failure

	<i>Externalities</i>	<i>Distributional Concerns</i>	<i>Agency problems</i>	<i>Unobservable Output Quality</i>
<i>Private ownership and management</i>	<i>Yes</i>	<i>No</i>	<i>No</i>	<i>No</i>
<i>Public regulation</i>				
<i>Private ownership and management</i>	<i>Yes</i>	<i>Yes</i>	<i>No</i>	<i>No</i>
<i>Public regulation and vouchers</i>				
<i>Public ownership and private management</i>	<i>Yes</i>	<i>Yes</i>	<i>Yes</i>	<i>No</i>
<i>Public ownership and management</i>	<i>Yes</i>	<i>Yes</i>	<i>Yes</i>	<i>Yes</i>

Source: Blank (2000).

Following Blank’s model, public management would be superior, provided that social housing was affected by all four market failures. However, Blank uses social housing as an example of the application of vouchers in the USA, suggesting that the sector is “only” affected by externalities and distributional concerns. Some authors

³ In economics, an externality is a cost or benefit that results from an activity or transaction and affects an otherwise uninvolved party who did not choose to incur that cost or benefit (Buchanan and Stubblebine 1962 in Wikipedia). Blank (2000 p. 36) reports the following example: “*ineffective or poorly run prisons may increase the probability of criminal behavior among prisoners after they are released, imposing costs on the larger society*”.

⁴ The concept of asymmetric information is linked to consumers being unable to value the quality of the service provided *ex ante* or monitor the outputs of the same service *ex post*.

⁵ These refer to the inability of certain individuals to access a given service.

criticize this approach to the sector (Rabaiotti, 2007); what happens when the level of vouchers is insufficient to guarantee that all applicants can purchase or rent housing? An agency problem is also verified in this sector. In this case, Blank suggests that public ownership and private management should be employed. Other scholars demonstrate that social housing performance is difficult to measure and hence the sector is also characterized by asymmetric information (Carter 1989; Kempt 1995). This latter configuration is compatible with our assumption that public management is preferable. However, the debate on the nature of social housing provision is ongoing, and the use of “publicness” as framework would also have failed to provide a complete explanation for our results.

By combining the hypotheses of agency theory with the hypothesis that outputs are difficult to measure in the social housing sector could have provided a possible interpretation. Under these assumptions, exercising control through a contract is difficult, if not impossible, and ownership becomes the only form of effective control. This was consistent with our findings: Casa spa and Acer were owned by the municipalities of Florence and Bologna, respectively, and they exhibited the best performance. However, had we analyzed the results in greater detail, we would have arrived at a mistaken interpretation. The most important assumption of agency theory (at least in the simple model) is that the goals of the principal and manager are in conflict and incentives and control are required to align such goals. Instead, in our study, the goals were intrinsically aligned, and the tenets of agency theory could have been refuted.

Public choice theory would have been a valid alternative theoretical lens. The theory predicts that to improve performance, it is necessary to structure markets in a more competitive way, reduce the size of public agencies that provide services (it is optimal if services are provided by private – profit or nonprofit - organizations), and decentralize decision-making processes. Many European countries have reformed their social housing sectors in keeping with these principles with mixed results (Boyne and Walker, 1999; Gruis and Nieboer, 2004; Oxley *et al.*, 2010; Schätzl, 2007; Walker, 2000; Walker and Van der Zon, 2000). The effects of decentralization, deregulation and privatization have been debated, and no consensus opinion has emerged. Nevertheless, some authors have strongly criticized such reforms, arguing that they have been

counter-productive and led to the new problems of ghettoization and social exclusion (Priemus *et al.*, 1999, Priemus and Dieleman, 2002; Sprigins, 2002). In this context, our work could have contributed to the debate by using the Italian case as an evolution of public choice theory. For instance, we noted that the supplier size is inversely related to performance, and this matches the prediction of public choice theory. Thus, the focus of the research would have shifted from a managerial issue to a systemic issue.

However, employing public choice theory as a framework would have produced a further problem. During my doctoral studies, professors consistently advised me that one of the most critical aspects of what we do is the novelty of our work. If the dissertation's goal had been to analyze reforms to the Italian social housing sector under the umbrella of public choice theory, it is likely that the study would not have made any novel contributions. Boyne and Walker wrote a paper perfectly aligned with my intentions: "Social housing reforms in England and Wales: a public choice theory evolution," but they did so in 1999. The main studies in the field (using this approach) were published around the turn of this century. I was certain that no studies similar to mine had been conducted. No international journal had published an article on the Italian social housing sector from a public choice theory perspective. I could have argued that that the work's novelty concerned its context. However, I was less than enthusiastic about this prospect. What perspective should the dissertation adopt to maximize its quality or say something new?

The choices were: agency theory *tout court*; agency theory combined with the hypothesis that outputs in the social housing sector are unobservable; agency theory in the context of aligned objectives; the concept of publicness as a way to justify the superiority of public organizations in managing social housing; Blank's model of social service provision; and public choice theory.



Figure 3. The daisy petals as a metaphor for the choice of a theoretical framework.

Source: www.biancoscudata.blogspot.com.es

While these considerations do not represent critical aspects for the head of Milan's housing sector, or, for real life in general, they are critical aspects in selecting an appropriate framework of my dissertation. Which theoretical lens to use?



Figure 4. The discovery of gravity: the legend of Newton and the apple

Source: www.abhishekmsc.blogspot.com

In November 2011 I entered, “contract relationship for social services” into Google Scholar, and I began to browse a list of papers. My attention was immediately captured by the following title: “Agents or stewards: using theory to understand the government-nonprofit social service contracting relationship” (Van Slyke, 2007). It was very intriguing: it used the word “agent”, the words “social services” and “steward”, a term with which I was unfamiliar. In

addition, it was published in the *Journal of Public Administration Research and Theory*, a journal in which any scholar concerned with public administration would like to publish his or her work. I read the paper and was pleasantly surprised. I developed an awareness of stewardship theory: a different framework to explain the manner in which contract relationships are structured. The theory assumes that the goals of principals and managers (called stewards) will be in alignment. A manager or a steward maximizes his welfare by adopting pro-organizational behavior. He is intrinsically motivated. Monetary incentives do not completely determine his behavior, and efforts at control can be counter-productive (Devis *et al.*, 1997).

I soon realized that using both agency and stewardship theories would have been key to a persuasive interpretation of the results. For instance, differences among managers could have been explained not in terms of their public or private nature but in terms of agents or stewards, where public managers seemed to behave more like stewards. Therefore, I first intensified my literature review and identified two gaps; thereafter, I updated and modified my previous study to develop suggestions for overcoming these gaps. Specifically, I increased the number of case studies and updated both the data typology and observation period. Finally, I selected “Applying agency and stewardship theories at the inter-organizational level: the case of the social housing sector in Italy” as the new title for my dissertation.

Abstract

Objectives and research strategy

Structuring effective contractual relationships is a critical factor for the success of organizations. How should the principal select, incentivize and control a manager to ensure that she properly performs a service on his behalf?

The most widely used theory to frame contractual relationships is agency theory (Jensen and Meckling, 1976; Segal and Leher, 2012, Van Slyke, 2009). The principal and manager are assumed to be moved by different goals. The manager is a self-interested actor who attempts to pursue his own goals at the expense of the principal. To ensure that their goals are aligned, the principal writes contracts based on economic incentives and penalties linked with the manager's performance and develops control systems to monitor the manager's behavior.

While agency theory is the dominant framework, some scholars have suggested a different approach to characterize contractual relationships. The hypothesis is that not all managers are self-interested; instead, they can also adopt pro-organizational behavior and have goals aligned with those of the principal. In this scenario, a manager requires trust and autonomy, monetary incentives do not determine his behavior and control can be counterproductive (Davis *et al.*, 1997). This is the framework of stewardship theory.

Initially, scholars regarded the two frameworks as mutually exclusive. Relatively more recent studies have suggested that they be used in concert and identified psychological and situational factors such as leadership, motivation, identification, moral development and so on that make one theory more effective than the other (Davis *et al.*, 1997; Hernandez, 2007; Martinov, 2009). However, while these factors have been well defined at the individual level, less work has addressed instances in which the principal and manager are organizations. Studies of contractual relationships using the frameworks of agency and stewardship theories principally consider relationships between shareholders and CEOs, politicians and public officers, and officers and employees in for-profit, nonprofit and public firms. However, contractual relationships are also relevant when the principal and manager are organizations. For instance, public authorities employed contracting as a primary tool for externalizing service provision

for nearly four decades (Brown et al., 2006; De Hoog, 1990; Romzek and Johnston, 2005; Savas, 2000; Van Slyke, 2003, 2007, 2009).

Specifically, two gaps in the contemporary literature are identifiable when the principal and manager are organizations: first, no study defines factors that distinguish what makes an organization a steward from what makes it an agent. However, a steward organization can be defined as an organization with goals that are aligned with those of the principal; *vice versa*, an agent organization is an organization with goals that are not. However, further variables (organizational and relational) such as legal status (for-profit or nonprofit, public or private), size, resource dependence, and so on, could affect a manager's behavior, meaning that such relationships are more complex than a simple agent-steward dichotomy would suggest. (Alexander, 1999; Alexander and Weiner, 1998; Baucus and Near, 1981; Caruana *et al.*, 1998; Cears, *et al.*, 2006; Davis *et al.*, 1997; Dewar and Werbel, 1979; DiMaggio 1986; Eikenberry and Kluver, 2004; Froelich, 1999; Hawkins *et al.*, 2009; Jones, 1984; Leete 2000; Nooteboom, 1993; Oliver, 1990; Puyvelde *et al.*, 2011; Rose-Ackerman, 1996; Segal and Leher, 2012; Stainberg 2010; Val Slyke, 2007; Van Slyke and Roch, 2004; Zheng et al., 2010).

Second, the link between the manner in which contractual relationships are structured and performance is unclear. In other words, some studies have tested the application of both theories at an inter-organizational level (Van Slyke, 2007; Marvell and Marvell, 2008), but none have studied the impacts on service performance.

To fill these gaps, we analyze contractual relationships in the Italian social housing sector. Specifically, this thesis addresses three research questions: 1) how do the manager's characteristics affect its behavior (is it more of an agent or a steward)? 2) How are contracts structured and managed? 3) How do the manager's characteristics and contract rules affect service performance?

The Italian social housing sector represents an appropriate context to answer the research questions: it is a social sector open to both nonprofit and for-profit organizations that have significant differences with respect to goals, size, governance mechanisms, and so on.

Methodology and data

The analysis was conducted through multiple case studies on a period of five years (2008 – 2012). Inductive case research was considered the most powerful and appropriate method for its ability to offer deeper insight into a complex context such as the social housing.

Seven case studies were selected: the municipality of Bologna, Florence, Genoa, Milan, Sesto San Giovanni, Turin and Venice. As Eisenhardt and Graebner (2007) suggest, these cases were chosen for theoretical reasons and not randomly. The sample, in fact, was designed in order to coherently answer to the research questions.

Data and information were collected in the period of June 2011 - September 2013. A preliminary collection of available documentations on institutional websites was made in order to obtain information about laws, projects, economic indicators, etc.. Forty-three people were interviewed and some of them more times. Each interviewed previously received a questionnaire to fill. Two versions were produced, one for the municipalities one for the managers. Such questionnaires were aimed to collect data relative to manager's characteristics, contract rules and performance. Each interview was lasted about two hours with the scope to study in depth the answers given to the questionnaire, to clarify the meaning of some questions, to understand the informal engagements between principals and managers, to collect some additional documents such as the service agreements, internal reports, organizational flow chart, etc.. The information collected through the interviews was compared with that reported in both official and internal documents in order to test the consistency of results. Phone and e-mail were used in case of missing information and data inconsistency.

Findings

Q1: How do the manager's characteristics affect its behavior (more agent-like or more steward-like)?

Findings confirm that managers' behavioral strategies are more complex than a simple agent-steward dichotomy would suggest. Moreover, the analysis of goals and the verification of their alignment or misalignment with those of the principal is not sufficient to say that the manager is a steward or an agent respectively. However, having goals aligned or not, considerably affects manager's behavior. In this sense, we can use

the expression “potential steward” to indicate a manager whose goals are aligned with those of the principal and “potential agent” when such situation is not verified. However, other variables can determine a behavioral shifting. Specifically:

1. legal status affects manager’s behavior. Particularly, public organizations tend to behave as stewards while privates as agents. Among the former, no difference emerges between for profits and nonprofits. This result, however, is affected by the lack of private nonprofit organizations in the sample;
2. how size affects manager’s behavior depends on the initial manager’s starting situation. In detail, whether the manager is a potential steward, the bigger the organization, the more it behaves as an agent. Conversely, whether the manager is a potential agent, the bigger the organization the more it behaves as a steward. ARTE and Casa spa, that are managers for the municipality of Genoa and Florence respectively, behave more steward-like than ACER, ATC and ALER (managers for the municipality of Bologna, Turin and Milan respectively). All these organizations are potential stewards, but the former are smaller than the latter. At the opposite, MC (manager for the municipality of Sesto San Giovanni) behaves more steward-like than GS1, GS2 and GS3 (the three private for profit firms that managed the social housing for the municipality of Milan till 2009). They are all potential agents, but MC is bigger;
3. centralized or decentralized decisional processes do not seem produce any effect when the manager is a potential agent, while the more the organization is decentralized, the more it behave as agent in case of potential steward;
4. in case of potential steward, the more the economic dependence is, the more the organization seems to behave as steward. Instead, in case of potential agent, the more the economic dependence is, the more the organization seems to behave as agent. This is true on average. ARTE and Insula are two exceptions. It is important to underline that economic dependence’s effect could be better explained whether we even considered the economic margin that the management produces for the manager. Low margin exacerbates agent-like behavior in any case.

Q2: how are contracts structured and managed?

The analysis shows that tools suggested by both theories are utilized, even though not always coherently. Despite the three private firms are agent type managers, in the Milan-GS case, the contract relationship is weak in terms of both risk-sharing and monitoring mechanisms. In the case of Milan-ALER, the contract relationship is based on several risk-sharing and monitoring mechanisms. Tools suggested by stewardship theory, such as the “Tavolo di Gestione”, are also used. However, all contract tools show a patchy distribution: some activities are too much incentivized and monitored, others too little. In Genoa case, ARTE works in total autonomy. Until the 2010, contract relationship in Turin was structured as well as in Genoa. However, with the new service agreement, monitoring mechanisms has been reinforced. In Florence case as well as in Venice one, the control is strong but not rigid. It is not used in order to reward or penalize the manager, but as a way to act quickly when there is something wrong. Contrariwise, the relationship between the municipality of Sesto San Giovanni and MC follows a more principal-agent approach. In the end, in Bologna case, the use formal procedures of control and risk-sharing mechanisms is alternated with joint decision processes and more relaxed situations in which a principal-steward approach seems emerge.

Q3: how do the manager’s characteristics and contract rules affect service performance?

Results show that neither manager’s characteristics nor contract rules alone offer a comprehensive reason of manager’s performance. Instead, the manner in which these two dimensions are matched is more explanatory. For instance, ACER provides performance that can be on average compared with those of Casa spa, though manager’s behavior and contract rules are different. MC’s performance is definitely better than each of three managers in Milan-GS case. However, MC’s characteristics are not so different if compared with those of the aforementioned managers.

In general, it is the degree of contractual efficiency, as shown in the theoretical framework, that impacts on performance. If contract relationships are not structured in accordance with the manager’s behavior, performance is low. In this sense, two forms of inefficiency are provided by the empirical analysis. The first occurs when principal and manager begin their relationship in different position. For instance, the principal

wants to structure a principal-agent relationship with a manager steward-like. Such inefficiency, however, can be surmounted over the time. The principal and manager are two dynamic entities that interact and modify their behavioral strategy until they find a point of equilibrium. The second form of inefficiency, instead, is more dangerous and occurs when the principal decides to structure a certain relationship, but it doesn't use all tools to develop it. the principal prefers a principal-agent relationship, but it does not foresee appropriate control mechanisms; at the opposite, the principal declares the will to structure a principal-steward relationship but he exacerbates the control or does not involve the manager in the decisional process. The cases of Milan-GS and Milan-ALER in 2011 and 2012 are examples of such type of contractual inefficiency.

Though theoretically both principal-agent and principal-steward relationships can produce high performance, the former are more difficult to implement in the social housing sector because the sector shows a high degree of complexity. In 2010, the change from agents to a more steward-like manager led to an increase in performances in almost all activities for the municipality of Milan. On average, the relationships with managers more steward-like show the best performance above all in those activities that are sector-specific such as the recovery of arrears and the squatters.

The last element of discussion concerns the effect of control mechanisms. This work shows that control is never deleterious but rather, positively affects performance, even in these cases of relationships with steward-type managers.

Theoretical and practical implications

This work analyzes the manner in which contractual relationships are structured in the Italian social housing sector. It is one of the few applications of agency and stewardship theories at the inter-organizational level and its main contributions can be read along two dimensions. The first indicates the nature of the contributions (theoretical *versus* managerial); the second is relative to the field of application (general management *versus* social housing). These two dimensions are orthogonal and they can be structured in a matrix 2x2:

1. theoretical contributions in the “general management” field:
 - a. this study is the first attempt to extend and reconcile agency and stewardship theories when they are applied at the inter-organizational level. Specifically, it

defines some organizational and relational variables that lead an organization to behave as agent-like or steward-like;

- b. among these variables, a relevant contribution is given relative to the effect of organization' size on its behavior. In literature, results are conflicting. In detail, some studies assert that the size favors an opportunistic behavior while others the opposite. In this work, instead, is given a possible interpretation of this apparent conflict. Specifically, how size affects organization's behavior depends on what we have called "the starting point" that the organization itself occupies on the steward-agent axis. If the organization is a potential steward, that is, if its goals are aligned with those of the principal, the higher the size the more it behaves as agent. Instead, if the organization is a potential agent, that is, its goals are misaligned with those of the principal, the higher the size, the more it behaves as steward;
 - c. an innovative model for structuring efficient and effective contractual relationships is proposed. It is inspired by Davis *et al.* (1997). In contrast to the model postulated by these authors, ours considers agent and steward as continuous variables, meaning that organizations' behavior can be mixed and surely more complex than a simple agent-steward dichotomy would suggest. Segal and Lehrer (2012) have already recognized the importance of considering agent or steward as continuous variables, but in their work, they have proposed again the model of Davis *et al.* (1997), in order to simplify discussion;
2. managerial contributions in the general management field:
- a. the organizational and relational variables have been so selected because they are easily verifiable and measurable. Goals, legal status and size are reported in any website or institutional document. The level of hierarchy can give the idea of the degree of centralization or decentralization. It is deductible through the organizational chart. The resource dependence can be calculated knowing the manager's annual income and the service fee. In this way, any principal can quickly apply the methodology proposed in this work, classifying the potential manager's as agent or steward;
 - b. this study confirms that in complex contexts, principal-steward relationships with steward-like managers let to obtain better results;

3. managerial contributions in the social housing field:
 - a. the Italian social housing is complex and consequently its management cannot be contracted with any providers;
 - b. decision-makers can define rules in order to reduce service complexity. In this case, the issue is not merely contractual, but concerns the whole sector's design. Particularly, when the size of the housing stock decreases, the complexity decreases. Consequently, the sector can be opened to more providers and even principal-agent relationships can be structured. Generally speaking, the contractual relationships, that regulate the managerial aspects, must be designed in accordance with the sector rules such as the allocation criteria, and the financing systems;
4. theoretical contributions in the social housing field:
 - a. structuring contractual relationships coherently with the sector rules implies that no "a better way" exists in the social housing sector's design. This has an important implication from a theoretical perspective because allows us to give an alternative interpretation to that offered by the public choice theory. Specifically, the theory suggests that it is necessary to reduce the size of (public) agencies that provide services in order to improve performance. Boyne and Walker (1999) report the English case as an instance of public choice theory application and they show how performance is improved after the reduction of agencies' size. Nonetheless, they are not able to explain why in the Netherlands, performance is improved but the size of agencies is increased. This study, instead, offers a possible interpretation. The rules that characterized the social housing sector in the Netherlands and in England are different. In both cases, managers are nonprofit organizations whose goals are aligned with those of the principals. In other words, they are potential stewards. However, in England the sector is open for the poor and disadvantages only (residual model) and it is financed by public grants. Thus, it is complex and principal-steward relationships let to maximize performance. When a manager is a potential steward, the smaller the size, the more it behaves as steward. Consequently, the smaller are the agencies the better is the performance. At the opposite, in the Netherlands, the sector is structured in accordance with the universalistic model

and rules are market-oriented. It shows a lower degree of complexity and it is regulated to favor relationships more agent oriented. A potential steward becomes more agent-like when its size grows. Thus, the point of contractual efficiency, that lead to obtain a good performance, can be found with managers that are bigger than the English counterparts;

- b. the last contribution of this work concerns the novelty of its approach in the social housing field. No study has used before the agency and stewardship theories for analyzing the manner in which the sector is designed and particularly the contractual relationships are structured.

Obviously, the work represents a starting point and it certainly requires some adjustments. Additional studies are needed in order to confirm our findings and additional variables may be explored for better classifying managers as steward or agent in different context. In this respect, already in this research, the figure and the role of organization's leaders, and the previous interactions occurred between the principal and manager over the years emerge as important elements for the manager's behavioral strategy. Yet, the sample must be modified and enlarged, including private nonprofit organizations whose lack in this work is considered a relevant limitation.

The structure of the work

This work is divided into seven chapters. The first presents a literature review is on agency and stewardship theories, providing the assumptions, tenets, applications and critiques associated with each theory. Moreover, the first chapter reports on and analyzes studies that jointly apply these theories at the inter-organizational level. The chapter concludes by identifying the gaps in the literature and explaining the research questions.

The second chapter presents the theoretical framework. It is developed along three primary dimensions:

- a) managerial characteristics that can predict the behavior of an agent or a steward: a set of organizational and relational variables derived from the literature are listed and discussed. These variables are considered possible antecedents of an agent or a steward's behaviors. The aim of this chapter is to determine indicators that can be used to classify the manager's type. These variable will be observed and analyzed in

the empirical section of the work, and previous suggestions will be re-elaborated and completed or new ones will emerge;

- b) the tools principals use to structure contractual relationships: a model for developing efficient contractual relationships is proposed in accordance with the manager's type (agent or steward). Examples of inefficient contractual relationships are schematized;
- c) the environmental constraints that can hamper the effectiveness of such contract tools: suggestions are provided to understand which boundary conditions (the nature of the service, legal constraints, political pressures and so on) can predict what form of contractual relationship (from principal-agent to principal-steward) is more effective.

The third chapter presents an analysis of the characteristics of the social housing sector across different countries. After brief arguments concerning the definitions and boundaries of social housing in several European countries, three dimensions are analyzed: access mechanisms, that is, to whom the service is provided; the financial system; managerial models. The final section of the chapter discusses the Italian case in detail. The methodology and data employed are explained below. The sample selection process, the stages of the analysis, and the data collection tools are reported. An important section is devoted to the selection and operationalization of variables that can predict a manager's behavior and the performance indicators. The fifth chapter describes seven case studies. Manager characteristics, contractual relationships and performance levels are compared to understand possible relationships among these dimensions. The sixth section discusses the results. Finally, the seventh and final chapter of the dissertation provides suggestions concerning the theoretical and the empirical implications. Thereafter, the dissertation's limitations and future lines of research are presented. The thesis begins with a preface describing how this work originated and developed.

1. Literature review

This chapter provides a literature review to understand the assumptions, theoretical tenets, applications and critiques of agency theory and stewardship theory. The aim is to identify gaps in the literature and define their theoretical components when applied at the inter-organizational level.

1.1. Agency theory

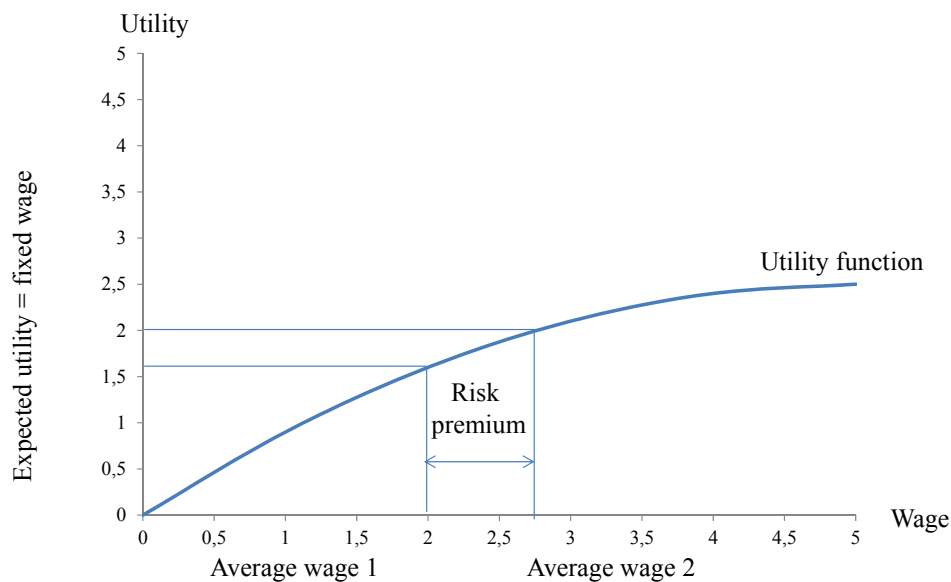
Generally, agency theory focuses on the relationship between two actors: the principal and the agent. The principal delegates authority to another actor, the agent, to perform a service on the former's behalf. Ross (1973) defines agency theory as one of the oldest and most commonly codified modes of social interaction. Examples of it are universal: "*a client (principal) might hire a lawyer (agent) to defend his case, or a homeowner (principal) might hire a carpenter (agent) to fix her staircase*" (Caers *et al.*, 2006, p. 26).

In the organizational economics and management literature, agency theory is used as a theoretical framework for structuring and managing contractual relationships (Jensen and Meckling, 1976; Kiser, 1999; Van Slyke, 2007). While agency theory takes several forms, in its most common version, ("the simply model") it assumes that:

1. the principal and agent are rational and self-interested actors (Albanese *et al.*, 1997; Davit, *et al.*, 1997). They attempt to maximize their utility and pursue their own goals;
2. the agent has significant informational advantages he exploits to maximize his utility that can generate both adverse selection and moral hazard problems. Under pre-contractual information asymmetry, an adverse selection problem occurs when the principal must select a manager (agent) to perform a service but the former is unable to evaluate the skills of the latter (Dahlstrom and Ingram, 2003; Shapiro, 2005). Thus, the agent can engage in deceptive behavior, misrepresenting, bluffing and falsely advertising his willingness and ability (Husted, 2007; Van Oosterhout, *et al.*, 2006). A moral hazard problem arises under post-contractual information asymmetry and is due to the principal's inability to observe the agent's decisions at all times (Levinthal, 1988; Torres and Pina, 2002). Thus, the question is how to

induce the agent to supply the appropriate productive inputs when his actions are not observed (Holmstrom, 1982).

- the principal is risk neutral (or more neutral than the agent); in contrast, the agent is risk averse. This implies that, in a contractual relationship, when the agent must choose between a fixed wage and a variable wage that yields the same average, he will always choose the former (Caers, *et al.*, 2006). The agent's utility function is concave (figure 6), and the agent will only accept a variable wage if the principal concedes a risk-premium to the former. Obviously, the more risk-averse the agent is, the larger the necessary risk-premium will be. The different attitudes the two parties have towards risk result from the agent's inability to diversify his employment, in contrast to the principal's ability to diversify his investments (Eisenhardt, 1989).



The x-axis indicates the wage level that the principal offers the agent. Because the principal wishes to transfer some part of risk to the agent, he will offer a variable wage (related to output). The y-axis measures the agent's utility. This latter is associated with the value of the wage the agent receives in a fixed manner. When the principal offers a variable wage with an average value of 2, the agent will not refuse a fixed wage of the same value because he is risk-averse. The agent's "certainty equivalent" for 2 is 1,6, that is, the agent will select a 1,6 fixed wage over a variable wage of 2. To yield a fixed wage of 2, the principal has to offer a variable wage of 2.7. The difference of 0.7 (average wage of 2 less an average wage of 1) is the agent's risk premium.

Figure 5. Utility function of a risk averse individual.

An agency problem occurs when the agent's goals diverge from those of the principal, meaning that the agent will pursue his own goals and maximize his utility at the expense of the principal (Caers, et al., 2006; Davit, et al., 1997; Kunz and Pfaff, 2002; Martynov, 2009; Sharma, 1997). Although the assumption of rational and self-interested actors does not strictly imply conflicting goals between the principal and agent, such an outcome is likely because of the combination of asymmetric information and the agent's risk aversion (Harrison and Harrell, 1993; Kunz and Pfaff, 2002).

Agency theory suggests strategies by which the principal can reduce his utility loss, adopting mechanisms likely to align the agent's goals with his own (Berhold 1971; Devis et al., 1997; Kiser, 1999; Sundaramurthy and Lewis, 2003; Van Slyke, 2007).

Specifically, the principal selects a certain type of agent he believes the most qualified to perform the service he wishes to delegate. He can use screening procedures, examining signals from potential agents, or provide opportunities for self-selection (Bergen *et al.*, 1992). Although these mechanisms allow him to overcome the adverse selection problem, they are costly and require time to develop. Just as individuals are able to understand that a product is of high quality because they have sampled a poor quality one (Akerlof, 1970), a principal only observes positive signals from an agent if he can identify negative ones; developing this ability is a time-consuming activity. Thus, the principal must balance the costs of developing detailed selection procedures against the costs associated with selecting an incompetent agent.

The choice of a "good" agent does not ensure for success. The agent is assumed to be risk-averse and potentially in conflict with the principal's interests, meaning that he will engage in shirking behavior. Thus, the principal must exercise control over the agent's effort by constantly monitoring his behavior. The principal can use, for instance, reporting procedures, budgeting systems or add additional layers of management (Eisenhardt, 1989). The more he reinforces the monitoring system, the greater his ability to reduce his utility loss (Levinthal, 1998; Stark, 1987; Caers, 2006). Such monitoring mechanisms allow the principal to overcome the moral hazard problem, such that if he were able to observe and control the agent's behavior at all times, he could develop a contract that would be optimal for both the agent and himself (Levinthal, 1998; Stark, 1987; Caers, 2006).

Because control is costly and, ultimately, not always possible, the principal adopts mechanisms that reward or penalize the agent based on his performance. In this way, he attempts to transfer some share of the risk to the agent. If the agent were risk neutral, the contract solution would be optimal (the first-best solution) in the presence of asymmetric information (Levinthal, 1998). For instance, in this case, the principal could receive a fixed payment and the agent the residual revenues, thereby absorbing all of the risk associated with the uncertain outcome (Shavell, 1979). The agent, however, is assumed to be risk averse. He will never accept all of the risk associated with achieving results because these depend on exogenous variables such as government policies, economic conditions, competitor actions, technological change, and so on that are not under his control and can affect his performance (Eisenhardt, 1989). Thus, the contract solution is a compromise (second-best solution).

Agency theory has been widely and intensively applied to accounting, economics, finance, marketing, social science and organizational behavior (Eisenhardt, 1989). Likely the most common example of its application concerns the relationship between shareholders and CEOs and the role that the composition the board of directors plays in constraining CEOs' potential opportunism.

Despite its broad application, agency theory has been criticized for the narrowness of its assumptions. First, the model's assumption of a rational and self-interested individual is a simplification of human behavior. A manager can also engage in collective and pro-organizational behavior (Devis, et al., 1997). For instance, Lan and Heracleous (2010), studying the application of agency theory to corporate governance, argue that tools suggested to empirically address or mitigate agency problems have failed because "*the control and self-interest-oriented assumptions of agency theory are deemed unsuitable for offering a rounded understanding of corporate governance systems that encompass collaborative behaviors or that operate in other contexts than mature market-oriented economies*" (p. 294). Second, asymmetric information can also operate in the principal's favor. In other words, the theory is unilateral and ignores the possibility that the principal may act opportunistically and exploit the agent (Perrow, 1990). Bergen *et al.*, (2002) note that most agency models exclusively define efficiency from the principal's perspective. In this formulation, an efficient contract is one that maximizes the principal's welfare and not that of both parties.

Third, the agent is not always risk averse. Wiseman and Gomez-Mejia (1998, p. 133) recognize that “agency theory's formulation of risk has been too restrictive and naive. This narrow view of risk has prevented a fuller understanding of managerial decision making under conditions of dissimilar risk bearing and risk preferences between agents and principals”. Wright *et al.*, (2001) suggest that agents are not all risk-averse but the propensity to take risk depends on certain personal characteristics and environmental circumstances. For instance, Hanbrick and Mason (1984) assert that young executives are more inclined to pursue risky strategies. Some studies demonstrate that many principal-agent relationships are based on trust (*e.g.*, Cuevas-Rodriguez *et al.*, 2012; Mayer *et al.*, 1995). Trust is only possible if the two parties are risk-seeking or at least risk-neutral.

A further criticism is that agency theory is an inappropriate framework for services for which performance is neither easily measured nor observed (Eisenhardt, 1989). The principal's need to share risk through compensation schemes based on agent performance implies that performance is easily measurable, but there are services, such as social services, for which this is not the case.

1.2. Stewardship theory

An additional theory has been formulated to address the narrowness of agency theory's assumptions: stewardship theory (Donaldson and Davis, 1989).

The steward is assumed to be rational, but not self-interested. He attempts to maximize his utility, but he believes that pro-organizational and collectivistic behaviors generate higher utility than individualistic ones (Devis *et al.*, 1997, Martinov, 2009). His goals are either aligned with those of the principal, or when they are not aligned, “the steward places higher value on cooperation than defection” (Devis, *et al.*, 1997, p. 24).

A steward is intrinsically motivated to maximize the organization's wealth (Wasserman, 2006); he finds work activities interesting and derives spontaneous satisfaction from them. His behavior is not solely affected by money-based incentives, but rather, he desires rewards such as opportunities for growth, achievement, affiliation and self-actualization (Devis *et al.*, 1997).

In a principal-steward relationship, formal and rigid monitoring mechanisms are potentially counterproductive because they can restrict the steward's behaviors and reduce his motivations (Devis, *et al.*, 1997; Dickinson and Villeval, 2008, Frey, 1993; Van Slyke, 2007). Instead, trust, work autonomy and reputational features lie at the heart of such a relationship.

In this framework, the tenets suggested by agency theory are refuted or at least are not suitable. The principal's task is to develop and maintain a favorable environment for cooperative interactions because he will only be certain to maximize his utility in the presence of cooperation. However, this task is difficult. First, the principal must be certain that the manager will act as a steward, and this implies high transaction costs related to initial information exchange, joint decision making, and so on (Van Slyke, 2007). Moreover, as such a relationship is based on trust, both the principal and steward must be risk-prone (or at least risk-neutral). Mayer et al., (1995) define trust "*as the willingness of a party to be vulnerable to the actions of another party based on the expectation that the other will perform a particular action important to the trustor, irrespective of the ability to monitor or control that other party*". (p. 712). The same authors argue that making oneself vulnerable entails risk. As Johnson-George and Swap (1982, p. 1306) assert, a "*willingness to take risks may be one of the few characteristics common to all trust situations.*" Finally, a principal-stewardship relationship is more precarious than a principal-agent relationship. Segal and Lehrer, (2012, p. 174) suggest that while "*isolated deviations from a norm of principal-agent relationship will be self-correcting, that is, deviations from principal-agent behaviour entail no risk of unravelling the equilibrium state... in principal-stewardship relationship, isolated defections are not necessarily self-correcting and can potentially snowball into an unravelling of stewardship*". For these reasons, many principals avoid developing a type of model in which they first decide to contract for a service, preferring to develop such a contract after several years of a satisfactory relationship with the same manager (De Hoog, 1990; Van Slyke 2007).

Stewardship theory is rooted in psychology and sociology. In economics, it was first to contrast the predictions of agency theory and provide a superior model to explain the relationships between shareholders and CEOs. Specifically, it has been employed to demonstrate that shareholder returns were higher when CEOs were also board chairs

(stewardship model) than when CEOs did not hold both positions (agency model) (Donaldson and Davis in 1991, Muth and Donaldson, 1998). Recently, stewardship theory has been applied to describe the governance of nonprofit organizations (*e.g.*, Caers *et al.*, 2006; Carman, 2011 Jegers, 2009, Reid and Turbide, 2012; Van Puyvelde, 2012), the governance of certain public institutions (Marvel and Marvel, 2008, Segal and Leher, 2012) and the governance of family firms (Chrisman *et al.*, 2007, Corbetta and Salvato, 2004, Kellermanns *et al.*, 2008; Le Breton-Miller, *et al.*, 2011; Miller and Le Breton-Miller, 2006; Pearson and Marler, 2010; Schulze *et al.*, 2001; Schulze *et al.*, 2003). Additionally, some papers employ stewardship theory as framework for understanding inter-organizational contractual relationships in human service provision (Dickie and Ott, 2002; Van Slyke 2007).

Box 1 Dialogue on agency and stewardship theories

This box reports a brief, but interesting, dialogue between three scholars who are proponents of agency theory, Albanese, Dacin and Harris, and Davis, Schoorman and Donaldson, and who are proponents of stewardship theory. This dialogue was published in the Academy of Management Review Journal in 1997.

Although, Albanese and colleagues recognize the validity of stewardship theory, they affirm that it is not new but rather an extension of agency theory. Specifically, they contend that stewardship theorists use a narrow definition of agency theory. Specifically, they argue that agency theory is conflated with the agency problem, which is only one aspect of the matter at hand. They further argue that agency theory has already proposed suggestions for goal alignment and the use of trust in contractual relationships and the development of a long-term relationship are considered important for reducing transaction costs in a principal-agent relationship. Moreover, they add that the assumption of rational and self-interested individuals simply means that an agent has identified what he wants and acts to maximize his utility function. However, the utility function is a result of numerous of preferences ranging from monetary rewards to benefits that are less easily quantifiable. In this way, a steward is simply an agent with a peculiar utility function. In sum, they conclude that stewardship theory loses explanatory power when compared to a more complete formulation of agency theory

Davit *et al.*, reply that if the assumption of conflicting goals were relaxed, agency theory would lose much of its specific content. The principal employs risk-sharing and control mechanisms to reduce his utility loss, but if there were no conflict, no utility loss would be assumed and such mechanisms would make no sense. They argue that “the heart” of agency theory is the difference between the goals of the principal and agents. Finally, they agree with Albanese *et al.*, when the latter affirm that stewardship theory loses its explanatory power when examined again a more form of complete agency, but only because this “more complete theory” is a combination of agency and stewardship theory.

However, few of the aforementioned studies consider stewardship theory exhaustive, that is, able to completely explain the phenomena to which it has been applied. Instead, the majority of studies combine it with additional theoretical frameworks, primarily agency theory. It is unsurprising that many authors regard stewardship theory more as a limited case of agency theory than a theory *per se*. Albanese *et al.*, (1997) contend that stewardship theory is based on a narrow definition of agency theory. They argue that stewardship theory has exclusively focused on the principal-agent problem that occurs when an agent's goals are misaligned with those of the principal; however, they argue that agency theory concerns much more than this issue (see box 1). Other authors present suggestions for which contractual relationship is preferable (outcome-based or behavioral-based) and simply relax or extend agency theory's assumptions without developing a new theory (Eisenhard, 1989; Wiseman and Gomez-mejia, 1998; Wright *et al.*, 2001).

A second critique is that stewardship theory paints an excessively rosy picture of the steward (Arthurs and Busenitz, 2003), such that it represents the steward as something approaching a mythical figure to imitate and be inspired by more than offering a testable behavioral model.

Table 2 summarizes the assumptions, tenets, fields of application and critiques of each theory. What emerges is that neither agency theory (at least the simple model) nor stewardship theory alone offers a comprehensive portrait of managerial behavior (Martynov, 2009). Thus, their joint use seems more appropriate.

Table 2. Assumptions, theoretical tenets, applications and criticisms of Agency and Stewardship theories

Agency theory	Stewardship theory
Assumptions	
Principal and agent are rational and self-interested actors	Principal and steward are rational but not self-interested actors
The combination of asymmetric information and the agent's risk aversion increase the likelihood of a conflict of interest between the principal and agent. In this case, the agent will pursue his own goals at the expense of the principal	The steward's goals are either aligned with those of the principal or, if these goals are not perfectly aligned, the steward will pursue the principal's goals nevertheless
Theoretical tenets	
Both monitoring and risk-sharing mechanisms are adopted to help principal to align the agent's goals with his own. For instance, reporting procedures, reward systems, financial incentives and penalties based on managerial performance	The steward must be provided with autonomy and trust to ensure that he will contribute that appropriate effort. He is intrinsically motivated, that is, he finds his work activities interesting and derives spontaneous satisfaction from them. The principal's task is to develop and maintain an environment conducive to cooperative interactions
Emphasis on control and monetary incentives and sanctions	Control mechanisms are counter-productive, and monetary incentives and sanctions alone do not determine the steward's behavior
Applications	
Accounting, economics, finance, marketing political science, organizational behavior	Psychology, sociology, economics, organizational behavior
Criticisms	
Narrowness of assumptions: 1) the assumption of rational and self-interested individuals is a simplification of human behavior; 2) the theory is unilateral and ignores the possibility that the principal may act opportunistically to exploit the agent; 3) the agent is not always risk averse	Few studies consider the theory exhaustive, that is, able to completely explain the phenomena to which it has been applied. Many authors, instead, regard it as more as a limited form of agency theory than a theory per se.
It is an inappropriate framework for contractual services that are not easily measured and observed	The theory paints an excessively rosy picture of the steward

1.3. The joint use of the theories

Initially, stewardship and agency theories were regarded as mutually exclusive. Relatively more recent studies have argued for their joint use, identifying factors that make one more effective than the other. Davis *et al.*, (1997) contend that the choice between principal-agent or principal-steward relationship depends on psychological and situational factors such as motivation, identification, management philosophy, culture, and so on (box 2). Other authors have embraced the notion of a *continuum* from agent-

like to steward-like behavior that is linked to a manager's moral development and motivation (Martynov, 2009) or to a manager's leadership style (Hernandez, 2007).

Box 2 Factors that differentiate agency from stewardship theory
by Devis, Schoorman and Donaldson

In 1997, The Academy of Management Review published a paper by Davis, Schoorman and Donaldson in which the authors detail psychological and situational factors that distinguish stewards from agents.

Although the paper rigorously supports its suggestions, the reader could have the perception of a latent judgment on the part of the authors that stewards and agents are good and bad in nature, respectively. Most of the paper's references are from sociology, a field of which the authors are members, with manifest preconceptions regarding the concept of *homo economicus* as described by agency theorists. However, my desire is not to express a judgment regarding the authors' views regarding the nature of stewards or agents, but to report the primary suggestions of the paper, which represent the first attempt to reconcile the two theories and inaugurated the development of this research field.

Davis, Schorman and Donaldson accurately identify motivation, identification and the use of power as relevant psychological factors.

1. Motivation

An agent's rational and self-interested nature lead to a focus on tangible incentives that have a quantifiable market value. The principal employs such incentives to align the agent's goals with his own. The use of stock options in CEO compensation is an example. In contrast, the steward is motivated by rewards that are not easily quantified such as opportunities for growth, achievement, affiliation and self-actualization. As the authors note, "in a stewardship relationship, the focus would be on the higher order of Maslow's hierarchy". Briefly, we can say that an agent is extrinsically motivated, while a steward is intrinsically motivated.

2. Identification

A steward identifies with an organization by accepting the organization's mission, vision and goals. He works diligently to satisfy those goals because they are his own. In contrast, an agent exhibits little identification with the organization. He tends not to assume responsibilities, while externalizing problems to avoid blame.

3. Use of power

Power can be defined as the way in which an individual influences/forces another to pursue organizational goals. When power is exercised by virtue of an individual's position in the organization, this is called institutional power. The authors suggest that the principal-agent relationship is based on this type of power. The agent pursues the principal's goals in part because he recognizes the authority of the latter.

When power is exercised in the context of an interpersonal relationship and is not affected by organizational position, it is defined as personal power. A principal-steward relationship is based on this form of power. The steward agrees to pursue the

principal's goals because the principal fascinates him. Power operates through one individual's identification with another. Selecting which type of power will be employed is a function of the personal characteristics of the individual and the prevailing organizational culture.

Management philosophy, culture and power distance are cited as situational factors that distinguish agents from stewards.

1. Management philosophy

Reporting on two interesting studies by Lawler (1986, 1992), Davis, Schorman and Donaldson describe two types of management philosophy: control oriented and involvement oriented. Neither is superior to the other in an absolute sense. A control-oriented philosophy is more effective in a stable context. Conversely, an involvement-oriented philosophy provides better results under uncertainty. Moreover, in short-term relationships characterized by a low cost of effort, a control-oriented approach is superior, but when relationships become longer term or the cost of effort is higher, an involvement-oriented approach should be employed. Finally, the authors suggest that individuals facing an involvement-oriented context are more likely to become stewards in their relationships with principals than individuals facing in a control-oriented context.

2. Culture

Individualism and collectivism are two different cultural approaches. The former is characterized by an emphasis on personal goals over group goals. In the latter, individuals subordinate their goals to those of the collective. The authors suggest that an individual's culture is primarily affected by his or her national culture. For instance, North Americans and Western Europeans are more individualistic, while Asians, South Americans and Southern Europeans are more collectivistic. Ultimately, however, personal experiences shape one's cultural orientation. Principal-steward relationships are more likely to emerge in a collectivist culture. Conversely, an individualistic culture is more conducive to the formation of a principal-agent relationship.

3. Power distance

Using Hofstede's (1991, p. 28) definition, power distance is "the extent to which less powerful members of institutions and organizations within a country expect and accept that power is distributed unequally". In a culture characterized by a high power distance, organizations are more centralized and relationships are based on organizational hierarchy. High power distance cultures are conducive to the development of agency relationships. Conversely, in low power distance cultures, organizations are decentralized, workers' salaries are more similar and workers are more involved in decision-making processes. Consequently, individuals in a low power distance culture are more likely to develop principal-steward relationships.

Ultimately, the authors suggest that both psychological and situational factors can occur in combination, making the choice of relationships more complex. They do not develop this point, but they admit that it is very intriguing.

All of these factors have been well defined at the individual level. This is less the case when the principal and manager are organizations. As noted above, studies of contractual relationships using agency and stewardship theories principally consider relationships between shareholders and CEOs, politicians and public officers, and CEOs/officers and employees in for-profit, nonprofit and public firms (Boivie, et al., 2011; Caers *et al.*, 2006; Dalton and Kesner, 1987; Donaldson and Davis, 1991; Heinrich and Marschke, 2010; Hendry, 2005; Krause *et al.*, 2013; Laffont and Tirole, 1991; Nyberg *et al.*, 2010; Wasserman, 2006; Werbel and Carter, 2002). Moreover, these theories are increasingly being applied in the field of family firms, which is considered a unique arena in which conflicts between the principal and manager are minimized as a result of family involvement in both ownership and management. Wright *et al.*, (2001, p. 423) noted, “*that the agency relationship is primarily examined in the context of an individual principal or agent*”. Still, leadership, moral development, and intrinsic motivations are personal rather than organizational features. However, contractual relationships are also relevant when the principal and manager are organizations. For instance, public authorities have employed contracting as a primary tool for service externalization for nearly four decades (Brown *et al.*, 2006; De Hoog, 1990; Romzek and Johnston, 2005; Savas, 2000, 2002; Van Slyke, 2003, 2007, 2009). What happens in this case? Do the assumptions and tenets of agency theory and stewardship theory remain valid? The answer is yes. Van Slyke (2007) finds evidence that contractual relationships between public authorities and nonprofit organizations evolve from principal-agent to principal-steward relationships over time. Marvell and Marvell (2008) note that government-to-government contracting is also managed with tools suggested by both theories. Dehoog (1990) defines three models for inter-organizational service contracting (competition, negotiation and cooperation) that can be attributed to the concepts of agency (competition and, to some extent, negotiation) and stewardship (to some extent, negotiation and collaboration) theory. Yet, the distinction between competitive and relational contracting that Van Slyke (2009) employs to analyze contractual relationships between public authorities and nonprofit organizations in New York State can be framed using agency and stewardship theory, respectively.

At present, however, two gaps can be identified in the literature when the principal and manager are organizations:

1. no study formally defines the factors that distinguish a steward organization from an agent organization. At present, a steward organization can be defined as one in which its goals are aligned with those of the principal; *vice versa*, in an agent organization, this is not the case. However, further variables affect a manager's behavior, meaning that relationships are more complex than an agent-steward dichotomy would suggest. Specifically, such variables can be organizational and refer to legal status, size, and so on. In this respect, there is consensus in the literature that nonprofit organizations can be better represented as stewards than as agents (Cears, *et al.*, 2006; Leete 2000; Puyvelde *et al.*, 2011; Rose-Ackerman, 1996; Stainberg 2010; Val Slyke, 2007; Van Slyke and Roch, 2004), while for-profit organizations are recognized as agents because they are primarily motivated by profit maximization. However, other studies demonstrate that both nonprofits and for-profits can shift their initial behavioral strategies and become more agent-like or more steward-like, respectively (Alexander, 1999; Alexander and Weiner, 1998; Eikenberry and Kluver, 2004). Yet, Jones (1984) suggests that the larger the firms involved, the more likely it is that they will behave as agents, while Nootboom (1993) explains that, under specific conditions, the findings are just the opposite. Decentralization, for instance, is sometimes argued to be a predictor of agent behavior (Baucus and Near, 1981), while it is considered likely to lead to steward behavior in others (Caruana *et al.*, 1998; Davis *et al.*, 1997; Dewar and Werbel, 1979; Segal and Leher (2012); Zheng *et al.*, 2010).

Variables can also be relational and refer to the reasons that motivate an organization to interact with another, such as the manager's economic dependence on the principal or the manager's need to legitimate its reputation, image and prestige (Oliver, 1990). Moreover, studies on this subject do not arrive at a common interpretation. For example, the literature demonstrates that when nonprofit organizations become less dependent on their principals, they tend to behave more similarly to agents (Froelich, 1999, DiMaggio 1986); however, Hawkins *et al.*, (2009) report numerous studies demonstrating a positive relationship between dependence and opportunism (agent behavior).

2. The link between the way in which contractual relationships are structured and performance is unclear. In other words, some studies have applied both theories at an inter-organizational level, but no contribution to date has studied the impacts this relationship has on service performance.

To fill these gaps, this thesis analyzes contractual relationships in the Italian social housing sector. In detail, three research questions are addressed: 1) how do the manager's characteristics affect its behavior (more similar to agent-like or steward-like behavior)? 2) How are these contracts structured and managed? 3) How do managerial characteristics and contract rules affect service performance?

2. The theoretical framework

The principal's challenge in structuring efficient contractual relationships can be framed along three dimensions: a) understanding manager's behavior (whether it is more agent-like or steward-like) using organizational and relational factors that can predict it; b) applying contract tools in accordance with the manager's behavior; and c) analyzing the environmental constraints to verify whether all of the envisioned tools can be applied effectively.

2.1. The manager's characteristics

Understanding which of a manager's characteristics can predict whether the manager will behave as an agent or a steward is crucial when the principals and managers are organizations. As noted above, agency and stewardship theory have been principally applied at an interpersonal level. The main difference between the two theories concerns the "nature of man" and not the "nature of organization". Strategies for adapting theoretical tenets from persons to organizations are not immediately clear. First, it is necessary to clarify the meaning of "behavior" with respect to organizations. Persons have desires, aspirations and expectations that lead them to intentionally behave in a given way. There is a will, a motivation behind a person's behavior. In this context, the expression a "steward is someone [who is] intrinsically motivated" makes sense. Organizations operate differently (Chatman, 1991). Jensen and Meckling (1976, p. 311) say that a *"firm is not an individual...In this sense the "behavior" of the firm is like the behavior of a market; i.e., the outcome of a complex equilibrium process. We seldom fall into the trap of characterizing the wheat or stock market as an individual, but we often make this error by thinking about organizations as if they were persons with motivations and intentions"*.

However, organizations doubtless have goals, values, beliefs, cultures and additional features that distinguish one from another. All of these features can be summarized by the concept of corporate personality (Bernstain, 1984). Markwick and Fill (1997) define a framework in which corporate personality is one of the elements affecting corporate strategy. In this sense, if it seems inappropriate to argue that an organization is intrinsically or extrinsically motivated, it seems possible to say that the

organization’s features lead it to behave as agent or steward in the sense that agent and steward behaviors are different strategies that organizations adopt to respond to environmental conditions.

Defining an organization’s behavior as a strategy affected by corporate personality is key to linking the organizational level to the personal one, which has been a more fruitful ground for agency and stewardship theories. How? The literature argues that corporate personality is in turn affected by the characteristics of individuals within the organization (Berson *et al.*, 2008; Chatman 1989; Hemingway and Maclang, 2004; O’Reilly, 1991; Russell, 2001). For instance, Levinson (1965, p. 379) argues that “*selection processes in an organization tend to result in the clustering of people whose personality structure have much in common and who would therefore tend to act along some personality dimensions in the same general way. These factors result in what is sometimes referred to as a corporate personality*”. He uses the term ‘reciprocation’ to explain the transfer of values from workers to the organization and *vice versa*. In this logical construct, an organization is more likely to behave as steward (that is, to define a strategy consistent with steward behavior) if its employees behave as stewards. Likewise, an organization is more likely to behave as agent if its employees behave as agents. In this way, theoretical tenets can be partially shifted from persons to organizations. We say “partially” because there is no direct link between personal and organizational behavior (figure 6). These dimensions are mediated by value systems (corporate and personal) that interact with one another. Persons fit organizations and organizations fit persons. Consequently, how organizational features cause individuals to behave as agents or stewards becomes central for the scope of this work.

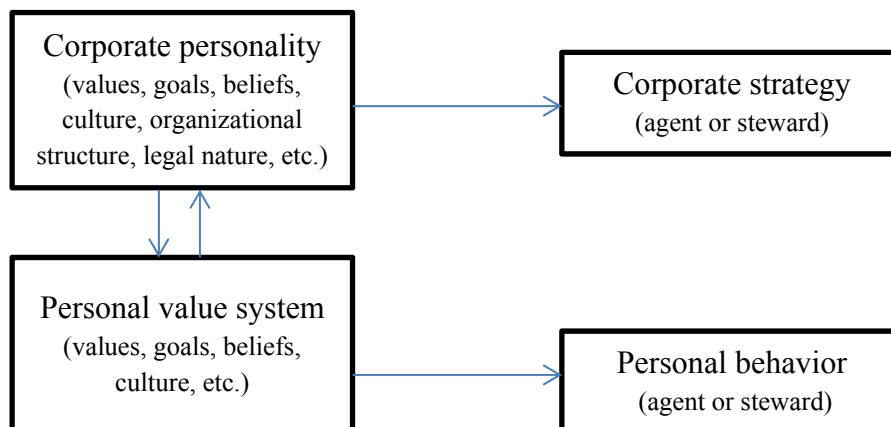


Figure 6. The link between organizational and personal behavior.

To answer the question above, a literature review was conducted to derive a set of organizational and relational variables that are listed and discussed below. These variables are considered possible antecedents of agent or steward behaviors on the part of organizations. The aim of this section is to identify signal that can be used to classify managers. These variables will be observed and analyzed in the empirical section of the work, and prior suggestions will be re-elaborated or completed or new ones will emerge.

Goals

According to agency and stewardship theory, analyzing and comparing the manager's goals with those of the principal makes it possible to distinguish steward organizations from agent organization. Aligned goals imply that the manager is a steward; conversely, conflicting goals imply that manager is an agent.

However, the literature argues that neither all stewards nor all agents behave in the same manner. Additional factors affect an organization's behavior. These factors act on managers and move from their original positions. In this sense, analyzing the relevant goals is not sufficient to guarantee the accuracy of a given prediction, and the analysis of additional characteristics is needed.

Legal Status

This section discusses how an organization's legal status affects its behavior. Two dimensions are considered: public *versus* private and nonprofit *versus* for-profit. First, the dimensions are analyzed separately to understand the potential effect of each on the organization's behavior. Specifically, studies that investigate the differences between public and private organizations, on one hand, and nonprofit and for-profit organizations, on the other, are briefly described. Furthermore, the dimensions are combined, and we provide suggestions for four prototypical organizational types (public and nonprofit, public and for-profit, private and nonprofit and private and for-profit) (figure 7).

	Nonprofit	For profit
Public	Public and nonprofit	Public and for profit
Private	Private and nonprofit	Private and for profit

Figure 7. A taxonomy of organizations based on legal status.

Although the classification scheme proposed in this work is not common in the literature, it could be regarded as a modification of the more well-known and employed model developed by Fottler (1981, p. 2). With respect to Fottler’s model, ours does not differ regarding the definition of private organizations (both nonprofit and for-profit); conversely, there are differences concerning public organizations. Fottler differentiates “private quasi-public” from “public” organizations. The former are organizations created by legislative authorities to provide particular goods or services (for example, public utilities), while the latter are government agencies (at any level) that are legally constituted and authorized to collect taxes and provide services. Public nonprofit and public for-profit organizations, as defined in this work, fall in the former category. They are considered public because in addition to being created by legislative authorities, they are also owned by those authorities (e.g., state-owned enterprises). Organizations in Fottler’s last category are not examined in this work, although their existence is recognized (table 3).

Defining the organizational prototypes is methodologically essential to properly direct the analysis of their differences in terms of goals, values, motivations, and so on. These differences can vary when the meanings of public and private or nonprofit and for-profit vary (Perry and Rainey, 1988). Thus, the suggestions obtained from the literature must be carefully investigated to evaluate whether they are coherent with our definitions.

Agency and stewardship theories have been applied to both public and private organizations to study risk-sharing and control mechanisms. Organizational and environmental differences between the two types have been used to explain and justify differences in the manner in which the aforementioned mechanisms were applied. No study explicitly refers to the steward or agent behavior of public or private

organizations. Nonetheless, a brief literature review is presented below to collect possible indicators for use in this work.

Table 3 The link between Fottler's organizational categories and the categories used in this work

<i>Fottler's classification</i>		<i>Classification proposed in this work</i>	
<i>Private for profit</i>	Businesses that depend on the market to ensure their survival (small businesses to major corporations)	<i>Private for profit</i>	Businesses that depend on the market to ensure their survival (small businesses to major corporations)
<i>Private nonprofit</i>	Organizations operating through public goodwill (donations, contributions, and endowments or government stipends) but constituted outside the authority of governmental agencies or legislative bodies	<i>Private nonprofit</i>	Organizations operating through public goodwill (donations, contributions, and endowments or government stipends), but constituted outside the authority of governmental agencies or legislative bodies
<i>Private quasi-public</i>	Organizations created by legislative authority and given a limited monopoly to provide particular goods or services to a population subgroup (primarily public utilities)	<i>Public for profit</i>	Organizations created and owned by a legislative authority and given a limited monopoly to provide particular goods or services to a population subgroup. They can distribute the residual claims to owners
		<i>Public nonprofit</i>	Organizations created and owned by a legislative authority and given a limited monopoly to provide particular goods or services to a population subgroup. They have to reinvest the residual claims in the organization's activities
<i>Public</i>	Government agencies (federal state, and local) legally constituted and authorized to collect taxes and provide services		

A typical distinction between public and private bodies is the clarity of their goals. Some authors suggest that goals in public organizations are more vague and conflicting because of the characteristics of the services they provide and the number of interest groups (stakeholders) involved. In addition, such contrasting goals make public organizations' outputs difficult to measure or assess (Baldwin, 1987; Burgess and Ratto, 2003, Dixit, 1997; Fernandez and Rainey, 2006). However, Rainey and Bozeman (2000, p. 452) state that "*fifteen years of questionnaire survey with respondents from different levels of their organizations and from different areas of United States, show that public managers tend to give high ratings to the clarity and measurability of the goals of their organizations and that, on average, they differ little from the private sector managers*".

The authors conclude that “*everyone appears to agree that public managers face more complex, hard-to-measure, ambiguous goals; everyone, except the public managers themselves*”.

Although it was assumed that such differences exist, they depend on the nature of the service an organization provides and the number of stakeholders in the organization. Therefore, the differences are caused by external factors. First, complex goals are associated with the service delivered and not the organization. This implies that private organizations providing complex services also have complex goals (e.g., private, nonprofit organizations). Second, the number of a public organization’s stakeholders (usually greater than those of private analogous), which increases the number of goals, is a question of relationships with multiple principals (Dixit, 1997; Heath and Norman, 2004) rather than with managers as agents or stewards. In sum, the approach used in the literature of studying the differences in the goals of public and private organizations is not particularly useful for the purposes of this work.

The stream of the literature that reveals more differences between public and private management concerns work attitudes and motivations. For instance, Buelens and Van den Broeck, (2007) suggest that public employees are less extrinsically motivated, meaning that they are less attracted by high rewards and more moved by public service. Individuals who are less extrinsically motivated are more likely to behave as stewards, and according to the concept of reciprocation, organizations in which the employees behave as stewards are more likely to behave as stewards in turn. However, the authors only include for-profit organizations in their “private” sample; moreover, other prior studies also made no distinctions in this respect (Gabris and Simo, 1995; Junkiewicz *et al.*, 1998).

Other scholars contend that public employees enjoy grater job security (Hooijberg and Choi, 2001; Baldwin 1987) and long-term contractual relationships. Fama (1980) suggests that individuals desiring long-term relationships are considered more risk-averse than those are attracted by short-term wage contracts. Risk-averse persons are more likely to behave as agents. Employing the reciprocation concept again, public organizations should behave more like agents than private ones. Bellante and Link (1981) also verify that public employees are risk-averse.

A further distinction between organizational types is organizational structure. In this respect, Boyne (2002), identifies three hypotheses and then attempts to test them using results that are found in the literature: a) public organizations are more bureaucratic and consequently less flexible and more risk-averse; 2) decision making by public bodies involves more red tape; and c) managers in public agencies have less autonomy from superiors.

If confirmed, the hypotheses would characterize public organizations as more likely to behave like agents than their private counterparts. Risk-aversion, formalization and low levels of autonomy are typically agent's characteristics and, certainly, do not conform to the image of a steward. While public agencies are recognized as being more bureaucratic in most empirical studies, no correlation emerges regarding risk attitudes, which are central in distinguishing an agent from a steward. Neither the second nor the third hypothesis is completely supported; the results are instead rather mixed. Boyne (2002) concludes by arguing that there is no evidence for the view that public and private management are dissimilar in every important respect. In this vein, some scholars had already suggested that there was no true dichotomy because public and private organizations face similar constraints and challenges (Murray, 1975) or argued that such a dichotomy could be depicted within a single framework (Hood, 1991).

In sum, scholars have not arrived at a definitive conclusion as to whether public management differs from private management (Maier and O'Toole, 2011). Consequently, the literature does not allow us to say which type of organization behaves more agent-like or steward-like.

The issue is clearer regarding differences between nonprofit and for-profit organizations. The use of stewardship theory is primarily advocated is that concerning nonprofits. Scholars attempting to apply agency theory to this field indicated the need to relax the assumptions of agency theory in recognition of the different behavioral approach adopted by nonprofit organizations (Stainberg 2010). Along these lines, other authors have combined agency theory with additional theoretical constructs, such as stewardship theory (Cears, *et al.*, 2006; Puyvelde *et al.*, 2011; Val Slyke, 2007). The general consensus is that nonprofit organizations are expected to behave as stewards or at least in a more "steward-like" way than for-profit organizations (Van Slyke and

Roch, 2004). The former are motivated by a desire to help others, producing goods or services while abiding by certain ethical principles (Leete 2000; Rose-Ackerman, 1996). Because they operate under a non-distribution constraint, they reinvest any surplus in their activities, thereby better achieving their scope. Moreover, nonprofit employees are perceived to be intrinsically motivated and have goals that are aligned with those of (internal and external) principals.

Conversely, for-profit organizations are exclusively or principally motivated by profit maximization. They have to survive according to the rules of the market. Therefore, their goals always diverge from those of the principal assigning them a service to perform. Based on the assumption that nonprofit organizations tend to behave as stewards and for-profit organizations tend to behave as agents, the key point is to understand whether such types of organizations can vary their behavior. Specifically, can nonprofit organizations behave as agents and for-profit ones behave as stewards? The answer is yes in both cases. Many nonprofits need to become more market-oriented to obtain additional resources and survive. They maintain nonprofit legal status, but their internal procedures and management profiles vary, becoming more professional, performance-driven and mindful of commercial revenue opportunities (Alexander, 1999; Eikenberry and Kluver, 2004). The marketization of nonprofit organizations can result in mission drift, and as some scholars suggest, lead them to emphasize agent-like behavior. Alexander and Weiner (1998, p. 235) argue that “a corporate model, which stresses the values of strategy development, risk taking, and competitive positioning is incompatible with the nonprofit model, which stresses the values of community participation, due process, and stewardship”.

With respect to for-profit organizations, their behavior depends on how they prioritize their goals. Theoretically, a steward is an actor whose goals are aligned with those of the principal; in the event that they are not perfectly aligned, he “places higher value on cooperation than defection”. (Devis, et al., 1997, p. 24). The two parties’ goals can differ initially. However, a steward understands that the utility derived from pursuing the principal’s goals is higher than that from self-interested behavior.

Cooperative behavior is not unusual among for profit organizations. Strategic alliances⁶, such as joint ventures, co-marketing, product bundling, and so on, are examples of this.

In sum, although nonprofits are expected to behave as stewards and for-profits as agents, additional variables can induce changes.

What does the literature suggest will occur when the two dimensions are combined? What are the differences when ownership shifts from private to public in both nonprofit and for profit organizations? More specifically, does public ownership reduce the differences between nonprofit and for-profit organizations or exacerbate them? Many scholars agree that private, nonprofit organizations should behave in a more steward-like manner than other organizational types, *ceteris paribus*. Lee and Wilkins (2011), for instance, demonstrate that private nonprofit employees are more intrinsically motivated than both their public and private counterparts. Brown *et al.*, (2006) suggest that a steward approach is more likely to be observed in public-to-nonprofit relationships than public-to-public relationships. This latter type of relationship, however, is riskier (more inclined to agent-like behaviors) because of constraints and formal and informal rules that characterize the public sector to a greater extent. Logically, public nonprofit organizations are expected to behave more stewards than public for-profits. These latter organizations must pursue an additional goal, meaning a greater likelihood of a conflict of interest with the principal. It is unknown whether private, for-profit organizations act as more opportunistically (agent-like) than public organizations. Studies on motivations driving public service behavior indicate that public bodies will behave as stewards. However, several studies explain the poorer performance exhibited by public corporations as a problem of control, demonstrating that public organizations behave as agents as often as their private counterparts.

In sum, the indications produced by analyses of an organization's legal status are both partial and not definitive. A more in-depth investigation that considers other variables is necessary.

⁶ Strategic alliances are defined as “cooperative arrangements aimed at pursuing mutual strategic objectives” (Das and Teng, 2003 pp. 280 - 281), where firms attempt to “learn skills and capabilities from their partners that enhance their own competencies and thus their competitive advantages” (Hitt et al., 2000, p. 450).

Size

It is unclear how an organization's size affects its behavior. Different theoretical approaches lead to different conclusions.

The reciprocation "phenomenon" suggests that the larger an organization's size, the more likely that it behaves as an agent. We asserted that corporate personality is affected by employees personal value systems and hypothesized that the greater the extent to which employees behave like stewards, the more likely it is that the organization behaves like a steward. In addition, individuals are attracted to work environments that are compatible with their personal characteristics (Judge and Cable, 1997); hence the more an organization behaves like a steward, the more likely it is to attract workers (and other interested parties) that behave like stewards. However, each worker contributes additional values he does not share with others and may conflict. It is reasonable to suppose that when the number of workers increases, the divergence in values also increases. For instance, "*in a mature organization there is a danger that values and practices espoused by the current leaders may not be aligned with those of the followers/employees. Meanwhile, employees may subscribe to a value without knowing why they should stick to it and how to live*" (Zhang et al., 2008 p. 1011). Value divergence increases the level of conflict among workers, and if conflict increases, employee satisfaction will decrease (Jehn, *et al.*, 1997). Moreover, if job satisfaction decreases, free riding and shirking will become more prevalent (Albanese and Van Fleet's 1985). In this respect, Scott and Taylor (1985) reveal an inverse correlation between job satisfaction and absenteeism, which is a typical shirking behavior. As Le Pine and Van Dyne (1998, p. 859) state, "*those who are less satisfied are also less attached and less dependent on the group. Their behaviour in the group is not based on fulfilling their values through group involvement. Instead it is more a function of the characteristics of the situation*". Moreover, Jones (1984, p.687) asserts "*that problems of free riding and shirking will be most acute in groups of large size, because it is the anonymity of the large group situation that makes monitoring difficult and self-interested behavior likely. Also, in groups of large size, task visibility is low because the individual has less opportunity to demonstrate discrete performance,*" and this determines job dissatisfaction. Some years before, Beer (1964) had already demonstrated that organizational size and job satisfaction are inversely related.

Box 3 Factors Sacrificing Microcredit for Megaprofits, The New York Times

As a predictor of agent behavior, size can be used to understand the evolution of certain microfinance organizations.

Under the concept of reciprocity, when an organization becomes larger, it is more likely to behave as an agent. In the same way, because of the self-selection phenomenon, the more an organization behaves like an agent, the more likely it is to attract workers and other interest groups that behave like agents. Workers and interest groups are attracted by different considerations. They use the organization as a way to pursue their own goals, which may include job security, profitability, power, and so on. They are not concerned with whether an organization's values are coherent with their own, or at worst, attempt to change an organization's values and goals.

Microfinance organizations can be cited as an interesting and controversial example of this phenomenon. These organizations provide small loans to the poor, who would not otherwise have access to formal financing channels. They have a "charitable" scope and, at least theoretically, help to reduce poverty. Some of these organizations, such as the Indian SKS or Mexico's Banco Compartamos, have grown to the extent that they have decided to be publically listed to attract new capital and finance their activities. Investors have been more motivated by the opportunity to make profits than to help the poor. As a result, most large microfinance organizations have become commercial banks.

In this respect, we summarize a New York Times article written in 2011. The author is Muhammad Yunus, the founder of Grameen bank (a microfinance corporation) and a 2006 Nobel Peace Prize laureate.

He remarks that when he began to work in "microcredit", one of his goals was to eliminate the presence of predatory lenders who profited by preying on the poor. However, he never believed that microcredit would one day create its own breed predatory lenders. As they grew, some microfinance organizations shifted their status from nonprofit to commercial, and to make their activities profitable for their shareholders, they increased their interest rates and become more aggressive in loan recovery.

He considers commercialization to be a terrible mistake for microfinance. As a result of this process, microfinance organizations have invested in speculative securities, indicating "mission drift".

Without expressing a judgment on the commercialization phenomena that have characterized microfinance corporations (as Yunus does), we would like to emphasize how, by becoming larger, these organizations attracted individuals motivated by different interests and characterized by different value systems that, in turn, led to mission drift as a consequence of moral hazard.

Baucus and Near (1991) argue that firm size can be considered an antecedent of illegal behavior that can be treated, in turn, as an extreme form of agent behavior. When size increases, tasks tend to be divided across specialized subunits, and hence, the

number of decision makers that can act opportunistically increases without comparable increases in control and informational exchange. In particular, their results demonstrate that large organizations are almost twice as likely to behave illegally than their smaller counterparts. However, similar behaviors are adopted by small and medium-size organizations.

Nooteboom (1993), however, asserts that small organizations are more likely to behave like agents because they are more risk-averse. As large organizations are involved in several economical transactions with several partners, they hedge the risk associated with one commercial operation using that entailed by other operations. Small organizations are more sensitive to the opportunistic actions of a single partner and, consequently, more risk averse. In other words, larger organizations are more able to diversify their activities and investments, while smaller organizations are not. The same argumentation is employed in the literature to explain the difference in risk attitudes between a principal and agent (i.e., the agent is more risk-averse). Moreover, Nooteboom (1993) adds that small organizations generally possess fewer competences than their larger counterparts. Hendry (2002) argues that the fewer the competences an organization has, the more likely it is to exhibit agent behavior. However, to acquire such missing competences, smaller organizations are more driven to develop collaborative relationships (adopting steward behavior) with other market operators (Nieto and Santamaria, 2010).

A further element that we must consider to understand the behavioral strategies employed by organizations is the way in which they develop and defend their reputations. We must recall that a steward bases his work on his reputation. Because large organizations are more exposed to “public opinion” than the small ones, they face a greater risk of damaging their reputations by behaving opportunistically (Nooteboom, 1993; Stanwick and Stanwick, 1998). Fombrun and Shanley (1990) assert that the larger the organization, the higher its reputation (which must be defended). In this respect, larger organizations are more likely to behave as stewards than smaller ones. Conversely, Goldberg *et al.*, (2003) explain that a reputation building strategy may be the only opportunity for small firms to attract investors, customers and competent personnel. The authors, however, admit that few small businesses follow this strategy.

In sum, there is no consensus in the literature regarding how size should affect an organization's behavior. It is likely, as Beer (1964) suggests, that because the effects of size can be mediated by additional factors, such as leadership style, the organization's structure in terms of hierarchy, coordination mechanisms and subunits, how employees' values interact, and so on. For instance, Liebrand (1984) demonstrates that strong within-group communication reduces differences among individuals' motivations and attitudes and standardizes their behavior. This implies that two firms of the same size can behave differently. Thus, new variables must be explored to better capture the problem of organizational behavior.

Centralization vs. decentralization

Determining how tasks are divided and decisions are made within an organization are crucial for understanding the behavior of the organization itself. In this section, we analyze the effects of a centralized *versus* decentralized decision making system, where "centralized" indicates that decision-making is concentrated at the top levels of the organization (Caruana et al., 1998), and "decentralized", instead, indicates that decisions are also made at lower levels.

Several studies identify flexibility and adaptability to rapid environmental changes as the main advantages of decentralization. Decentralized decision making processes allow managers to identify and solve problems rapidly and effectively (Schminke et al., 2000, Zheng et al., 2010). Others suggest the decentralization is a quasi-mandatory consequence of an organization's growth, and it is often related to task specialization (Pugh *et al.*, 1968). Conversely, centralized decision making processes are regarded as more efficient because they exhibit fewer coordination problems, which can lead to task duplication and delays (Bolton and Farrel 1990). In addition, in a centralized decision making system, control is easier to achieve and opportunistic behaviors are less likely to occur (Vaughan, 1982). "*Discipline, standardization, single mindedness, and effective control were expounded as virtues of centralization*" (Caruana et al., 1998, p. 18). Arguing that centralization constrains opportunistic behavior within organizations does not imply that such organization will behave as stewards but simply that they will pursue the strategy that top management adopt more effectively. In other words, few individuals decide, while others implement these

decisions by following rules (typically, centralization is related to formalization). In contrast, in a decentralized decision making system, defections are possible. Therefore, an organization characterized by a high level of centralization is more likely to behave like a steward than an organization characterized by high level of decentralization, provided that such an organization already behaves like a steward. Similarly, an organization characterized by a high level of centralization is more likely to behave like an agent than an organization characterized by high level of decentralization, provided that such an organization already behaves like an agent. In sum, according to this strand of the literature, centralization reinforces the other variables' effects on an organization's behavior. The precise effects centralization or decentralization generate when an organization behaves in a mixed way are unknown. However, many scholars suggest that decentralization increases employee satisfaction and motivation (Dewar and Werbel, 1979). In this type of organization, employees are more liable because they are more involved in the decision making process. Moreover, in decentralized organizations, the power distance among persons is lower, and this is conducive to steward behavior by both employees and the organizations themselves (Davis *et al.*, 1997). Segal and Leher (2012) demonstrate that the decentralization of power was used as a mechanism to "institutionalize" a stewardship culture in Edmonton Public Schools. Zheng *et al.*, (2010) assert that centralized organizations reduce the opportunities for individual growth and advancement, thereby producing agent behavior. Yet, Caruana *et al.*, (1998) show that centralization is inversely related to entrepreneurship and argue that centralization causes organizations to be more risk-averse. In sum, according to this other strand of the literature, organizations characterized by centralized decision making systems are more likely to behave like agents, while decentralized organizations are more likely to behave like stewards. Here again, the findings do not converge toward a common interpretation, indicating that further investigations are necessary.

Resource dependence

Organizational factors, such as goals, legal status, size and so on, can be used to predict an organization's behavior. Nonetheless, an organization is not a closed and self-sufficient system, but it is instead interconnected with other organizations that it continuously interacts with and shares an environment and resources. (Hillman, *et al.*,

2009). Thus, an organization's behavior cannot be predicted by simply examining its characteristics; one must also understand its context (Pfeffer and Salancik, 1978). Specifically, in a principal-manager relationship, the manager's behavior will depend on both its internal characteristics and the range and intensity of its existing relationships. Therefore, the principal must be able to develop an efficient contractual relationship in a setting in which the manager must pursue the goals of several principals.

Under such conditions, when will the manager behave like an agent or a steward? Some studies assert that behavior is determined by the manager's dependence on the principal. Under Thompson's definition (1967, p. 30 in Provan *et al.*, 1980), "*an organization is dependent on some element (i.e., the principal) of its task environment in proportion to the organization's need for resources or performances that element can provide and in inverse proportion to the ability of other elements to provide the same resource or performance*". We can distinguish two types of resources: economic resources and resources that increase the organization's legitimacy, reputation, image and prestige (Oliver, 1990). We argue that an organization is more likely to behave like a steward when it is highly dependent on increasing its legitimacy. In contrast, there is no consensus in the literature regarding an organization's behavior when it is highly economically dependent on the principal. Some studies suggest that in a context of multiple principals, if the principals do not behave cooperatively, that is, if their goals are not aligned, moral hazard problems will arise. In this context, the manager cannot satisfy all of the principals' goals. He has to choose how allocate his effort and will typically allocate greater effort towards the goals of principals that provide greater rewards (Besley and Ghatak, 2003; Courty *et al.*, 2005; Dixit, 1997; Dixit, 2002; Waterman and Meier 1998), as these principals will ensure the manager's survival. Consequently, the manager will reduce his work effort on behalf of less "important" principals and hence behave like an agent. In this regard, it has been observed that nonprofit organizations tend to behave more like agents when they diversify their revenue streams and become less dependent on their principals (Froelich, 1999, DiMaggio 1986). In addition, the greater the extent to which the manager perceives that the principal depends on his activity, the more the latter will behave like an agent or, at least, will not be interested in developing a principal-steward relationship (Ganesan, 1994). This is a typical problem of sectors with little competition.

Other studies assert that when a relationship is asymmetric⁷, that is, the more one party is dependent on the other (for instance because it has invested in specific assets), the more likely it is that the counterparty (*i.e.*, the principal) will behave opportunistically (Das and Rahman, 2010; Hawkins, et al., 2009; Provan and Skinner, 1989; Williamson 1981). In this context, a steward-like behavioral strategy is excessively costly because if the principal acts opportunistically and the relationship collapses, the risk of default or a significant loss for the manager is high. It must be clear that the manager's decision to adopt an agent-like strategy does not require a demonstration of the principal's opportunism, but simply the threat thereof. This becomes something of a self-fulfilling prophecy in which the manager adopts a defensive strategy that produces agent behavior.

Conclusion

In this section, we attempt to identify certain organizational and relational variables that can predict the manager's behavior. How these variables do so is not clear. The literature suggests different interpretations and predictions for each of them. What is clear, however, is that the manager's behavior cannot be explained by the agent-steward dichotomy alone. An agent or steward must be regarded as strategies lying at opposite ends of continuum, and organizations can fall anywhere on this continuum. This is graphically represented by a steward-agent continuum (Cears, et al., 2006), along which managers can assume any position. The effect of each variable on a manager's behavior is depicted in figure 8. Specifically, the arrow next to each variable indicates the direction and intensity of this effect. Dashed arrows indicate that both the theoretical and empirical evidence is weak. Solid arrows indicate that the evidence is stronger. For instance, many studies highlight that an organization's size predicts that it will engage in agent behavior, but many others predict the opposite (both directions are solid). Yet, many studies suggest that decentralization is an antecedent of steward behavior, while others (fewer in number and with less consistent results) indicate that it leads to agent behavior (one direction is more solid than the other).

⁷ The reasons that make a relationship asymmetric are discussed in the paragraph 2.3 "sector's features".

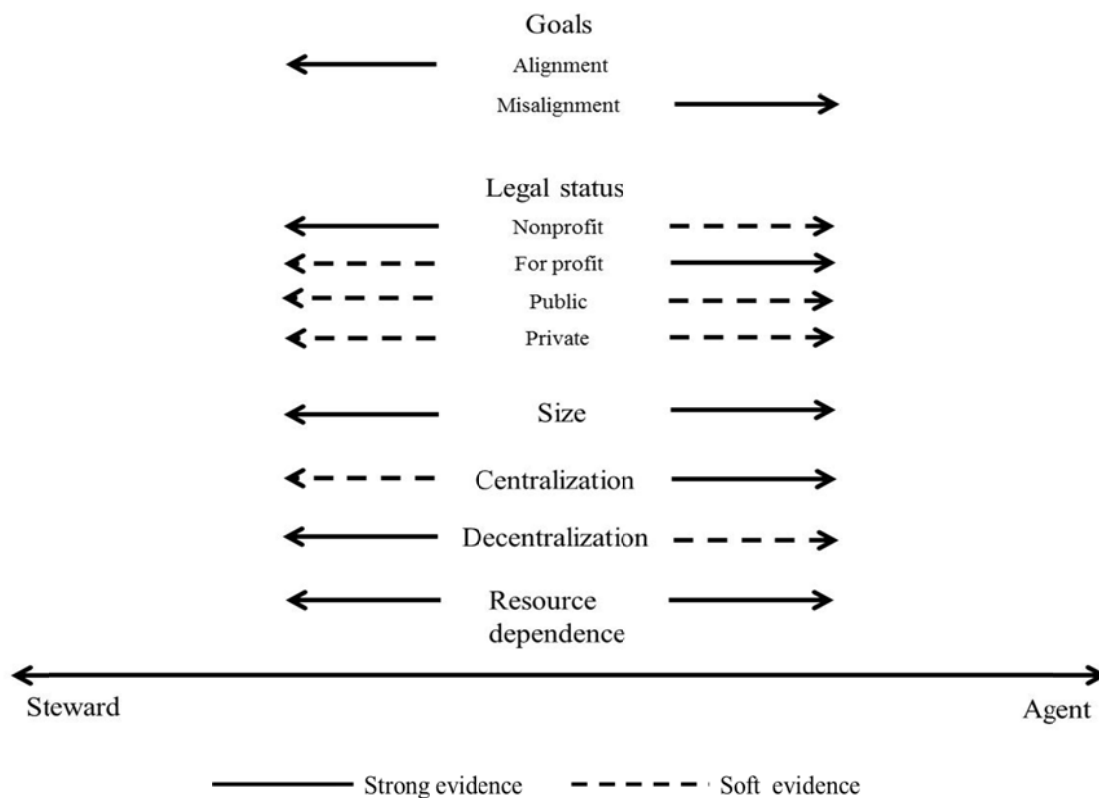


Figure 8. The effect of a manager's characteristics on its behavior and their representation on the steward-agent axis.

2.2. Contractual relationships

To develop efficient contractual relationships, principals must understand the managers' behaviors and apply contractual tools in accordance with such behavior. If the manager is an agent, the principal will employ both risk sharing and control mechanisms; if the manager is a steward, trust, autonomy, and non-monetary incentives will allow the principal to maximize the manager's effort; if the manager adopts a mixed strategy, the principal will use the aforementioned contractual tools in concert.

This section proposes a model for structuring efficient contractual relationships. It also cites examples of contractual inefficiency. The model is inspired by Devis *et al.*, (1997) and Segal and Lehrer (2012). In contrast to the model adopted in this work, those studies consider agent and steward as discrete variables, although the latter recognized the importance of considering them along a continuum.

In figure 9, the x axes are the steward-agent axes. The y axis on the left indicates the extent of risk-sharing and monitoring mechanisms the principal can use in the contractual relationship. The y axis on the right refers to the levels of trust, autonomy and monetary and nonmonetary incentives that principal can award to the manager. Suppose that the manager occupies position A. If we project A along the diagonal 00^1 , we obtain point B. Describing B on both y axes, we obtain points C and D. Lines $0C$ and line 0^1D , respectively, represent the levels of risk-sharing and monitoring mechanisms and the levels of trust and autonomy useful to structure an efficient contract relationship. The figure indicates that the more the manager behaves like a steward, the greater the importance of trust, autonomy and monetary and nonmonetary incentives; moreover, the more the manager behaves like an agent, the greater the extent to which risk-sharing and monitoring mechanisms are needed. The extreme points of the diagonal represent a principal-steward relationship (on the left) and a principal-agent relationship (on the right). In the other cases, the contract relationship is based on a combination of tools suggested by both agency and stewardship theory.

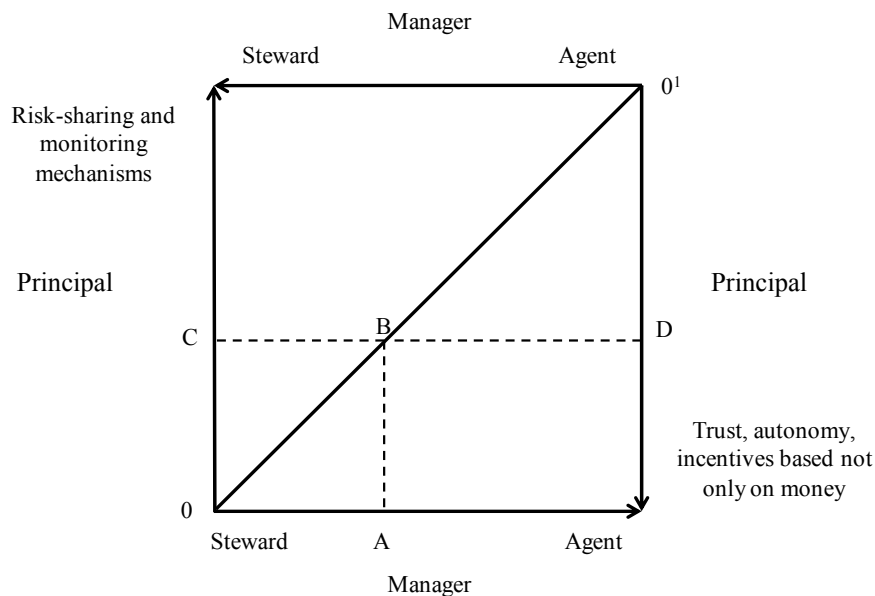


Figure 9. Efficient contract relationships.

If either the principal or manager uses contractual tools in different manner, the contract relationship becomes inefficient. Figure 10 depicts a situation in which

principal would prefer to develop a more principal-agent-type relationship, but the manager prefers one that resembles the principal-steward relationship. In the model, principal's contractual position is represented by point B_1 , while the manager adopts a strategy that caused it to set its contractual position at B . The rectangle CC_1D_1D indicates the area of contractual inefficiency (points C , D and C_1 , D_1 are projections of B and B_1 on the Y axes, respectively). First, the principal will invest in monitoring to a greater extent than necessary. Second, it will use incentives and penalties that will not be sufficient to determine the manager's behavior. Moreover, the manager will feel frustrated and reduce its effort (Devis, et al., 1997; Segal and Lehrer, 2012). The greater the distance between two points on the diagonal, the more inefficient the contract.

An inefficient contractual relationship also occurs when the principal tends to structure a more principal-steward-oriented relationship with a manager that behaves (more) like an agent.

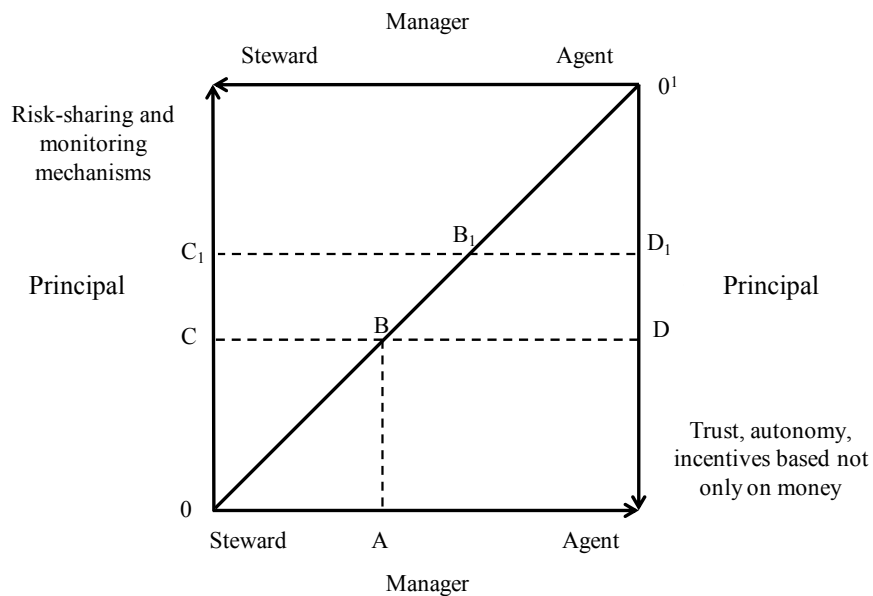


Figure 10. Inefficient contractual relationships: when the principal wishes to develop a more principal-agent-oriented relationship with a (more) steward-like manager.

In figure 11, the agent is located at B_1 , but the principal adopts contractual tools related to point B . In this case, the manager will engage in opportunistic behavior due to the lack of sufficient incentives and control, and again, the rectangle CC_1D_1D indicates the area of contractual inefficiency.

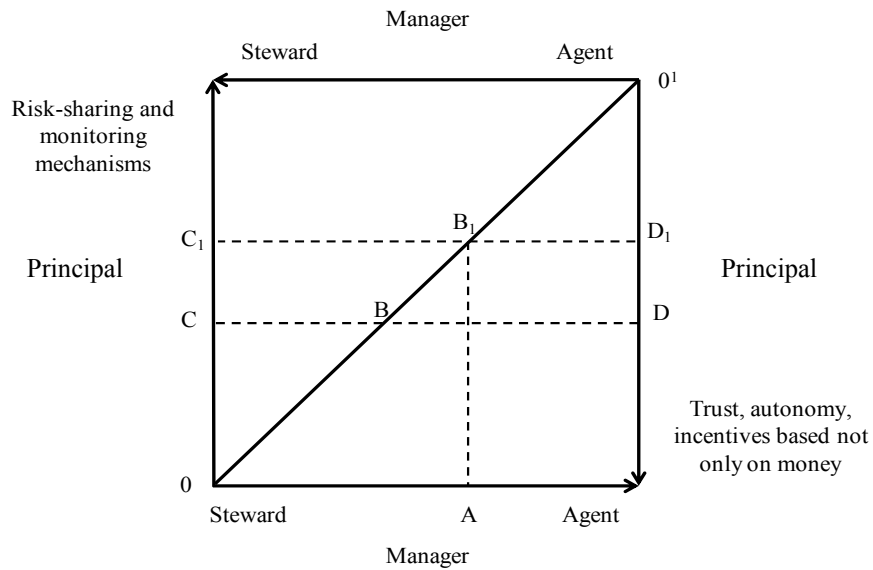


Figure 11. Inefficient contractual relationships: when the manager behaves more opportunistically than the principal.

2.3. Sector characteristics

Policy directives, the degree of competition, measurability of outputs and environmental specificities cause one service to differ from another (Brown and Potoski, 2004, Van Slyke, 2007). These differences can affect the applicability of certain contract tools and hence one type of relationship (from principal-steward to principal-agent) can be preferred over others. Thus, in addition to the manager's characteristics, the principal must consider the service's characteristics and understand whether the tools selected will be effective or environmental constraints may limit their scope.

This section discusses three features: the degree of competition, the level of asset specificity and the level of service complexity. The structure of this section is inspired by Vining and Globerman (1999)

Competition

The literature regards competition as a means of constraining possible opportunistic behaviors (Brown and Potoski, 2004). In a highly competitive market, the principal possesses additional information that can be used to mitigate moral hazard

problems (Schmidt, 1997). Holmstrom (1982) argues that in such markets, there are sufficient indicators to evaluate the manager's performance and, consequently, define effective incentive systems. For instance, the principal can design compensation schemes "*based on the comparison of the firm's performance with the industrial average or on the rank of the firm's performance in the industry*" (Lin *et al.*, 1998, p. 88). In addition, competition acts as an exogenous control mechanism. Yet, Holmstrom (1982) suggests that the principal need not exercise control over the manager's behavior in a competitive market because the market itself provides signals regarding the manager's behavior. Provided that the number of competitors (potential managers) is sufficiently large, the principal can use such signals to threaten the manager with terminating the relationship and replacing him. Furthermore, this manager's reputation would be damaged, compromising future relationships with other principals. In this respect, Catalano and Rizzitelli (2013) noted that, in a competitive market, managers tend to perform services as the principal desires, despite that incentive and monitoring mechanisms detailed in the contract are vague. This is true under an additional condition: relationships must be short-term.

The degree of available information, the number of competitors and the timing of the relationship make a competitive market the best setting for structuring principal-agent relationships, although principal-steward relationships are possible.

However, competition does not exist for many services. There are several explanations for such a lack of competition: externalities, asset specificity, service complexity, and so on. Which relationship will be preferred depends on the specific case. For instance, in the context of a natural monopoly⁸, relationships between public authorities and managers work efficiently under a principal-agent approach. According to Laffont and Tirole (1987), under complete information, public authorities can select the most efficient manager and contractually impose an optimal level of effort. In this sense, competition solves the agency problem because it guarantees conditions for improved information exchange. In other words, when competition decreases, principal-agent relationships can be developed if performance is measurable and observable. Obviously, in such a context, it is crucial that the principal be able to write the most complete contract possible. The manager does not face the threat of being easily replaced. Thus, it

⁸ Natural monopolies are characterized by asset specificity.

can behave opportunistically if the contract is not complete. Nonetheless, the principal can use relational norms to better structure the contractual relationship, such that a more principal-steward approach is required. When performance is neither easily measured nor observed, a different approach is required. This is a typical characteristic of complex service, which we will describe in a specific section below.

Finally, when few managers are immediately available to provide any given service, but many others would quickly become so, under certain service or contract types, the market is said to be “contestable” (Vining and Globerman, 1999). Such markets are characterized by a lack of competition that can be eliminated under certain circumstances. This implies that principal-manager relationships can be structured differently for the same services, provided that the aforementioned circumstances vary. Furthermore, the principal’s task is not limited to devising the most suitable contract relationship but also includes creating conditions that favor or penalize competition.

Asset specificity

“Asset specificity refers to durable investments that are undertaken in support of a particular transaction, the opportunity cost of which investments is much lower in best alternative uses or by alternative users should the original transaction be prematurely terminated” (Williamson, 1985, p. 55).

Asset specificity can be spatial (site specificity) or temporal (temporal specificity) and includes human, physical and procedural assets (De Vita, *et al.*, 2010; 2011; Vining and Globerman, 1999). There are innumerable examples: the opening of a new location near a client to better assist it, training employees’ to perform a special service required by the counterparty that it will be little used in other services, the adoption of *ad hoc* organizational procedures to develop a partnership, and so on.

Asset specificity has long been regarded as one of the main factors explaining the adoption of opportunistic behaviors in principal-manager interactions (Carson *et al.*, 2006; Ganesan, 1994; Williamson 1985). Transaction cost economics argues that formal contracts and principal-agent relationships are essential for limiting potential opportunism by any party. Asset specificity generates asymmetric relationships that, as we have noted, lead one party (who has made the investment) to not trust the other and prefer a principal-agent relationship.

However, when the investment is made by both parties, that is, when the relationship is characterized by reciprocal specific investments, the threat of opportunistic behavior is mitigated (Klein and Leffler 1981 and Williamson 1983, in De Vita et al., 2011) and the principal-agent relationship can be relaxed. In this respect, Henry Xie *et. al.* (2010) noted that symmetric asset investments are positively related to commitment and trust (characteristics that identify a principal-steward relationship).

Other scholars argue that cooperation and trust are the only way to improve performance in relationships characterized by asset specificity when such relationships are asymmetric (Lui *et al.*, 2009; Rokkan et al., 2003). Catalano and Rizzitelli (2013) affirm that, in the context of asset specificity, while a principal-agent relationship is possible, a more principal-steward-like one is recommended for three reasons: each party desires a long-term relationship to realize the gains connected to the investment. The longer the relationship, the more difficult it is to write complete contracts. Second, asset specificity is often related to contestable market problems (Vining and Globerman, 1999). In other words, the market is often characterized by a limited number of managers. Thus, explicit contractual rules are ineffective because the manager knows that the counterparties cannot easily dissolve the relationship in the event of contractual violations. Third, the asset's specific nature makes it difficult for other potential principals (organizations the manager will interact with in the future) to evaluate the manager's performance. This means that the manager's reputation cannot be easily damaged in the event of violations. In sum, the authors contend that asset specificity favors potential opportunistic behaviors, but they suggest that the threat of such opportunism can only be reduced through relational norms.

Service complexity

“Service complexity describes the degree of difficulties in specifying and monitoring the terms and conditions of a transaction” (Vining and Globerman, 1999, p. 84). It can be the result of at least three elements (Besley and Ghatak, 2003): a) service goals can differ and, occasionally, conflict. For instance, many social service managers have to pursue the public interest of assisting the most vulnerable members of the population, but their activities must be managed “economically”; b) outputs can be intrinsically difficult to measure or evaluate because they are not immediately observable (the

effectiveness of mental health treatment can require many years) or depend on such a large number of endogenous and exogenous variables that it is impossible to distinguish and measure the effect of each variable; and c) some services involve multiple principals: this increases the number of goals and the degree of service complexity.

The same assumptions can also apply in the case of products. However, they are more usual for services because of the intangible characteristic of the latter.

Principal-agent relationships are problematic in complex settings, and the contractual tools suggested by stewardship theory seem more suitable. As we discussed in the literature review, one of the criticisms of agency theory is that it cannot be applied to services with outputs that are not easily measurable (Eisenhardt, 1989). As a result of service complexity, the two parties cannot specify all of the contract's elements in advance, and this leads to highly incomplete contracts (Brown *et al.*, 2010).

To accommodate complexity, De Hoog (1990) suggests two models of service contracting: negotiation and cooperation. The former can be regarded as a model in which the tools proposed by agency and stewardship theory are employed jointly. The latter exclusively considers the stewardship approach. In this model, formal rules are often not specified and the contract is flexible. This is not only the result of service complexity but also because formal rules are considered potentially hazardous to cooperation. As the model is based on trust, the manager selection process is crucial for successful service delivery. The principal must select a steward; otherwise, the relationship will fail. Because of high transaction costs during the selection phase, many principals avoid developing this type of model when they initially decide to contract for a service, preferring to adopt it after several years of a satisfactory relationship with the same manager (De Hoog, 1990; Van Slyke 2007). This introduces a greater degree of complexity because if the principal initially selects a steward but adopts an agent-like (or more agent-like) approach, the relationship will be inefficient. However, the principal also cannot structure an efficient relationship with an agent-type manager because it lacks all of the contractual tools necessary to enforce the contract. Thus, the range of relationships (from principal-agent to principal-steward) the principal can employ efficiently is very small, and the likelihood of finding the proper manager is low.

3. The social housing sector: an overview

The following chapter is structured in two parts. The aim of the first part is to provide a brief, but clear description of the manner in which social housing sector is structured in some European countries (EU15). In the second, the Italian system's characteristics are deepened.

3.1. Social housing in Europe

Social housing can be defined as “*housing for those whose needs are not met by the open market and where there are rules for allocating housing to benefiting households*” (Czischke, 2007, p. 7). Though this definition is very broad, it highlights two important aspects: social housing is a sector characterized by some market failures (*i. e.*, externalities) and, consequently, requires some forms of public intervention to support its provision. Second, allocation criteria are defined by law. Thus, providers can choose neither their clients nor the optimal level of rent. In addition, the manner in which law defines such criteria makes the sector competitive, not competitive or contestable. This has, in turn, great relevance when the service has to be contracted.

To find a more precise definition of social housing is not an easy task because of several facets that characterize each European country system (Hills, 2007). In fact, a variety of policies and practices are adopted across Europe in terms of financing, procurement, delivery mechanisms and operating rules (Pawson, 2011). For instance, social housing is usually referred to rental housing. Nonetheless, it is only or mainly provided in the form of low-cost housing for sale in Greece and Spain (Pittini and Laino 2011).

As concern the allocation criteria, according to the classification proposed by Ghekière (2007), three main approaches/models can be distinguished: the “universalistic”, the “generalist” and the “residual”. In the former, the service eligibility is guaranteed to whole population that, so, can choose between social and market housing. Public authorities or nonprofit private organizations assign the social housing through waiting lists with or without priority criteria. The rents are cost-based. Nonetheless, some forms of warranty are provided for disadvantaged households. In the residual model, social housing is allocated only to poor and disadvantages (e.g. unemployed, disabled, elderly, lone parents, etc.). Such model *is based on the*

assumption that the objectives of housing policy will be met predominantly by the market (i.e. through the allocation of the supply of housing according to demand) and that only those households for whom the market is unable to deliver housing of decent quality at an affordable price will benefit from social housing (Czischke and Pittini 2007, p. 15). The third model is the generalist. The allocation of housing is targeted as in the residual model. However, the service eligibility depends mainly on the household income level. In addition, a larger extent of public intervention is foreseen in this case (Winter and Elsinga, 2008). Czischke and Pittini (2007) suggest that this latter model follows the original tradition of social housing in Western Europe (i.e. housing for workers or middle-income groups, which includes a contribution from their employers) (p. 15).

Table 4 the allocation models of Social Housing in Europe (EU 15)

Universalistic	Generalist	Residual
The Netherlands, Denmark and Sweden	Austria, Belgium, France, Finland, Germany, Italy, Luxemburg, Greece,	Belgium, France, Germany, Ireland, Portugal, Spain and UK

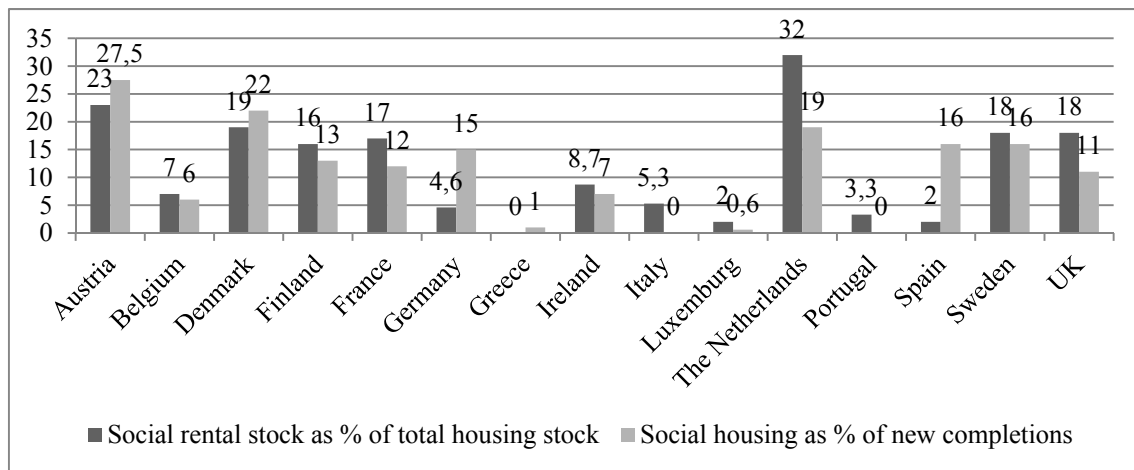
Source: elaborations on Czischke and Pittini, 2007.

In table 4, the European countries (EU 15) are classified in accordance with the three aforementioned models. The Universalistic model is in use in the Netherlands, Denmark and Sweden. Austria, Finland, Luxemburg and Greece adopt the Generalist model while Ireland, Portugal, Spain and UK the Residual one. Finally, Belgium, France and Germany are classified both in the Generalist and in the Residual models. Even though, income ceiling remains the mainly criterion for service eligibility, such countries have recently introduced further norms giving priority to a more restricted number of households. For instance, the Law on the Right to Housing introduced in 2007 in France, established priority access to homeless, people at risk of eviction who don't have the possibility of finding another accommodation, people with temporary accommodation, persons in unhealthy or unfit accommodation, households with children in overcrowded or indecent dwellings, disabled (Pittini and Laino, 2011). This

classification is not free from critics. For instance, in some countries in which the Generalist model is adopted such as Austria and France, the income threshold is so high that the model tend to include the whole population (Scalon and Whitehead, 2007). Still, in Italy, the number of dwellings allocated for special profiles is currently higher than those allocated through the waiting lists, though the former are formally considered exceptions. Thus, also the Italian model should be seen as residual.

The allocation model impacts on sector size. In the universalistic model, because housing is considered a public responsibility, the number of social dwellings is normally higher than in other models in which public intervention occurs as answer to some form of market failure.

Figure 12. Social housing stock in the EU (15). 2010



Source: elaborations on Pittini and Laino (2011) and Czischke and Pittini (2007).

In figure 12, the percentages of social housing relative to total housing stock and to new completions are reported for each European country (EU 15). In the Netherlands, 32% of housing stock is social. It is the highest rate in Europe. Also Denmark and Sweden (the other countries adopting the Universalistic model) show a good percentage with 19% and 18% respectively. Among “Generalist” countries, Austria France and Finland show the highest level of social housing (23%, 17% and 16% respectively). Definitely lower is the same percentage in Belgium (7%), Germany (4,6%), Italy (5,3%) and Luxemburg (2%). Moreover, among countries with Residual model, 18% of housing stock is social in UK; in Ireland, it becomes 8,7% and it decreases at 3,3% and 2% in Portugal and Spain respectively. Finally, comparing the aforementioned

percentage with that relative to the new completions, it can be noted that social housing stock is overall decreasing with the exception of Austria, Denmark and above all Germany, though the relative demand is increased in quantity and complexity. Extremely negative appears the Italian situation in which the percentage of social housing on new completions is near zero. Such situation becomes dramatic considering that the social housing shortage often takes place alongside phenomena of spatial segregation and consequently of social exclusion and ghettoization.

In order to give a more complete comprehension of the aforementioned phenomena, trends of deregulation, privatization and residualization that have affected the sector over the last twenty years are briefly described in box 4.

Box 4 Trends across European countries: the sector's residualization

Since the mid-1970s, the social housing sector has been reformed along market-principles and these reforms have been driven by the idea of New Public Management. (Boyne and Walker, 1999; Gruis and Nieboer, 2004; Oxley et. al., 2010; Sprigins, 2002; Walker, 2000; Walker and Van der Zon, 2000).

The delivery of services has been included in a competitive regime with emphasis on the introduction of private-sector mechanisms as a way to obtain higher levels of efficiency and effectiveness in many European countries.

In England, in the post-war period, social housing was a common tenure for working people, but, in the 1980s, after the privatization policy and the reduction in volume of buildings, it was available for poor people only. The housing management was exposed to competitive pressure and a new financial regime based on organizational performance was introduced for housing associations (Boyne and Walker, 1999; Flynn, 2007; Pawson, 2006; Walker, 2000).

In Netherland, in 1990s, more than the 90% of the social housing stock was privatized. Municipal housing companies turned into housing associations, and the housing associations became more professional, financially independent and larger. Currently, around 500 non-profit associations manage about 2,4 millions of social houses, more than 35% of all housing stock in Netherland (Stephens, Elsinga, Knorr-Siedow, 2008). In Germany, there was a dramatic fall off in social housing from around 4 million units in 1990 to fewer than 1.5 million in 2006 (less than 5 per cent of the housing stock). According to Schatzl (2007), the reasons for this disengagement were both the inability of authorities to maintain public housing using debt and the decision to focus on the use of voucher to replace new dwellings.

In sum, the social housing has been affected by phenomena of deregulation, decentralization of competencies and privatizations which have led to the residualization of the sector (Baldini 2010; Boelhouwer 1999; Oxlay and Smith 1996; Priemus et. al. 1999; Walker, 2000).

In addition, the residualization has took place, alongside spatial segregation and stigmatization of areas with a high concentration of relatively poor households, causing

new social problem related to exclusion and ghettoization (Czischke, 2007, (Priemus at al., 1999, Priemus and Dieleman, 2002).

The choice of allocation criteria also affects the manner in which the social housing management is financed. For instance, in the Universalistic model, because the rent is cost-based, the management should be totally independent from public funding. In fact, in the Netherlands and Sweden, no form of public financial subsidies is provided by the State or local authorities. Costs (including investments) must be financed by the income from the rents or through private loans. Social housing companies have not any advantages compared to the private rental sector. In Denmark, instead, just a little part of the investment (7%) is guaranteed by municipalities, while 91% comes from banks (2% is provided by tenants).

Contrariwise, in the targeted models (generalist and residual), public funding is quite mandatory. While the revenues from rents have to balance fiscal, administrative and maintenance costs, funding for new constructions or urban regeneration is guaranteed by public authorities. Shapes, through which the financing is provided, vary from one country to another. In some cases it occurs under form of grants (i.e. Belgium, Greece, Luxemburg and UK), in others as public loans (Ireland) or interest rate subsidies (Finland and Germany). Yet, in some cases interventions are mixed (Austria, France, Italy, Portugal, and Spain). In addition, in Belgium, Finland and Spain, public authorities offer forms of guarantee for private lenders when a social housing company borrows money.

A further interesting aspect concerns the manner in which such funding is distributed among providers in the light of the effect that such aspect has on sector's nature (competitive or not, complex, etc.). For instance, distributing public funding in accordance with manager's performance or on the base of historical costs makes the sector incentive-based or not. In general, the financing system as well as the allocation model are crucial in determining the sector's nature that, in turn, makes a certain type of manager (agent or steward) suitable or not. For instance, the social housing sector in Sweden is definitely different from the English one. The former is open to competition. Public and private organizations act under the same rules and rent value reflects the quality of house that, in turn, depends on the cost of house itself (Lindbergh *et. al.*, 2004). Instead, in England, competition is less thrust and sector is only open to

nonprofit organizations that, however, are annually evaluated and receive subsidies on the basis of their performance. Bramley (1993) says that the English social housing sector has assumed the shape of a quasi-market.

3.2. The social housing sector in Italy

In this paragraph, a brief overview of the Italian sector is given. Two aspects are highlighted: the sector's characteristics and the organizations involved in contract relationships. The first aspect is important to classify the sector as competitive, not competitive or contestable, to verify if specific investments are needed and to analyze the degree of complexity of the sector itself. The second aspect, instead, is useful to identify principals and managers in the sector.

The sector characteristics

The social housing sector in Italy shows all the aspects reported by Van Slyke (2007, p. 159) on social services:

1. it is characterized by different and sometimes conflicting goals. The public interest to protect the most vulnerable social groups has to be pursued under rigid budgeting constraints. Activities have to be provided in the manner that revenues (that are imposed by law) balance administrative, fiscal and maintenance costs;
2. specific skills are required to the managers. People who live in social dwellings are often poor and disadvantages that show varying levels of problems and that need treatment expertise, sometimes over long time periods;
3. time and funding constraints for program development and implementation are imposed: for instance, the level of rents (that affects incomes) is set by the Regions.
4. competition is weak. Since its inception, the sector has been managed by IACPs (public housing organizations) and by municipalities in condition of monopoly. Recently, it has been open to the market; however, the number of competitors is low;
5. Performance is difficult to measure or, at least, it may be interpreted. Kemp (1995, p. 782), reporting the studies by Carter (1989) says that "*housing management is complex and heterogeneous. As a result, performances cannot simply be read off a dial or meter like electricity consumption. It follow, therefore, that it is not*

realistically possible to provide precise measures of performance in housing management, but only to provide an indication of it... they may suggest areas where more in-depth scrutiny is required”.

In sum the Italian sector has been designed with roles far away from those that characterized the north-European countries. The degree of complexity is amplified by the lack of competition and the need of asset specification. Hence, even though the importance of monitoring and risk-sharing mechanisms is recognized, tools suggested by stewardship theory are essential to make relationship effective. In this sense also the manager’s choice has to be oriented in such direction.

Box 5 The normative and institutional evolution of the social housing sector in Italy

May, 31st 1903

The first Act in the social housing field was approved. Through fiscal incentives, it attempted to involve privates in the edification of houses for low-income people. In addition, it allowed to municipalities, cooperatives and other nonprofit organizations to jointly establish social housing agencies (called IACP) with the aim to build and to rent popular houses (Cutini, 2005). Such agencies had to be financed with private funds. The act’s purpose was mainly to regulate the sector, entrusting financing and provision to privates.

April, 28th 1938

A new act was approved in order to regulate the use of “privileged” funds for the social housing development. A list of organizations that could have utilized such funds was published. Among these organizations, IACPs and municipalities are particularly significant for the scope of this work.

February, 28th 1949

The public intervention became more relevant. The Parliament approved the so called “Fanfani Program” to increase employment by promoting the construction of houses for workers. Through a consistent public financing, more than 355.000 houses were built in 15 years. The program was managed by the Housing Department of the National Institute of Insurances (INA-CASA).

September, 3rd 1963

The social housing management was transferred from INA-CASA to GESCAL (a public agency under the control of the Ministry of Labor and Social Policy). Alike, the heritage of INA-CASA was shared among IACPs and other local housing agencies. Though some financing rules varied, the overall system continued to work at the same way.

October, 22nd 1971

The Parliament approved the Housing Reform Act in order to rationalize the sector in terms of procedures, operators and financing. GESCAL’s tasks were transferred to

CER (the Social Housing Committee under the control of the Ministry of Infrastructure) and to the Regions. All housing agencies were dissolved with the exception of the IACPs. Hence, IACPs and municipalities remained the unique owners of social dwellings. In addition, housing allocation criteria were revised and standardized.

July, 24th 1977

The competencies on social housing were definitively transferred to the Regions. Whilst the State would have indicated the minimal service standards, the Regions would have defined goals and rules. In addition, even the ownership of the IACPs (with the relative property) was transferred to the Regions.

March, 31st 1998

Public financing dramatically decreased. Alike, the new constructions decreased and managerial deficiencies were afloat. In order to improve efficiency and effectiveness, IACPs were reformed along market principles. Many of them became public enterprises (some for profit) with the aim to pursue public tasks at the minimum cost. Also municipalities chose a more market oriented strategy and they contracted out the management of their property either to IACPs or to private firms.

July 16th 2009

After several years of State disengagement and scarce resources invested in the sector, the social housing topic returned part of the public agenda. The Parliament approved the Housing National Plan in which some lines to increase the social housing stock were defined. However, today is too soon to make any balance.

Principals and managers of the social housing sector in Italy

Since the 1990s, the sector has been affected by a gradual economic disengagement of the State and by a process of decentralization of competencies. Today, regulation, financing and production of the service are mainly done at Regional level. In detail, whilst the State defines the minimal service standards, the Regions define goals and rules (among these latter, the allocation criteria and the level of rents are particular relevant). They owned social dwellings that are managed by their own companies, the IACPs. Hence, in this context, the Regions are principals and the IACPs the manager.

Beyond the setting above, a different relational model is possible: some social dwellings, in fact, are owned by municipalities. In this case, goals and rules are again defined by the Regions, but manager is chosen at municipal level. Municipalities can contract the social housing management either to IACPs or to any other organization (for profit or nonprofit, private or public).

The present study is focused on this latter case. It is doubtless more interesting than the former, because allows us to analyze contract relationships wider. For instance, it is possible to compare performance of private or public for profit firms with public nonprofit organizations, or to compare the behavior of IACPs when they have to pursue both the regional and municipal goals.

4. Methodology and data

This chapter has the aim to describe the methodological approach utilized in the present work in order to make clear the processes of sample selection, variables selection and operationalization, data collection and validation.

The analysis has been conducted through multiple case studies on a period of five years (2008 – 2012). Inductive case research has been considered the most powerful and appropriate method for its ability to offer deeper insight into a complex context such as the social housing. In addition, such method allows to answer to “how” questions (Wacker, 1998) that is the way in which our questions have been constructed. We have chosen multiple cases (instead than a single case) because the approach provides a stronger base for the aim of this work that is to extend existing theories (agency and stewardship) (Yin, 2003). *Constructs and relationships are more precisely delineated because it is easier to determine accurate definitions and appropriate levels of construct abstraction from multiple cases* (Eisenhardt and Graebner, 2007, p. 27).

4.1. The sample selection

Seven cases have been selected: the municipality of Bologna, Florence, Genoa, Milan, Sesto San Giovanni, Turin and Venice. These cases offer significant theoretical insights and they are particularly suitable for our exploration. In other words, the sample has been designed in accordance with the theoretical framework in order to coherently answer to the research questions. Firstly, we have differentiated the sample on the basis of manager’s legal status and size. Because we didn’t know the manager’s size *a priori*, we use the property size as indirect measurement of it. The institutional setting of the sector has been used as additional selection criterion. Among the emerging cases, all those with relevant social demographic differences have been dropped in order to isolate the effect of the relevant variables. Finally, seven cases have been selected, some with similar characteristics, others completely different coherently with a research strategy of replication and contrary replication.

In detail, as a result of regional reforms, Bologna and Florence are two of the few Italian cases in which the ownership of social dwellings has been totally transferred to municipalities as well as the ownership of the IACPs. These latter manage the social dwellings on behalf of the municipalities.

The municipalities of Genoa, Milan and Turin, instead, own part of the social dwellings whose management is currently contracted with the IACPs. In these cases, however, the IACPs are regional organizations. Hence, we can compare the managers' behaviors when they pursue municipal goals rather than regional and municipal ones together. Moreover, Turin has been selected because the municipality decided to rewrite the service contract with the same manager in 2010. Thus, the effect of different contract rules can be analyzed, *ceteris paribus*. In the Milan case, we have already said that the management is contracted with the IACP (whose correct name is ALER), however this is true since 2010. Before, the services were externalized to three private, for profit firms. In addition, in 2011, the principal changed. In this sense, the case is very intriguing because allows to analyze performance of different principal-manager relationships in the same context. Sesto San Giovanni has been selected because it is one of the few cases in which the services are contracted to a private firm. Moreover, because the municipality is placed in the Lombardy Region, such services are performed under the same norms of the municipality of Milan, though, the property of this latter is incredible greater if compared with that of Sesto San Giovanni. Hence, the case is useful to compare performance of private firms under the same norms but in context with different degree of complexity (in the Milan case, the private firms manage on average a number of dwellings ten times higher than that managed by the private firm in Sesto San Giovanni). In the end, the municipality of Venice has been chosen because of peculiar characteristics of its manager: it is a public, for profit organization whose goals go beyond the social housing management. In other word, it is the only public organization in the sample that could show an agent-like behavior.

It is important to point out that no private, nonprofit organization has been selected because no significant case of management is currently present in Italy. This represents a relevant limitation in the research strategy that will be better discussed in the last chapter of this work.

4.2.The variables selection

Two families of variables have been selected in this work: 1) the manager's characteristics that offer important evidence to distinguish a steward-like organization from one agent-like; 2) managerial performances. While the challenge is relatively easy

for these latter, because literature is consistent in this direction, harder is the choice of organizational and relational variables that can affect the manager's behavioral strategy. In this case, no reference is made in literature.

The selection of the managers' characteristics

Initially, literature has been used to select papers focused on organizational and relational variables with the aim to have a well detailed list⁹. Although no paper explicitly defines the variables that affect a steward behavior rather than an agent one, many utilize concepts and even words that are very familiar with the tenets of agency and stewardship theories when the principal and manager are organizations,. For instance, many authors have studied which (organizational and relational) variables lead to some form of opportunisms among organizations. Opportunism can be traced under the agency theory. Others have connected the same variables to the use of trust, cooperation and joint decisions. Such concepts are found in the stewardship theory. Thus, we have selected those variables that most frequently have been juxtaposed with the ideas of agency and stewardship theories. As results, three organizational variable (legal status, size, and centralization vs decentralization) and two relational (the coherence of goals between the parties and the resource dependence) have been chosen. A further consideration has to be made relative to the aforementioned variables: they are easy to know and measure. This aspect can facilitate the diffusion of the method and the results here proposed, among practitioners.

The managerial performances

Performances have been selected from literature (table 6). In detail:

- the cash flow is a financial indicator that shows the manager's capability to pursue the goal of financial equilibrium;
- the rate of arrears measures the manager's capability to maximize revenues. Sprigings (2002, p. 13) says that "arrears are a more significant problem for housing association";

⁹ On this point, we recommend the paper "Organization structure and performance: a critical review" by Dalton et. al. (1980).

- the collection rate is an additional indicator that measures the manager's capability to maximize revenues, recovering arrears referred to previous years;
- the maintenance expenditure per unit is an indicators used both in England and Netherlands (Walker and Van der Zon, 2000). The higher the indicator, the more effective the management is. In fact, maintenance expenditure "is associated not only with higher revenue generation, but also with long-term viability of the system" (Lindbergh et. al., 2004, p. 813);
- the ratio between maintenance expenditure and the manager's fee shows the efficiency of the expenditure and, in general, the efficiency of the management. In a context where the rent level is an exogenous variable, where the revenues have to balance the costs, where fiscal and administrative costs are mandatory, the less is the manager's fee, the more are the amounts for maintenance. Thus, the more the maintenance expenditure, the more the management efficient;
- the monthly manager's fee per unit;
- the rate of vacant dwellings is an indicator of both efficiency and equity. It shows the part of unavailable estate that doesn't generate income;
- the rate of squatters is an indicator of both efficiency and effectiveness. Squatters usually show a high rate of arrears. In addition, they deprive people in rule of an affordable house;
- while the previous indicators are common at all municipalities, front-office activities such as complaints management, the public reception and, generally, the activities relative to the relationship with the tenants, are measured through a wide set of indicators (qualitative and quantitative). These indicators show the management effectiveness.

A further indicator is analyzed: the satisfied demand. It is measured as the ratio between the number of families that receives a social house on the number of family that makes request each year. The indicator escapes from the principal scope of this work because its values are more affected by the sector rules (i.e. allocation criteria) than the manager's skills or the manner in with contract relationship are structured. However, it leads us to link the managerial aspect with the system ones.

Table 5. The managerial performance indicators

<i>Indicator</i>	<i>Metric</i>
Cash flow	difference between revenues and expenditures
Rate of arrears	ratio between effective revenues and potential revenues referred to the same year
Collection rate	ratio between effective income referred to all years (previous and current) and potential income referred to current year
Maintenance expenditure per unit	ratio between maintenance expenditure in a year and number of dwellings
Efficiency of expenditure	ratio between maintenance expenditure and manager's fee
Manager's fee per unit	The ratio between the monthly manager's fee and the number of social dwellings
Rate of vacant dwellings	ratio between the number of vacant dwellings and total number of dwellings
Rate of squatters	ratio between number of squatters and number of dwellings
Front-office activities	complaints, response time and effectiveness of operations

4.3. The data collection and validation

Data and information were collected in the period of June 2011 - September 2013. A preliminary collection of available documentations on institutional websites was made in order to obtain information about laws, projects, economic indicators, etc.. Phone and e-mail were used for the initial contact with privileged witnesses of Municipalities, IACPs and other managerial actors.

A questionnaire with open-and questions was sent to every municipal witness in order to collect data related to six areas of interest: 1) the amount of the housing stock and the type of tenure (social rent, mixed rent, etc.); 2) the demand characteristics: age, ethnicity, income of people that have requested a social dwelling and/or have obtained one; 3) the strategic and operational goals; 4) the activities and the service levels; 5) the managerial models: actors involved in the managerial process, motivation of the choice, type of externalized activities, contract rules, etc.; 6) performance. A slightly different version of the questionnaire was sent to managers. This last version was better detailed in the section 5 with additional questions aimed at understanding the organizational structure, the judgment on the contractual relationship and the relative motivations, and, above all, the behavioral strategy. 43 people were interviewed and some of them more times (table 5). Each interview was lasted about two hours and it had the aim to study in depth the answers given to the questionnaire, to clarify the meaning of some question, to understand the informal engagements between owners and managers, to collect some additional document such as the service agreements, internal reports, etc.. The information collected through the interviews were compared with those reported in both

official and internal documents in order to test the consistency of results (Shah and Corley, 2006; Yin, 2003). Phone and e-mail were used again in case of missing information and data inconsistency.

Table 6 list of interviewed roles

<i>Case</i>	<i>Organizations</i>	<i>Position</i>
Bologna	Municipality of Bologna	Director of Housing sector
		Officer of Housing sector
	ACER	Member of board of directors
Florence	Municipality of Florence	Director of Housing sector
		Director of Social Housing sector
		Ex Councilor of Housing
	Casa spa	ICT executive
	Casa spa	External Relation Officer
Genoa	Municipality of Genoa	Director of Social Housing sector
		Officer of Social Housing Sector
		Social Housing sector employee
	ARTE	Administrative Director
		Administrative Officer
Milan-GS	Municipality of Milano (1)	Head of Housing sector (1)
		Head of Social Housing sector (1)
		Officer of Social Housing sector (1)
		Officer of maintenance office
		ICT employee
	ICT supplier	
	GS	Project manager
Milan-Aler	ALER	CEO
		CFO
		Accounting officer
		Executive of maintenance
		Executive of vacant dwelling office
	Municipality of Milan (2)	Head of Housing sector (2)
		Head of Social Housing sector (2)
		Officer of Social Housing sector (2)
		Officer of maintenance office
		ICT employee
		ICT supplier
Sesto San Giovanni	Municipality of Sesto San Giovanni	Officer of Social Housing Sector – Global service and maintenance office
		Officer of Social Housing Sector – Administrative office
	MC	Project manager
Turin	Municipality of Turin	Director of Social Housing Sector
	ATC	CEO
		CFO
		Financial officer
		Accounting officer
		Executive of arrears
		Maintenance Director
		Estate Development Director
Venice	Municipality of Venice	Director of Housing sector
		Officer of Housing sector
	Insula	Social Housing Manager

5. Findings

This chapter has the aim to provide evidences in order to respond to the three research questions: 1) how do the manager's characteristics affect its behavior (is it more of an agent or a steward)? 2) how are contracts structured and managed? 3) how do the manager's characteristics and contract rules affect service performance?

It is structured in three parts:

1. *the manager's characteristics* and the effects on its behavioral strategy (more agent-like or steward-like);
2. *the contractual relationships* with the analysis of tools suggested by agency and stewardship theories;
3. *the analysis of performance*.

5.1. The manager's characteristics

In this paragraph the manner in which manager's characteristics affect its behavioral strategy (more agent-like or more steward-like) is analyzed. Specifically, in a first part, goals, legal status, size, organizational structure (centralization *versus* decentralization) and resource dependence are described for each case. In the second, the manager's behavior is examined.

Goal analysis

In table 7 managers' goals are compared with those of the principals in order to understand where they are aligned and where not.

The municipal goals are overall seven. Three of them are well defined in all cases: 1) the use of dwellings as a way to guarantee an affordable house to the poor and disadvantages; 2) the warranty of a certain housing quality standard; 3) the financial equilibrium. In addition, the municipality of Turin has foreseen to increase the number of social dwellings and to diversify the target which they are referred. These two goals are also mentioned in some institutional documents of the other municipalities, but with less clarity. In order to improve the quality of life, avoiding ghettoization phenomena, the so called "housing plus activities" (Walker, 2000), that are activities with more social purposes, are promoted. In the end, with the exception of Florence, all Municipalities favor the owner-occupation, selling houses to tenants.

In five cases, activities have been externalized to ex IACPs (Housing associations), that are ACER, Casa spa, ARTE, ALER and ATC. Similarly to the definition of the Dutch housing corporations by Priemus and Dielman (2002, p. 197), “*they have to function solely in the interest of housing and are obliged to reinvest any surpluses in housing. They have to give priority to vulnerable groups (low-income households, ethnic minorities, the unemployed, the handicapped, the elderly). They have to maintain the quality of the housing stock, to invest in the housing environment*”. They also have to guarantee the financial equilibrium of management so that revenues have to balance administrative, fiscal and maintenance costs. They build up new social dwellings and they develop activities with more social purposes. Recently, they have also acquired some competence in house-selling. In sum, the main goals of these five organizations can be considered aligned with those of their own principals. Nonetheless they are involved with the development of new businesses in similar fields (*i.e.* student halls) that could generate conflict. Among the aforementioned organizations, Casa spa is a special instance because of its for profit nature. How such goal is pursued is not clear at this point of analysis. Profit maximization is less important than both social and managerial aspects. However, earnings generated by Casa spa are not necessarily reinvested in the sector and a potential conflict could arise among shareholders when they have to decide how to utilize such earnings.

In the Venice case, the municipal social housing is managed by Insula spa. The core business of the organization is the Venice’s urban development and maintenance. Social housing management is one of the primary activities that Insula provides, however, not the only. Hence, a goal misalignment can occur.

As concern the municipality of Milan, in the 2003, it contracted the management of social housing to three private, for profit firms through a global service model (Milan-GS case). The decision was justified by the idea that private firms would have provided better performances, applying methods and culture of private sectors. In 2009, a new management arrangement was signed with ALER. The three firms were (and are) for profit, and, consequently, profit maximization was (and is) the primary goal they pursued. They performed a huge set of activities, principally relative to maintenances and house-selling, but they had no experience about vulnerable groups and housing plus activities. In this case, a goal conflict is clear. Alike, in the Sesto San Giovanni case,

manager's core business is not the social housing management that, instead, represents a very small part of its business. MC is specialized in delivering facility management activities. It is for profit organization and earning maximization is the dominant motivation that leads MC to provide services. Also here, a goal divergence is expected.

Table 7 Goal analysis

<i>Municipalities</i>	<i>Municipal goals</i>	<i>Managers</i>	<i>Manager's goals and features</i>	<i>Goal conflict</i>	
Bologna	to use dwellings as a way to guarantee an affordable house to the poor and disadvantages; to guarantee certain quality of the housing stock; to guarantee the financial equilibrium; to favour the development of the so called "housing plus activities"; to increase the number of social dwellings; to diversify the target the new social dwelling are referred to sell houses to tenants.	ACER Bologna	1. they give priority to vulnerable groups; 2. they maintain the quality of the housing stock, 3. they invest in the housing environment, building up new dwellings and developing activities with social purpose 4. they guarantee the financial equilibrium 5. they reinvest any surpluses in housing; 6. recently, they have developed competences in house-selling.	No	
Florence		Casa spa		Possible	
Genoa		ARTE Genoa		No	
Milan (1)		ALER Milano		No	
Turin		ATC Torino		No	
Milan (2)		Global Service		1. profit maximization 2. social housing management is one of the several activities they delivery; 3. no experience with vulnerable groups 4. core competences in both integrated maintenance and house-selling	Yes
Sesto San Giovanni		MC		1. profit maximization 2. it is specialized in facility management activities; 3. social housing management is a very small part of its business 4. no competences with vulnerable groups and "housing plus activities"	Yes
Venice	Insula	1. profit maximization 2. social housing management is one of primary activities it provides but not the only	Yes		

Source: elaboration from institutional documents

Legal status

The sample is composed by six for profit organizations and four nonprofits. Among the for profits, two are public, four are private. The nonprofit organizations are all public.

In detail, ACER Bologna is a public nonprofit organization principally owned by the municipality of Bologna (30,7%) and the Province of Bologna (20%). It was established in 2001 in accordance with the Regional Social Housing Act. Before 2001, ACER Bologna, whose originally name was IACP of the Province of Bologna, was a regional enterprise. It owned almost all the social dwellings in the Province and it could provide services relative to the social housing stock just in municipalities of the province itself. After, the dwellings' ownership was transferred to municipalities and ACER became a social housing service provider. It is not surprising that today, ACER is more economically vulnerable than in the past. However, in order to reduce such vulnerability, it can provide services (relative to housing stock) to all public institutions without geographical limitations.

Casa spa is a public for profit organization owned by the municipality of Florence (57%) and by the others thirty-two municipalities of the province. Contrary to ACER Bologna, it can provide services only for the municipalities that are its shareholders. It was established in 1998 after a regional sector reform. Before 1998, the social dwellings were owned and managed by the IACP of the Province of Florence. After, the IACP was dissolved and the ownership of social dwellings was transferred to municipalities. In order to manage social housing, these latter founded Casa spa where IACP's workers were transferred.

ALER Milano, ARTE Genoa e ATC Torino are three public nonprofit organizations owned by Lombardy Region, Liguria Region and Piedmont Region, respectively. They own and manage some social dwellings (the major part) and often they manage dwellings owned by municipalities. They can provide services in a restricted geographical area that coincides with the competent province. These organizations were established more than 100 years ago. They were the engine of social housing development in Italy. At the beginning of '90, they were reformed along market principles in order to improve the efficiency of their actions, though results are still uncertain.

In order to complete the frame of the public organizations, a brief description of Insula spa is reported below. It is a for profit organization owned by the municipality of Venice (72,13%), by Veneto Region (1,14%) and By Veritas spa (26,73%) that is, in turn, a multiservice regional enterprise. It was established in 1997 in order to insure technical homogeneity for the city urban development. In 2009, Insula acquired Edilvenezia, an organization owned by the municipality of Venice and founded in 1993 to restore Venice historical center. Until the merger, Edilvenezia managed the social housing stock on the municipality's behalf.

In the Milan-GS case, though the three firms have a different history, they show some characteristics that make them similar for the scope of this work. They are for profit, they are private. In addition, they are inside large groups of companies that perform several services. Nonetheless, two important differences can be noted on services' nature they provide and on their ownership structure. In two cases (GS1 and GS3) all services concern the real estate management while in GS2 they are incredible dissimilar. GS2 and GS3 show a diffuse ownership. GS2 is even publically listed and among the main shareholders, we can count banks and insurances. GS1, instead, is a family-owned firm.

Finally, MC is a private, for profit organization founded in 2003 as a spinoff of a cooperative society with more than 70 years of experience in the integrated facility management. In 2004, some private equity funds acquired the 28% of its shares. In addition, also MC makes part of a group of companies that provide services quite various even though all related to real estate management.

Size and organizational structure

ACER Bologna employed 163 workers to manage 19.456 social dwellings. It is structured in four business units (business development; maintenance; administration and internal services; real estate management). The units are coordinated by the CEO that is, in turn, supported by four staff offices (human resources; accounting and control; ICT; external relations). The levels of hierarchy are four: the CEO; four directors: one for each business unit; some supervisors; employees. The decisional process is centralized.

“At the present, decisions are absolutely centralized. We are involved in a process of reorganization that is not just the change of some office. We want to diffuse a new culture, a new way to provide services. We have to shift from a bureaucratic organization to an organization market oriented. This is a top-down process that requires centralized decisions. Decentralization can be effective after people have embodied the new organizational culture, contrariwise, each one does what he wants.” The vice president said.

Casa spa is smaller than ACER Bologna and it counts 74 employees organized in three business units that are divided in ten offices. One business unit is composed by only staff offices (accounting; legal advisory; human resources); a second unit includes just line functions that are related to large-scale projects, while the third business unit mixes staff and line offices. The levels of hierarchy are four: the CEO (that is not also board chair), an executive for each business unit, office’s supervisors and employees. Decision processes are centralized.

Even though the number of dwellings managed by ARTE (10.675) is less than those of Casa spa, the number of workers is higher and the organizations more capillary: 122 units divided in 8 departments and 15 offices. Among these latter, 4 offices are decentralized. The levels of hierarchy are four also in this case: the CEO (that is not also a board chair); 4 directors represent the second line of liability, 15 office’s supervisors and 103 employees. Decisional processes are centralized.

Both Milan-GS and Milan-ALER show deep differences relative to the previous cases. ALER is one of the biggest social housing corporations in Europe. It manages 97.474 social dwellings. Its organization is much more complex than those already seen. The number of workers in ALER is about the double of the sum of the employees of other public organizations in the sample. They are 1.101 divided in 7 business units, 110 offices in 13 agencies (the headquarters and 12 branches) scattered in 6 cities of the province. The hierarchal levels are generally five: the CEO, the directors, two levels of officers, the employees. Sometimes an additional liability level is found between officers and employees. The decision process is decentralized, but, information flows between the headquarters and branches is no easy to manage. Communication and coordination problems are relevant. Branches, sometimes, behave as they were totally independent organizations.

In GS2, 1.066 employees are geographically distributed into eight agencies: five in Italy and three abroad. 426 persons work in the office of Milan. Among them, about

60 units were employed in the municipal social housing management. The business units are six. Each one shows a matrix organizational structure. Consequently, both the number of offices and hierarchical levels are less than those in ALER. However, the liability is much more diffused. There are 75 executives. With the exception of budget construction process, decisions are decentralized. Each executive has a great level of autonomy on the projects he supervises. Nonetheless, such autonomy can be reduced when he has to interact with the line manager for human resource utilization. As in ALER case, communication and coordination problems are found.

GS1 is overall smaller than GS2 (500 working units), however, the number of employees dedicated to the municipal social housing management was about the same (60 units). The business units are six: four (contracts and projects; procurements; human resources; administration, finance and control) are in the headquarters, two (property and facility management) are geographically divided in five agencies. The hierarchical levels are five: the CEO that is also the board chair, one director for each business unit, an executive for each agency, some project leaders and the employees. The decisional process is decentralized less than in GS2. Because the ownership is less diffuse, the owner (that is also the CEO) is instantly informed about any important decision.

GS3 is the smallest private organization in the sample. It counts overall 150 employees. Approximately 40 were involved in the municipal housing management. Its organizational structure is comparable with that of GS1: the staff functions are located in the headquarters, while line functions are divided in five agencies. Among private firms, GS3 shows the lowest level of decentralization. Though, executives and officers enjoy greater autonomy than the public counterparts.

MC is the biggest organization in the sample, though the smallest in terms of persons involved in the municipal dwellings management (8 units). It employs 12.303 workers in 36 agencies (the headquarters and 35 branches). The staff functions are all in the headquarters while branches perform the operative activities. The number of directors is low if compared with that of the organizations described above. They are 43. The hierarchical levels are generally six: the CEO that is also board chair; a first executive level (one director for each organizational function), a second executive level (directors liable for a specific geographical area); some line supervisors (each area is divided in specialized units. Each unit has a supervisors); project leaders and workers.

Even though a higher number of employees, decisional processes are rather centralized and surely more centralized than GS1 and GS2. More than 90% of employees are blue collars. Thus, the persons that make decisions are few.

ATC's manages 31.022 with 258 employees. Though it is the biggest public organization after ALER, its structure shows a low level of itemization. Activities are structured in 3 departments and 9 offices. The hierarchical levels are four: the CEO; the directors; the officers; the employees. The decisional process is centralized.

Finally, Insula is the smallest organization in the sample. It counts 59 employees organized in four staff functions (accounting and human resource; legal advisory; ICT; procurement) and five line functions. The social housing department is a line function in which 23 persons (grouped in four offices) are employed. The structure shows generally three levels of hierarchy: the CEO that is also member of the board of directors, an executive for each function and the employees. Though the modest organizational size, the decisional process are quite decentralized.

In table 8, organizational size and structure are reported for each case.

Table 8 organizational size and structure - 2012

<i>Municipality</i>	<i>Manager</i>	<i>Number of employees</i>	<i>Employees involved in the municipal housing (equivalent units)</i>	<i>Number of dwellings for employee</i>	<i>Organizational structure</i>
Bologna	ACER	163	104	119	Centralized
Florence	Casa spa	74	50	168	Centralized
Genoa	ARTE	122	44	88	Centralized
Milan	GS1*	500	50-60	about 200	Decentralized (less than GS2)
	GS2*	1066	50-60	about 160	Decentralized
	GS3*	150	40-50	about 150	The less decentralized among private firms
	ALER	1.101	322	89	The most decentralized among public organizations
Sesto San Giovanni	MC	12.303	8	120	Decentralized (less than GS1 and GS2)
Turin	ATC	258	76	120	Centralized
Venice	Insula	59	23	209	Quite decentralized

* Data refers to 2009.

Source: elaborations on institution documents and interviews.

Resource dependence

In table 9 is shown the level of economic resource dependence from the principal. The value is measured as a percentage of annual revenues generated by the municipality's social housing management on the total annual revenues. The sample is rather wide. The manager that shows the higher degree of dependence is Casa spa: approximately 75% of total revenues is produced by the municipality of Florence. About one third of ACER's annual revenues is generated by the municipality of Bologna. In order to reduce its economic dependence, ACER is adopting a service diversification strategy to increase both the number of clients and revenues. Still, the municipality of Genoa guarantees 28% of ARTE's revenues. ATC and Insula show a similar degree of dependence near 20%. The revenues produced by the municipality of Milan are 15% of those of ALER and they were 5%, 3% and 11% of GS1, GS2 and GS3 respectively. Finally, the manager that shows the lowest degree of dependence from the relative municipality is MC (0,2%).

Data indicate a clear distinction between public and private organizations. The former are much more dependent than the latter. It is unsurprising and can be explained considering the different business model organizations adopted. Private firms provide several services and they operate as market forces in wide markets. Contrariwise, public organizations work in a constrained market for exclusive clients. The widest range of services private firms provide is the reason for which their decisional processes are more decentralized than those in the public organizations as emerged in the previous paragraph.

Table 9 the level of resource dependence from the principal - 2012

<i>Municipality</i>	<i>Manager</i>	<i>% of annual revenues generated by municipality's social housing management on total revenues</i>
Bologna	ACER	35%
Florence	Casa spa	75%
Genoa	ARTE	28%
Milan	GS1	5%
	GS2	3%
	GS3	11%
	ALER	15%
Sesto San Giovanni	MC	0,2%
Turin	ATC	22%
Venice	Insula	20%

* Data refers to 2009.

Source: elaborations on institution documents and interviews.

The manager's behavior

ACER Bologna is characterized by a mixed approach. Though cooperation and trust are recognized as distinctive elements to create a favorable environment that positively affects performance, clear and detailed rules are considered equally important.

Of course, cooperation is important and we cooperate with the municipality. However, cooperation works well when performance is good. When environment is uncertain, or when performance decreases, formal rules are preferable because you can easily know what is the matter and the relative cause. We are moving in such direction: we claim a clear relationship with the municipality. In the past, things were different. We were owners of many social houses that guaranteed a certain financial stability. The relationship with the municipality was more relaxed. Now, we work in a more competitive environment and our financial situation is more vulnerable". The Vice President said.

As reported above, ACER became more financially exposed after the regional reform that transferred the ownership of social houses from ACER itself to municipalities. In the new and uncertain context, organization's top-level managers realized that survival would have been possible only modifying the approach to the service, highlighting the need to organize differently to compete successfully.

We must understand that we are no longer a public agency in a monopolistic regime. We are in a competitive system. Whether municipalities decide to contract the social housing management with a different manager, they can do it. We can't hope in the benevolence of municipalities. We are not a small organization. If we want to maintain the current level of employment, we must improve our procedures to better serve clients. At the same time, we must find new clients, becoming less dependent. The approach must be more professional and impersonal". Yet, the Vice President.

ACER has increasingly been focused on market discipline, efficiency and cost structures, becoming more business-like (Dart, 2004). However, it remains a nonprofit organization with primarily social purposes that are, in turn, the same of those of the municipality. The steward approach is still dominant, even though the importance of a more agent behavior is recognized.

Yes, we are steward because we believe in cooperation. We are a public nonprofit organization, thus, we do not operate to maximize our profit and when the municipality asks for something not declared

in the contract we do everything to satisfy the request. Above all if it can solve situations that involve tenants. At the same time, we behave as agent when the aforesaid request implies a considerable work effort.

Casa spa adopts a behavior more steward-like than ACER. Because it can provide services solely for the municipalities of the Province of Florence and because among them, Florence is far the most relevant, the organization is strongly motivated to cooperate with the municipality.

Neither the status of for profit, that could generate conflicting goals, seems to particularly affect the organization's behavior. Two are the reasons adduced by the interviewed: 1) Casa spa has a relative young history. However, it rises from ashes of the IACP of the Province of Florence that was a nonprofit organization. Many persons that have previously worked in the IACP, are currently employed in Casa spa. Thus, Casa spa is pervaded by the nonprofit style; 2) Casa spa works as a sort of municipal arm, even though with managerial autonomy. It means that the municipality is greatly interested in its economic sustainability. Any financial loss has to be recapitalized by the municipality; in addition, municipal administrators do not make a good impression on public opinion whether their enterprise was in deficit. For these reasons, when the organization's fee is negotiated, both parties are aware about the importance to balance needs coming from the social housing management (*i.e.* maintenance budget) with those of the organization. In such favorable environment, employees are led to maximize their work effort without economic incentives or penalties that, at the opposite, are considered dangerous for performance.

I think that the threat of penalties would be counterproductive because it would have a negative effect on job satisfaction that, in turn, would compromise performance. The interviewed said.

A last but not least element emerged during the interview is related to the CEO's ability in creating the ambience of cooperation and trust. A different approach could be adopted whether leadership model varied.

ARTE Genoa is the most steward-like organization in the sample. Activities actually provides are not always matched with those reported in the service agreement.

Whether we applied just what is written in the contract, probably we would provide the half of services that we actually do. The contract is quite old and it has been not substantially modified for at least fifteen years. If you read it, you could observe that our fee is in lire. Contract is important for law, but motivations that lead us to provide activities are different. We have always managed the municipal social housing as it was ours and we try to manage ours as best as possible. The administrative director said.

Such behavioral strategy is also favored by the manner in which the sector is normatively structured in the Liguria Region. The law, in fact, pictures ARTE as the unique manager that municipalities can choose for the management of their social dwellings (though such norm is not explicitly declared). For this reason, ARTE does not feel threatened by possible municipality's "opportunistic behaviors". In other word, we can say that steward behavior is the consequence of the unsuitability to adopt a behavior agent-like. Moreover, work effort maximization is guaranteed by a (steward) common culture that characterized the organization and that can be easily diffused because of the small size of the organization itself.

It is unlikely someone acts dumb. We are not a big organization, everyone knows everyone and works according a common style. Of course, few exception has to be counted. Yet, the administrative director.

ALER behaves in a more agent-like than the aforementioned organizations. Although, top level managers stress how public nonprofit status leads them to act as stewards, executives at lower levels adopt approaches not always referable to a steward-like behavior and no a common culture can be definitely noted. For instance, the accounting officer has repeatedly expressed the need to use an easygoing style based on daily relations with the municipality of Milan as a condition to improve performance. At the opposite, the executive of "vacant property rehabilitation office" has showed the attitude to minimize the work effort of his organizational structure if activities were not formally foreseen in the contract.

The municipality of Milan is a client. The best client we have. We cannot refute to do what it asks for. Moreover, we should provide activities without that master imposes his voice. Recovering

arrears owed by tenants is our due with or without the municipality's request. The accounting officer explained.

At the opposite, the executive of "vacant property rehabilitation office" said:

Rehabilitation of vacant property is not well detailed in the contract. I don't know exactly how to behave. If the municipality doesn't give me the insurance of a budget, I cannot do anything. They have told me to perform all the preparatory activities hanging in the budget. I'm less than enthusiastic about this solution. I cannot involve my organizational structure without certainties.

ALER is an organization originally oriented to behave as steward in which the decentralization of decisional processes has exacerbated approaches more related to agent style. In sum, in ALER, behavioral strategy seems a more a function of the characteristics of the situation than the result of a common commitment. Two further aspects seem affect ALER's behavior: the history that has characterized the relationship between the parties and the relative resource independence. In 2003 a more than decennial contractual relationship was broken in order to contract the management to privates. ALER's performance came under attack and its reputation was damaged. Most of persons working in ALER in 2003, are currently working. When in 2009, the municipality went back to ALER, the relationship restarted in a context of diffidence that is still alive in someone. In addition, because ALER had worked without performing services on the municipality's behalf for six years, workers neither perceive the need to serve the municipality at any rate, nor to vary some work habits when the municipality requires.

In Milan-GS case, all firms behaved as agent. In 2008, when the municipality of Milan denounced their worst results, their responded that they had done everything foreseen in the contract.

When a commercial offer is submitted, its price depends on what the client ask for. After the offer being accepted, client cannot think that anything he asks is allowed just because he has forgotten to write it in the contract. We have to guarantee a certain margin [...] if some data exchange procedures had not been foreseen, we obviously did not provide. This is what GS1's project leader affirmed.

Nonetheless, some differences can be noted from one organization to the other. For instance, GS1 tended to behave more steward-like than GS2 and GS3 because more reputation-sensitive. On one hand, it provided (and provides) services less diversified than those of GS, on the other, it was (and is) more exposed to public opinion than GS3 because bigger. Thus, a bad advertising by the municipality of Milan would have negatively affected its earning sooner and in a greater way than those of both GS2 and GS3.

It is not easy to define the behavioral strategy of ATC. It is a nonprofit organization whose goals and competencies concern the social housing management. These conditions favor a steward-like approach. In fact, both ATC's dwellings and municipal ones are managed at the same way. However, when some specific and unusual work procedures are requested, the organization tends to fall in conflict with the municipal counterpart. If the steward is someone whose goals are either aligned with those of the principal, or when they are not aligned, he "*places higher value on cooperation than defection*" (Devis, *et al.*, 1997, p. 24), in the case of ATC, the first part of the sentence is totally true while the second is sometimes rejected. ATC's culture is surely that of a steward. Nonetheless, it is an organization quite big with procedures defined over the years and that need much time (and financial investment) to be varied. In other words, ATC seems a not very flexible organization, even though moved by a great spirit of cooperation. It can partially picture as an "honest incompetent" that shows similarities to an agent-like behavior according to Hendry (2002). In addition, in 2012 as consequence of a national law, the amount of paid taxes is extraordinarily increased. This has exacerbated the ATC's agent facet.

MC is principally an agent organization that has adopted some steward's behavioral features in this particular situation. This has been indirectly confirmed by the officer of social housing sector for the municipality of Sesto San Giovanni and, after, directly proven by the MC's project leader.

We have a long-term relationship with MC. Before 2006, managerial performance was incredibly poor. The contract was few detailed and sometimes MC did not provide even the few things written. The municipality itself was not structured in order to effectively control MC. In 2006, the municipal sector was reinforced. Currently, 10 persons work here. Consequently, control increased and

MC had to vary its approach. In 2009, in the light of the experience gained in three years, we structured a new and more detailed contract with penalties and control mechanisms. Performance is increased and, today, even the relationship itself is less controversial.. **The municipal officer said.**

Generally, when you work in a competitive market, it is not easy to behave as steward. Contractual margins are so scarce that each additional request, which is not foreseen in the contract, can determine a loss. Sesto San Giovanni is an extraordinary case for us. The economic relevance of such provision is very low. At the opposite, municipal claims are definitely high. I have to admit that our structural costs are higher than our profits in this case [...] we continued to perform such service mainly for two reasons: 1) to preserve our reputation: we signed a contract and consequently we must respect it. All relationships with the public administration are strategic. A bad advertising would compromise future relationships in this field; 2) the economic relevance of this contract is so low that we can easily compensate losses with gains coming from other projects. The MC's project leader affirms in a confidential moment of the interview.

Finally, although Insula's goals are not aligned with those of the Municipality of Venice, it largely adopts a steward-like behavior. It is important to point out that such behavior concerns the Insula's social housing department and not the whole organization. While the municipality's opinion about Insula is controversial, social housing department is highly considered. The behavioral strategy has been developed over the years principally thanks to cultural approach of the persons involved in the relationship. The partially decentralized structure of decision processes has favored the sharing of this culture inside to the social housing department, but it has inhibited its diffusion in all the organization.

5.2.The contractual relationship

This paragraph is aimed to describe the manner in which relationships between the municipalities and the managers are structured. Contractual tools are investigated in order to understand if they are utilized in accordance with the manager's behavior (more steward-like or agent-like). Specifically, risk-sharing mechanisms and control systems are analyzed as well as the use of trust, cooperation and joint decision processes.

In the Bologna case, the relationship between the municipality and ACER is characterized by tools suggested by agency and stewardship theories. ACER is penalized whether the time to perform activities exceeds the expected value. For instance, 5 € have to be given back to tenants (in form of discounted rent) for each day of delay in front-office activity delivery. A penalty mechanism is also provided relative to the vacant dwellings. Moreover, a survey of customer satisfaction is used as tool to verify the quality of services. As concern the control, municipal officers can access to ACER's information system in order to verify the effectiveness of performance. However, not all activities are monitored through such system (*i.e.* maintenances) and their verification is provided in periodical meetings (both formal and informal) between the parties. Less attention is devoted to financial aspects. Because relationship is based on a concession contract, financial risk is totally allocated on ACER that, consequently, is "intrinsically" motivated to make the management financially sustainable. In such context, control mechanisms can be counterproductive because can generate misunderstanding that can, in turn, fall in conflict. Hence, trust and cooperation are utilized to lower the possible level of conflict.

In Florence case, no risk-sharing mechanism is foreseen. The previous councilor for Housing said that they had never thought to apply prizes or penalties for incentivizing the manager's behavior in making the right thing.

We are the main owner of Casa spa. We know if there is something wrong. Thus, we simply ask to solve the problem. He affirmed.

Monitoring mechanisms are well defined. Control principally focuses on financial performance. Casa spa has an analytical accounting system and periodically produces 33 financial reports (one for each municipality) where revenues and costs are explained. The accounting system let to know how, when and where resources have

been allocated. In addition, a set of indicators on front-office activities, arrears, vacant dwellings, squatters, is available on-line for municipal officers. The contract specifies both time and manner of data exchange procedures. However, such rules surround a relationship that is principally based on informal moments, daily contacts and in which decisions are made jointly.

Not even in Genoa case, risk-sharing mechanisms are provided. In addition, the monitoring mechanisms are well defined only for financial aspects. At the opposite, neither manner, nor time is specified for all remaining activities. ARTE is a definitely autonomous organization and the relationship with the municipality is fully based on trust (more than cooperation). However, if trust is the result of a conscious choice or a consequence of incapacity to control the organization is unknown.

In Turin, penalties are foreseen whether the time to recover the vacant dwellings exceeds the expected value. The mechanism is quite complex. The penalty is the sum of the fiscal and administrative costs relative to dwelling in the period of its vacation. The monitoring mechanisms, instead, were modified in 2010 when a new service contract was signed by the municipality and ATC. The structure of the income statement varied and became easier to read and more attention was paid to the procedures for recovering arrears (at least at the beginning). Despite the increase of formal mechanisms, the relationship between the municipality and ATC is based on trust and joint decisions. Besides institutional moments, many informal meetings are organized in order to plan managerial and social activities.

In the Milan-Aler case, risk-sharing mechanisms are defined for three areas of activities: arrears, vacant dwellings and squatters. In the service agreement is written that ALER has to guarantee a certain level of revenues per year. The corporation receives a prize or a penalty equal to the 10% of the difference between the target value of revenues and the result. Moreover, ALER's fee is about 32 € for each managed dwelling per months, but it is reduced than 40% when dwelling is vacant or there is a squatter. In the end, a set of performance indicators are defined for front-office activities, but without neither prizes, nor penalties. Regarding the monitoring mechanisms, a jointly-developed information system is in progress. Municipal operators can access to the system and control some activities (principally financial). Data on vacant dwellings and squatters are provided through MS-excel files. instead, front-

offices activities are few or not at all monitored. Beside these mechanisms, a group of work composed by both municipal and ALER's managers – called “Tavolo di Gestione” - meets regularly in order to make decisions jointly. All managerial aspects are discussed inside this group. The effectiveness of the “Tavolo di Gestione” has decreased since the first half of 2011, when the principal's change. In general, contractual tools that can be traced under the umbrella of the stewardship theory, have been cut or even deleted. The new principal's purpose, in fact, was to structure a more agent-like relationship, evaluating the steward approach ineffective to improve performance. Nonetheless, neither further control nor risk sharing mechanisms have been introduced in the service contract.

In Milan-GS case, risk-sharing mechanisms were defined for maintenance and front-office activities, but they had been never applied. Monitoring mechanisms were provided for financial reports only. The director of Housing for the municipality of Milan affirmed that control over management's activities was impossible because of the lack of data and data exchange procedures.

A penalty system is foreseen relative to maintenance activities, however, we have never had any tool to monitor such activities. We have never had any tool to monitor anything. She said.

The previous councilor of Housing admitted that, in 2003, managerial performance was unsatisfactory. Thus, they decided to modify the contract relationship. They made a tender, thinking that the externalization to private firms was the right thing to do. According to the councilor, the firms selected were the best in the property management, however, the service agreement could have been written better.

In the Sesto San Giovanni case, the service contract is extremely detailed and several penalties are foreseen in case of manager's deficiency. Municipal operators can access to MC's information system in order to monitor all activities. In general, the relationship is principally based on formal aspects. All requests and communications have to be made by e-mail or written documents and rarely a call is sufficient alone.

At the opposite, contract relationship between the municipality of Venice and Insula follows more a principal-steward approach and trust, cooperation and joint decision are the heart of such relationship. Though a minimum set of formal mechanisms relative to

financial aspects are foreseen. Also in this case, municipal operators can access to Insula's information system. However, as in other cases, control is not aimed to penalize the manager, but only to receive more information about the management.

5.3. *The analysis of performance*

In table 10 the cash flows generated by the social housing management are shown. Performance has to be read carefully: we cannot restrict the analysis to a mere comparison of values, thinking that the higher the cash flow, the better the managerial performance. First of all, rents, that are a relevant factor of revenues, are imposed by law. Thus, the result is affected by an exogenous variable. Moreover, managers have to pursue additional goals that sometimes are conflicting with the cash flow maximization. How these goals are weighed depends on specific agreements between the manager and the principal. Surely, managers have to guarantee that all activities are provided at the minimum costs, ensuring the financial equilibrium. In other words, performance can be considered positive whether cash flow is positive (or at least not negative).

Table 10 the cash flow 2008 – 2012 (euro)

<i>Municipality</i>	<i>2008</i>	<i>2009</i>	<i>2010</i>	<i>2011</i>	<i>2012</i>
Bologna	0,00	0,00	0,00	0,00	0,00
Florence	144.118,97	65.529,50	1.060.946,31	-688.391,17	-392.862,19
Genoa	4.582,48	- 386.371,12	- 649.493,02	-1.125.756,64	n.a.
Milan	- 5.160.891,98	- 6.404.878,02	9.777.978,13	6.015.512,62	967.000,00
Turin	3.641.841,20	2.774.030,47	1.819.668,72	-14.443,90	-3.006.782,02
Sesto San Giovanni	n.a.	579.750,00	603.750,00	502.500,00	719.797,00
Venice	2.304.030,06	1.823.685,91	2.022.129,00	4.054.535,00	3.755.383,12

Source: elaborations on institutional documents and interviews.

Values are always positive in the cases of Sesto San Giovanni and Venice. Because the relationship between ACER and the municipality of Bologna is regulated by a concession contract, the financial risk (earnings and losses) is assumed by the manager and the cash flow is always zero for the municipality.

In the Turin case, as well as in the Florence one, the cash flow is positive till 2010 and it becomes negative in 2011 and 2012. However, the Florence's values seem to follow a natural fluctuation near the zero (+/- 5% of total revenues) while, in Turin,

performance is constantly decreasing: the level of income does not change, but, the costs increase steadily. In addition, in 2012, the value is affected by the new tax regime that makes result structurally negative.

With the exception of 2008, the values are negative in the Genoa case. Finally, the Milan case shows a negative cash flow in 2008 and 2009 when the services were contracted with the three private for profit firms. At the opposite, the values become positive with ALER. Since 2010, the expenditures have been declined by about € 6 millions, while the income has been increased considerably as a consequence of the reduction of arrears. It is interesting to note how the cash flow has been eroded since the principal's change in the second half of 2011. Both arrears and costs have been dramatically increased as a consequence of lower work effort by the manager.

Still in the Milan case, although the three private firms perform activities under the same contractual rules, results are different. As we can see in the table 11, the cash flow generated by GS1 is positive in 2008 and negative in 2009, while cash flow generated by GS2 and GS3, is negative in both years. Yet, GS3 shows the worst performance among such managers.

*Table 11 Milan-GS case:
the cash flow generated by the private for profit firms 2008 – 2009
(euro)*

<i>Manager</i>	<i>2008</i>	<i>2009</i>
GS1	225.696,56	- 1.311.116,43
GS2	- 1.427.450,00	- 1.002.889,00
GS3	- 3.959.138,54	- 4.090.872,59
Total	- 5.160.891,98	-€ 6.404.878,02

Source: elaborations on institutional documents and interviews.

In table 12, the percentage of arrears is shown. ACER and Casa spa prove the best performance: arrears are near 8%. In the Genoa case, the percentage is about 10% in 2008 and 2009 and it increases to 15% in 2010 and 18% in 2011. According to the interviewed, such growth is the result of the general economic crisis that has primarily affected poor people. the Milan cases (GS an ALER) show the worst percentages. In 2008, the value is more than 30% on average; in 2009, the percentage dramatically increases near to 60%; in 2010 and 2011, it settles around 40%; finally, in 2012 it grows again near 45%. Data referred to 2008 are not comparable with those of other years.

Since 2009, in fact, the level of rents has been considerably increased in accordance with the new regional law. This has, in turn, determined an increase of arrears. Instead, comparing data from 2009 to 2012, it can be noted that ALER performs better than the private firms. However, such performance cannot be positively judged relative to the value foreseen in the new management arrangement. Among private firms, GS3 shows the worst performance, while GS1 and GS2 are substantially equal.

With the exception of 2008, the level of arrears is about 25% in the Sesto San Giovanni case. In Turin, it is 5 points higher. Although in 2010, the new service agreement was centered on the importance to recover arrears, performance did not improve. In fact, neither new control procedures nor new incentive systems were developed. Thus, nothing practically changed.

Finally, in the Venice case, arrears are about 10% from 2008 to 2010 and grow till 15% in 2012.

Table 12 the percentage of arrears 2008 - 2012

<i>Municipality</i>	<i>Manager</i>	<i>2008</i>	<i>2009</i>	<i>2010</i>	<i>2011</i>	<i>2012</i>
Bologna	ACER	7,00%	6,99%	7,00%	5,66%	8,38%
Florence	Casa spa	8,35%	7,85%	7,89%	7,75%	9,76%
Genoa	ARTE	9,88%	10%	15%	18%	n.a.
Milan	GS1	32,81%	55,36%			
	GS2	25,21%	55,06%			
	GS3	34,64%	63,06%			
	ALER			39,27%	41,16%	45,06%
Sesto San Giovanni	MC	18,55%	24,20%	25,92%	25,72%	26,32%
Turin	ATC	23,11%	26,80%	27,36%	29,30%	28,38%
Venice	Insula	10,00%	10,00%	11,45%	13,32%	15,41%

Source: elaborations on institutional documents and interviews.

Performance cannot be explained solely with the manager's ability in preventing, controlling and contrasting the arrears. On this respect, the level of rents (table 13) should play a key role in affecting performance.

Table 13 the average monthly rent (2008 -2012)

<i>Municipality</i>	<i>2008</i>	<i>2009</i>	<i>2010</i>	<i>2011</i>	<i>2012</i>	<i>Average</i>
Bologna	104,86	104,71	105,33	124,90	124,42	112,84
Florence	136,29	133,97	142,98	134,61	142,26	138,02
Genoa	165,51	166,96	165,44	166,18	n.a.	166,02
Milan	206,87	273,00	240,23	249,19	272,53	248,36
Turin	n.a.	194,88	191,77	193,75	194,95	193,84
Sesto San Giovanni	219,94	283,89	286,92	274,94	305,51	274,24
Venice	136,10	144,60	140,15	146,26	138,71	141,16

Source: elaborations on institutional documents and interviews.

Specifically, a certain degree of (inverse) correlation emerges by comparing the percentage of arrears with the level of rent. For example, we have already said that ACER and Casa spa show the best performance. They are also the cases in which it is applied the lowest level of rent. Instead, differences between Sesto San Giovanni and Milan are due quite exclusively to the manager's skills or to the manner in which contract relationship is structured. Here, the managers work under the same (regional) rules and, consequently, the level of rents is similar.

While the percentage of arrears shows the manager's ability to maximize the current revenues, the collection rate (table 14) measures the same ability on the overall revenues. The best performance is again provided by ACER (100%) followed by Casa spa (97% on average). In the Genoa case, values are around 90%. Considering the high percentage of arrears, ATC shows a good ability to recover the receivables related to previous years. Also here, data indicates a rate around 90%. Insula's performance decreases over the years, shifting from 94% to about 90%. The collection rate is slightly lower in the Sesto San Giovanni case (85% on average). Finally, percentages provided by the private firms and ALER are far away from those of the other municipalities. If in 2008, the collection rate is 78,97% on average, in 2009 it falls to 52,30. In 2010, performance improves and the rate grows at 74,67% under ALER's management. However, it decreases in 2011 and 2012, settling near to the same values produced by the private managers.

Table 14 the collection rate 2008 -2012

<i>Municipality</i>	<i>Manager</i>	2008	2009	2010	2011	2012
Bologna	ACER	100%	100%	100%	100%	100%
Florence	Casa spa	94,39%	99,63%	97,76%	98,09%	95,67%
Genoa	ARTE	90,58%	93,08%	89,08%	91%	n.a.
Milan	GS1	75,83%	55,67%			
	GS2	86,35%	55,06%			
	GS3	76,18%	45,00%			
	ALER			74,67%	65,06%	59,07%
Turin	ATC	92,42%	91,18%	93,87%	89,32%	91,06%
Sesto San Giovanni	MC	89,45%	85,70%	84,08%	84,28%	83,68%
Venice	Insula	94,00%	94,00%	94,55%	91,68%	90,59%

Source: elaborations on institutional documents and interviews.

A low percentage of arrears and a high collection rate allow to managers to allocate more resources on maintenance activities. Higher maintenance expenditure, positively affects the managerial efficiency. People living in well-maintained dwellings show more availability to pay rent, determining a less level of arrears. Moreover, the more people pay the rent, the more the resources for maintenance activities are.

Table 15 the average expenditure in maintenance 2008 – 2012

<i>Municipalities</i>	<i>Maintenance expenditure €</i>	<i>number of dwellings</i>	<i>expenditure per unit</i>
Bologna	€ 6.005.847,18	12.458	€ 482,09
Florence	€ 4.988.619,56	7.863	€ 634,44
Genoa	€ 1.078.776,49	3.679	€ 293,23
Milan GS	€ 5.754.725,43	26.500	€ 217,16
Milan ALER	€ 5.377.066,42	28.252	€ 190,33
Sesto San Giovanni	€ 594.600,00	955	€ 622,62
Turin	€ 2.423.911,24	9.532	€ 254,29
Venice	€ 2.224.746,40	4.800	€ 463,49

Source: elaborations on institutional documents and interviews.

Casa spa and MC show the higher annual maintenance expenditure per unit with € 634,44 and € 622,62 respectively (table 15). ACER spends € 482,09 per unit, followed by Insula with a value of € 463,49. In Genoa case, annual expenditure in maintenance is

€ 301,25. Yet, ATC spends € 254,29. Once again, Milan shows the worst performance with an expenditure of just € 202,85 on average. Moreover, differences can be noted between Milan-ALER and Milan-GS and, specifically, in this latter case performance are higher. No evident difference, instead, emerges among the privates. Maintenance activities are one of the most unsatisfactory aspects of ALER's management. Its spending capacity is quite low because of slowness of (public) procedures that have to be made for the maintenance providers' choice. The municipal officer of maintenance office admitted that private firms were faster and relationships more direct. According to ALER respondents, however, such deficiencies depend on the manner in which the municipality has structured the contractual relationship.

The contractual duration is so short that we are not able to program a satisfactory maintenance activity. Because we are a public organization, the process to select maintenance providers is long and surely longer than that of privates. Under the current contractual conditions, we have to make a tender annually. Thus, we need two, three months for preparing the invitation for tender; further two, three months for selecting providers. After, providers have to know the property. When they begin to know it, we have to do a new tender and we are not sure that the same providers will win. This is not a good manner to work. The ALER's executive of maintenance department said.

In table 16, the ratio between the annual maintenance expenditure and the manager's fee is reported. Such indicator explains the efficiency of expenditure and, in general, the efficiency of the management. As we have already written in the methodological chapter, in a context where: the level of rent is fixed by law; cost cannot be higher than revenues; fiscal and administrative costs are mandatory; the less the manager's fee, the more the resources for maintenance. Still, the more the maintenance expenditure, the more efficient the management.

Insula provides the best performance with a value of 2,88. A good performance is also provided by MC (2,44), ACER (1,79) and Casa spa (1,55). In these cases, the maintenance expenditure exceeds the manager's fee. At the opposite, ARTE (0,78), ATC (0,50), ALER (0,49), GS1 (0,48), GS2 (0,46) and GS3 (0,43) prove an inefficient expenditure.

Table 16. The ratio between the maintenance expenditure and the manager's fee average value 2008 - 2012

<i>Municipality</i>	<i>Manager</i>	<i>Maintenance expenditure € (A)</i>	<i>manager fee € (B)</i>	<i>(A/B)</i>
Bologna	ACER	€ 6.005.847,18	€ 3.361.046,05	1,79
Florence	Casa spa	€ 4.988.619,56	€ 3.217.560,47	1,55
Genoa	ARTE	€ 1.078.776,49	€ 1.389.797,88	0,78
Milan	GS1	€ 2.134.512,72	€ 4.440.826,49	0,48
	GS2	€ 1.909.360,82	€ 4.164.500,00	0,46
	GS3	€ 1.710.851,89	€ 3.998.000,00	0,43
	ALER	€ 5.377.066,42	€ 10.936.000,00	0,49
Sesto San Giovanni	MC	€ 594.600,00	€ 244.000,00	2,44
Turin	ATC	€ 2.423.911,24	€ 4.884.617,67	0,50
Venice	Insula	€ 2.224.746,40	€ 773.768,60	2,88

Source: elaborations on institutional documents and interviews.

In order to produce a better explanation of data reported in the previous table, the monthly manager's fee per unit is shown in table 17. Most of the managers (ARTE, ALER, Casa spa, GS1 and GS2) receive a fee of about € 30-35. Insula provides activities for € 13,43 per month per unit. MC and ACER show similar values: their fee is slightly higher than € 20. GS3 is, instead, the most paid manager with € 51,26 per unit followed by ATC (€ 42,70).

Table 17. The monthly manager's fee per unit (average values)

<i>Municipality</i>	<i>Manager</i>	<i>manager fee € (B)</i>	<i>number of dwellings</i>	<i>(A/B)</i>
Bologna	ACER	€ 3.361.046,05	12.458	€ 22,48
Florence	Casa spa	€ 3.217.560,47	7.863	€ 34,10
Genoa	ARTE	€ 1.389.797,88	3.679	€ 31,48
Milan	GS1	€ 4.440.826,49	10.500	€ 35,24
	GS2	€ 4.164.500,00	9.500	€ 36,53
	GS3	€ 3.998.000,00	6.500	€ 51,26
	ALER	€ 10.936.000,00	28.252	€ 32,26
Sesto San Giovanni	MC	€ 244.000,00	955	€ 21,29
Turin	ATC	€ 4.884.617,67	9.532	€ 42,70
Venice	Insula	€ 773.768,60	4.800	€ 13,43

Source: elaborations on institutional documents and interviews.

The rehabilitation of vacant dwellings is one of the most critical activity in the social housing management. The recovery cost is about of 10.000 € on average, while the runtime may vary from one week to six months. A big effort has to be provided by both the principal and manager. The former has to guarantee the right amount of financial resources and the latter has to perform the activity as soon as possible.

MC shows absolutely the best performance (table 18). Such result, however, seems to depend more on the peculiar characteristic of the property than the manager's ability, though the importance of this latter is recognized. Because the property is small and the its annual turn-over is about 3%, no more than 30 dwellings become vacant each year. An half needs few maintenance, the other is rented to families that arrange for maintenance by themselves, paying a discounted rent. With exception of Sesto San Giovanni, Florence shows the lower percentage of vacant dwellings (2,80%). Values are around 4-5% in Milan-GS case. The percentage is about one point higher in Bologna and Turin cases. Insula shows a rate of 6,92% while ALER is over 8%. Finally, the vacant dwellings are 13,75% of the total, in Genoa case.

Table 18. Percentage of vacant dwellings - average values 2008 – 2012

<i>Municipality</i>	<i>Manager</i>	<i>Vacant dwellings - average value</i>	<i>number of dwellings</i>	<i>% (A/B)</i>
Bologna	ACER	652	12.458	5,23%
Florence	Casa spa	220	7.863	2,80%
Genoa	ARTE	506	3.679	13,75%
Milan	GS1	480	10.500	4,57%
	GS2	450	9.500	4,74%
	GS3	330	6.500	5,07%
	ALER	2.364	28.252	8,37%
Turin	ATC	571	9.532	5,99%
Sesto San Giovanni	MC	4	955	0,42%
Venice	Insula	332	4.800	6,92%

Source: elaborations on institutional documents and interviews.

The trend of vacant dwellings over the years is reported below (table 19).

Table 19. percentage of vacant dwellings 2008 - 2012

<i>Municipality</i>	<i>Manager</i>	2008	2009	2010	2011	2012
Bologna	ACER	6,72%	7,00%	5,22%	3,61%	3,61%
Florence	Casa spa	2,07%	2,89%	2,48%	3,22%	3,34%
Genoa	ARTE	19,02%	14,30%	12,58%	11,93%	10,87%
Milan	GS1	4,13%	5,00%			
	GS2	4,21%	5,28%			
	GS3	5,00%	5,14%			
	ALER			6,74%	8,37%	9,99%
Turin	ATC	5,60%	6,22%	4,39%	6,97%	6,78%
Sesto San Giovanni	MC	0,42%	0,42%	0,42%	0,42%	0,42%
Venice	Insula	5,10%	5,81%	5,69%	6,81%	8,33%

Source: elaborations on institutional documents and interviews.

Since 2010, the agenda of both the social housing sector for municipality of Bologna an ACER has been focused on the recovery of vacant dwellings. Activities have been planned jointly and periodical meeting have been scheduled in order to control the work in progress. The annual budget has been increased. As result, the number of vacant dwellings has been halved.

Although a moderate growth occurs in 2011 and 2012, the number of vacant dwelling can be considered substantially stable in Florence case. The director of social housing sector said:

The number of vacant dwellings is more or less the same. Differences depend on the specific moment performance is measured. We have a tested system. There is a good cooperation between us and Casa spa.

In Genoa, the number has been constantly decreasing since 2008.

The recovery of vacant dwellings is an intriguing challenge. However, many aspects are far from your liability and possibility. Each rehabilitation is very expensive and municipalities have not enough resources for guarantee a satisfactory service level. Luckily, since 2008, the State and the Liguria Region have financed many of urban rehabilitation plans. Thus, we have been able to reduce vacant dwellings thanks to a strong cooperation among the institutional actors. As I have said, the State and the Region have financed the maintenances, the Municipality and ARTE have planned the operations and ARTE has restored the dwellings. The head of social housing sector said.

In the Turin case, the number of vacant dwellings is stable over the years, with the exception of 2010 when it results slightly lower. The director of social housing department for the municipality of Turin explained that in 2010 the better performance was due to enthusiasm following the sign of the new management arrangement. It is important to underline that the new contract foresees a penalty in case of delay on restoration time. However, performance improved thanks to a process of manager's involvement in decision making (stewardship approach) rather than to the penalty application (agency approach). The head of social housing sector affirmed:

We have never applied the penalty. We have tried, but we have soon understood that cost and time to calculate the penalty were more than the amount of penalty itself. Contrariwise, we have had a lot of meetings, we have asked for periodical reports. We have structured a daily relationship. We have had yet some problem, but things are improving.

After such initial moment, relational norms, that have helped to improve performance, declined and results went back on the levels of previous years.

In the Milan case, despite the risk-sharing mechanism, the number of vacant dwellings grew under the ALER management. In the contract, rules on the vacant dwellings are unclear and the monitoring mechanisms ineffective. The private firms, instead, provided a good performance as well as in the case of the maintenance expenditure. The data are not surprising. The maintenance is the field in which such organizations show the higher level of experience and competence. Thus, they don't need so much work effort to provide a good performance.

In the Venice case, while in the first three years, the number of vacant dwellings is stable, it increases in 2011 and 2012. The interviewed justifies the declining performance with the reduction of maintenance budget.

In table 20 the percentage of squatters is reported. Bologna shows the best performance with a value of 0,11%, followed by Turin (0,51%), Genoa (0,98%), Venice (1,52%) Florence (2,00%) and Milan (3,98%). All respondents, with the exception of Milan, confirm that the number of the squatters has not varied in the years. In Milan

case, instead, ALER has been able to reduce the squatters from 1220 to 1125 (-7,79%) that, instead were increased under the private management.

Table 20. The percentage of squatters 2008 – 2012 average value

<i>Municipality</i>	<i>number of squatters</i>	<i>number of social dwellings</i>	<i>percentage of squatters</i>
Bologna	14	12.458	0,11%
Florence	162	7.863	2,06%
Genoa*	97	10.123	0,96%
Milan	1.125	28.252	3,98%
Torino	50	9.532	0,52%
Venice	73	4800	1,52%

* Data refer to the overall property owned and managed by ARTE.

** Data on Sesto San Giovanni are not reported because of the impossibility to triangulate them with an additional information sources.

Source: elaborations on institutional documents and interviews.

In the following part of the analysis some comment on front-office activities are given. In Florence case, the front-office activities are monitored through a set of 11 indicators. While target values are defined, neither penalties nor incentives are foreseen. In Bologna case, front-office activities are monitored with a survey of customer satisfaction. More than the 80% of interviewed expressed a good judgment on ACER. Also in Sesto San Giovanni a survey of customer satisfaction was utilized. However, because of municipal budget constrain, it has been cut. In Genoa case as well as in Venice one, no formal monitoring system on the front-office activities is foreseen and consequently no information was provided to us. In Turin, the judgment of decision-makers seems more feeling-based than data-oriented. When we asked why they confirm the manager in 2010, they answered “the performances have not been so bad. We appreciate the work that ATC makes with the tenants”.

In the Milan case, front-office activities are the activities whose performances were less improved with the change from the private firms to ALER. These activities are those neither incentivized nor well monitored. The tenants’ unions said:

The private firms were disastrous. ALER has done something better, but much more must be done.

In the end, the percentage of satisfied demand is reported in table 21. Performance is extremely important to verify the effectiveness of the sector design. Probably, it is the most meaningful. On this respect, the principal goals for all the municipalities is to guarantee an affordable house to the poor and disadvantages. However, it escapes from the main scope of this work. The values, in fact, are minimally affected by the manager's skills or by the manner in which contractual relationships are structured. The effect of system rules such as the allocation criteria, the natural turn-over of the housing stock, the number of families in a condition of poverty, is definitely much more relevant. Nonetheless, performance leads us to understand if and how contractual and managerial aspects are linked with the system ones. Hence, we can give suggestions (in the conclusive chapter) about the manner in which rules should be defined to maximize the manager's ability in providing good performance.

Table 21. the satisfied demand 2008 -2012

<i>Municipality</i>	<i>2008</i>	<i>2009</i>	<i>2010</i>	<i>2011</i>	<i>2012</i>
Bologna	5,20%	4,28%	4,25%	6,89%	2,88%
Florence	2,98%	5,85%	10,84%	6,42%	9,63%
Genoa	8,29%	7,15%	6,65%	6,00%	n.a.
Milan	6,08%	6,03%	6,08%	4,64%	5,04%
Turin	5,85%	5,02%	5,86%	6,42%	5,17%
Sesto San Giovanni	8,09%	8,66%	7,56%	7,42%	6,29%
Venice	5,28%	4,04%	2,90%	2,96%	3,69%

Source: elaborations on institutional documents and interviews.

Data picture a sector undersized in which the satisfied demand is dramatically low. The satisfied demand is 5-6% on average and rarely it is higher than 10%. No relation emerges between this performance and the others, meaning that no relation exists between managerial aspect and institutional and normative rules that regulate the sector.

6. Discussion

In order to respond to the three research questions, the results are analyzed and discussed in accordance with the theoretical framework.

6.1. How do the manager's characteristics affect its behavior (is it more of an agent or a steward)?

According to the current literature, a steward organization can be defined an organizations with goals that are aligned with those of the principal; *vice versa*, an agent organization is an organization with goals that are not. In other words, the literature simply suggests to compare the goals of the manager and those of the principal to be able to classify the former as steward or agent. However, in this work, we have asserted that additional variables could affect a manager's behavioral strategy and that a principal-manager relationship is more complex than a simple agent-steward dichotomy would suggest. For this reason, we have observed the effect of some organizational and relational factors, such as legal status, size, decisional processes (centralized or decentralized) and resource dependence, on the behavior of ten organizations.

In order to understand such effect, we propose two schemes of classification below. Specifically, in figure 13 the managers' classification is limited to the sole goal analysis. The figure shows what would have been the results according to the current literature. In figure 14, instead, the managers are classified on the base of the results emerging in the present work.



Figure 13 the managers' classification after the goal analysis.



Figure 14 the managers' classification: the effect of the additional of variables.

We can immediately note how the position of the organizations on the steward-agent axis varies from one figure to the other, confirming that agent or steward can be seen as strategies lying at opposite ends of continuum and organizations can fall anywhere on this continuum. In addition, the analysis of manager's goals and the verification of their alignment or misalignment with those of the principal is not sufficient to say if manager is a steward or an agent. For instance, Insula's goals are not intrinsically aligned with those of the municipality of Venice, but it adopts a strategy more steward-like than expected. Insula's behavior is even more steward-like than ACER or ATC or ALER, whose goals with the respective municipalities are perfectly aligned. Nonetheless, having or not the goals aligned, produces a strong effect on the manager's behavior. In the sample, organizations that show a goal misalignment with their own principals, behave, on average, more agent-like than the others. At the opposite, organizations whose goals are aligned are more steward-like. In sum, though the analysis of the relevant goals is not sufficient to guarantee the accuracy of a given prediction, it can be considered the starting point for understanding managers' behavior. Managers are potential stewards or potential agents and additional variables can shift such initial position. How?

Legal status affects manager's behavior. Specifically, public organizations behave more steward-like than private counterparts. The results, however, have to be read considering the absence of private, nonprofit organizations in the sample. Literature agrees that such organizations tend to behave as stewards. Among the public organizations, the nonprofit or for profit status does not have any relevance. Casa spa and Insula behave more steward-like than ACER, ATC and ALER. The former are for profit, the latter are nonprofit.

How size affect manager's behavioral strategy is very intriguing because such effect varies whether the initial organization's position is different. Specifically, when manager is a potential steward, the bigger the size, the more it behaves as an agent.

Conversely, when manager is a potential agent the bigger the size, the more it behaves as a steward. As we have already noted in the chapter 2, larger organizations are less flexible (their fixed costs are normally higher than those of smaller organizations). In addition, they are usually involved in more contractual relationships and consequently they have more goals to pursue for more principals. They are also more decentralized. However, they possess higher competences and they are less sensitive to the opportunistic actions of the principal. Such conditions lead large organizations to hardly have their own goals perfectly aligned with those of the principals. For Instance, ACER adopts a mixed behavior as a consequence of a strategy aimed to diversify its services and to reach new customers. ATC's partially behaves as an agent because of its little flexible organization. In ALER, decentralization of decisional processes has exacerbated approaches more related to agent style. Behavioral strategy seems a more a function of the characteristics of the situation than the result of a common commitment. However, when goals are already misaligned, size mitigates manager's agent-like behavior because both less sensitive to the opportunism of the counterpart and more competent. MC behaves more steward-like than GS1, GS2 and GS3. They are all potential agent, but MC is bigger.

Centralized or decentralized decisional processes do not seem produce any effect when the manager is a potential agent, while the more the organization is decentralized, the more it behave as agent in case of potential steward. However, this result is not robust because proven by just one case: ALER.

When manager is a potential steward, the more the economic dependence is, the more the organization seems to behave as steward. Instead, in case of potential agent, the more the economic dependence is, the more the organization seems to behave as agent. This is true on average. ARTE and Insula are two exceptions. MC behaves more steward-like than other potential agent because it is extremely independent from the municipality of Sesto San Giovanni. It is important to point out that economic dependence's effect could be better explained whether even the economic margin that the manager obtains thanks to the social housing management was considered. Low margin exacerbates agent-like behavior, in any case. In 2012, ATC increased its agent-like behavior because of the new tax regime that has reduces its margins.

Finally, additional elements, that affect manager's behavior, emerge from the empirical analysis. Two are definitely important: 1) the figure and the role of the leader; 2) the quality of previous interactions between the principal and the manager. ALER's agent-like behavior depends also on the state of conflict that was determined in 2003. At the opposite, Insula's steward-like behavior is the result of positive interactions occurred over the years.

6.2. How are contracts structured and managed?

The analysis shows that tools suggested by both theories are utilized, even though not always coherently. Despite the three private firms are agent type managers, in the Milan-GS case, the contract relationship is weak in terms of both risk-sharing and monitoring mechanisms. In the Milan-ALER case, the contract relationship is based on several risk-sharing and monitoring mechanisms. Tools suggested by stewardship theory, such as the "Tavolo di Gestione", are also used. However, contract tools show a patchy distribution: some activities are too much incentivized and monitored, others too little. In the Genoa case, ARTE works in total autonomy. Until the 2010, contract relationship in Turin was structured as well as in Genoa. However, with the new service agreement, monitoring mechanisms has been reinforced. In the Florence case as well as in the Venice one, the control is strong but not rigid. It is not used in order to prize or penalize the manager, but as a way to act quickly when there is something wrong. Contrariwise, the relationship between the municipality of Sesto San Giovanni and MC follows a more principal-agent approach. In the end, in the Bologna case, formal procedures of control and risk-sharing mechanisms are alternated with joint decision processes and more relaxed situations in which a principal-steward approach seems emerge.

6.3. How do the manager's characteristics and contract rules affect service performance?

The results show that neither manager's characteristics nor contract rules alone offer a comprehensive reason of manager's performance. Instead, the manner in which these two dimensions are matched is more explanatory. For instance, ACER provides performance that can be on average compared with those of Casa spa, though manager's

behavior and contract rules are quite different. MC's performance is definitely better than each one of the three private managers in the Milan-GS case. However, MC's characteristics are not so different if compared with those of the aforementioned managers.

In general, performance is affected by the degree of contractual efficiency, as shown in the theoretical framework. If contractual relationships are not structured in accordance with the manager's behavior, performance is low. MC tends to behave as an agent and the municipality of Sesto San Giovanni has structured a principal-agent relationship with its. Thus, MC's performance is in line with the best ones. At the opposite, the three private firms in the Milan-GS case are agent, but the contractual relationship is weak relative to control mechanisms. Thus the performance is low.

On this respect, two forms of contractual inefficiency are provided by the empirical analysis. The first confirms what already explained in the theoretical framework, and occurs when principal and manager begin their relationship in different position. For instance, the principal wishes to structure a principal-agent relationship with a manager steward-like (figure 15).

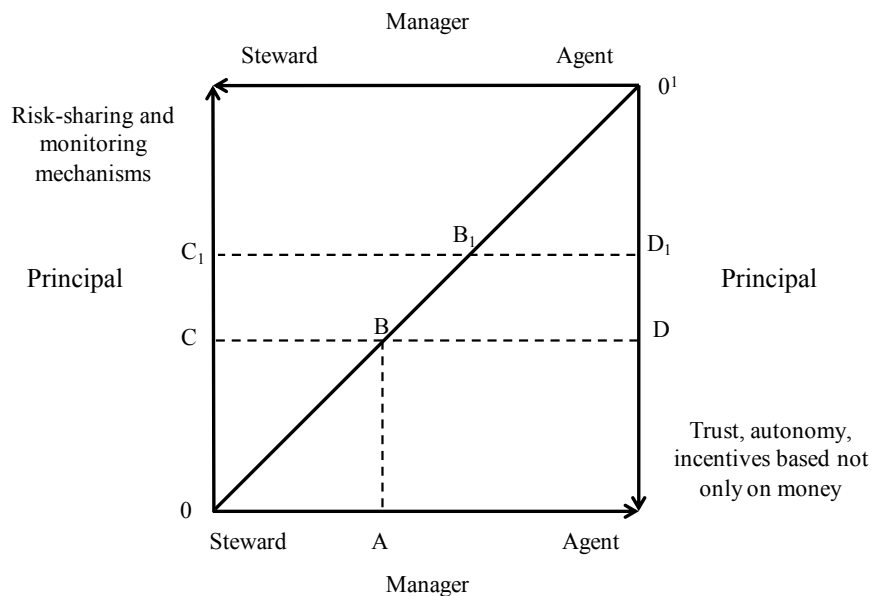


Figure 15. Inefficient contractual relationships: when the principal wishes to develop a more principal-agent-oriented relationship with a (more) steward-like manager.

Such inefficiency, however, can be surmounted over the time. The principal and manager are two dynamic entities that interact and modify their behavioral

strategy until they find an equilibrium point. The Insula's initial position is that of an agent, but its behavior tends to become steward-like after several, positive interactions with the municipality of Venice.

The second form of inefficiency, instead, is more dangerous and occurs when the principal decides to structure a certain relationship, but it does not use all tools to develop it. In other words, it adopts an ambiguous behavior. For instance, the principal prefers a principal-agent relationship, but it does not foresee appropriate control mechanisms; at the opposite, the principal declares the will to structure a principal-steward relationship but he exacerbates the control or does not involve the manager in the decisional process.

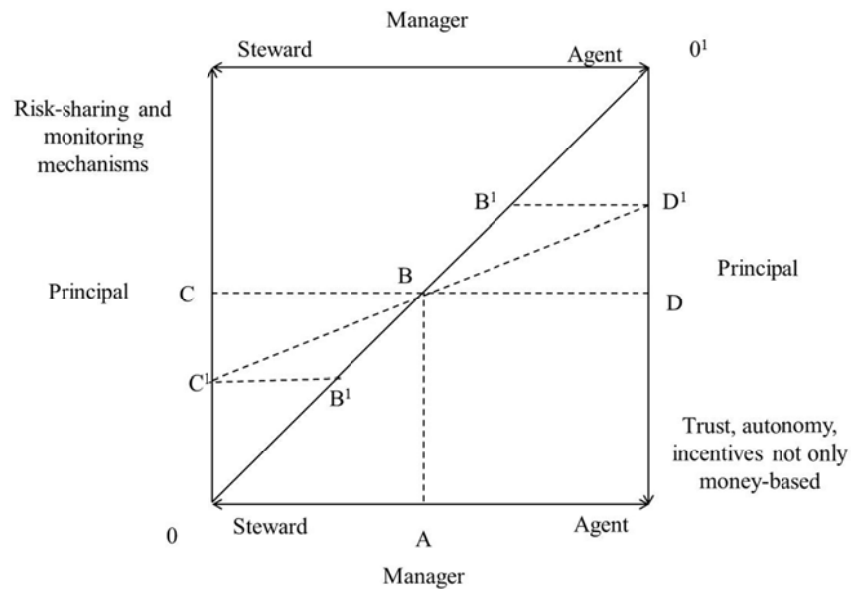


Figure 16. Inefficient contractual relationships: when the principal wishes to develop a more principal-agent-oriented relationship with a (more) steward-like manager.

In the figure 16, the second form of contractual inefficiency is graphically shown. Because the manager occupies position A, he will wish structure a relationship characterized by $0C$ level of risk-sharing and monitoring mechanisms and 0^1D level of trust, autonomy and incentives not only money-based. The principal, instead, is intentioned to structure a more principal-agent oriented relationship. Thus, it will utilize a lower level of tools suggested by the stewardship theory (0^1D^1) and a higher level of tools suggested by agency theory. However, because it is not able to well define these

latter, it will provide even a lower level of them (OC¹). In this context, performance will be certainly poor and relationship will fail because no equilibrium point will can be found. The Milan-GS case is an example of this type of contractual inefficiency: low performance is not explained by the principal's will to structure a (more) principal-steward relationships with agent-like managers. The idea of the municipality of Milan, instead, was to structure a principal-agent relationship but it failed to define appropriate contractual rules. The Milan-ALER case is an example even more meaningful: after the principal's change in the second half of 2011, performance decreases. The new principal, in fact, decided to structure a more principal-agent-type relationship with ALER, thinking that a principal-steward one was unsuitable for improving performance. Consequently, the level of trust and cooperation became much lower. Nonetheless, the principal did reinforce neither the risk-sharing mechanisms nor the control ones. The former were even reduced. Hence, the relationship became extraordinary conflicting, causing the deterioration of performance.

Though theoretically both principal-agent and principal-steward relationships can produce high performance, the results confirm that the former are more difficult to implement in the Italian social housing sector because of the high degree of complexity of the sector itself. In the section 3 of the present work, we have asserted that the social housing requires specific investment above all in human capital. People who live in social dwellings are often poor and disadvantages that show varying levels of problems and that need treatment expertise. In addition, results have "to be interpreted" because they depend on several endogenous and exogenous factors that sometimes are even contrasting. Moreover, the intrinsic sector's complexity is exacerbated by the ambiguity of rules and the lack of competition. In this context, it is not an easy task to write a contract that is as complete as possible, foreseeing appropriate risk-sharing and monitoring mechanisms as agency theory suggests. Thus, a more steward oriented approach becomes more suitable. In 2010, the change from agents to a more steward-like manager led to an increase in performance in almost all activities for the municipality of Milan. On average, relationships with managers more steward-like show the best performance. MC is an exception. However, the context in which such organization performs is definitely the least complex (and so, more suitable for a relationship principal-agent-type). It manages just 1.000 dwellings and this is not

comparable, for instance, with ALER that, instead, manages more than 28.000. When the property's size increases, the social problems relative to people living in such dwellings are amplified and the management becomes much more complex. However, the Sesto San Giovanni case highlights a crucial aspect for the sector design. MC's performance is in line with the best, with the exception of the arrears (in this case, the negative effect of the level of rent is relevant). It means that when the sector shows a low level of complexity, principal-agent relationships produce the same results of principal-steward ones. Complexity can be reduced if the property's size is reduced and the sector can be open to much more providers.

The last element of discussion concerns the effect of control mechanisms. This work shows that control is never deleterious but rather, positively affects performance. MC is much more controlled than GS1 or GS2 or GS3 and its performance is better. In the Milan-Aler case (at least in 2011 and 2012), performance is better than in the past and better than the other municipalities for those activities that are monitored (cash flows); where the monitoring mechanisms are in progress (arrears, squatters) performance is better than in the past, but worse than the other municipalities; in the end, where monitoring system does not work (front-office activities), performance is definitively negative. While this finding is not surprising in case of agent-like managers (such as MC and GS) or managers that behave in a mixed way (ALER), it is surprising when the managers are more steward-oriented. In fact, even in these cases the control produce positive effects on performance. Casa spa is an example. In this case the monitoring mechanisms are not counterproductive as stewardship theory suggests. At the opposite, the lack of control in the Genoa case determines a worse performance. Two reasons can be adducted: 1) first, no manager in the sample behaves as "pure steward". Thus, all managers need a certain degree of control; 2) the definition of control mechanisms is a part of a wider process of planning. When such planning occurs in a cooperative scenario, that is, when the level of expected performance is joint defined and the control procedures are not used as threat, the control does not negative affect the results.

7. Conclusion

The present study has analyzed the manner in which contractual relationships are structured in the Italian social housing sector. Its scope has been to extend two theories: agency and stewardship, when they are applied at the inter-organizational level and the social housing sector has been used as field of application.

The main contributions of this thesis can be categorized in two orthogonal dimensions that are graphically represented by the matrix in figure 17. The first dimension indicates the nature of the contributions (theoretical *versus* managerial); the second is relative to the field of application (general management *versus* social housing).

	Theoretical	Managerial
General management	1) the attempt to extend and reconcile agency and stewardship theories at the inter-organizational level; 2) the studies on size and organization's behavior are reconciled. 3) the elaboration of an innovative model for verifying the degree of efficiency in the contract relationships.	1) the methodology for classifying managers as agent or steward is easily replicable; 2) the empirical confirm that principal-steward relationships let to maximize performance in complex sectors;
Social housing	1) the novelty of the approach; 2) an alternative interpretation to that offered by the public choice theory.	1) the Italian social housing sector is complex and its management cannot be contracted with any providers; 2) an efficient contractual relationship alone, is not sufficient to guarantee satisfactory performance.

Figure 17. the main contributions of the thesis.

Three are the main contributions that fall into the first quadrant (theoretical contributions for the “general management” field):

- d. this study is the first attempt to extend and reconcile agency and stewardship theories when they are applied at the inter-organizational level. Specifically, it defines some organizational and relational variables that lead an organization to behave as agent-like or steward-like;

- e. among these variables, a relevant contribution is given relative to the effect of organization' size on its behavior. In literature, results are conflicting. In detail, some studies assert that the size favors an opportunistic behavior while others the opposite. In this work, instead, is given a possible interpretation of this apparent conflict. Specifically, how size affects organization's behavior depends on what we have called "the starting point" that the organization itself occupies on the steward-agent axis. If the organization is a potential steward, that is, if its goals are aligned with those of the principal, the higher the size the more it behaves as agent. Instead, if the organization is a potential agent, that is, its goals are misaligned with those of the principal, the higher the size, the more it behaves as steward.
- f. in addition, an innovative model for structuring efficient and effective contractual relationships is proposed. It is inspired by Davis *et al.* (1997). In contrast to the model postulated by these authors, ours considers agent and steward as continuous variables, meaning that organizations' behavior can be mixed and surely more complex than a simple agent-steward dichotomy would suggest. Segal and Lehrer (2012) have already recognized the importance of considering agent or steward as continuous variables, but in their work, they have proposed again the model of Davis *et al.* (1997), in order to simplify discussion.

This work also offers contributions from a managerial perspective (quadrant 2). The organizational and relational variables have been so selected because they are easily verifiable and measurable. Goals, legal status and size are reported in any website or institutional document. The level of hierarchy can give the idea of the degree of centralization or decentralization. It is deductible through the organizational chart. The resource dependence can be calculated knowing the manager's annual income and the service fee. In this way, any principal can quickly apply the methodology proposed in this work, classifying the potential manager's as agent or steward.

A second point concerns which manager and which relationship the principal has to structure in order to maximize performance. This study confirms that in complex contexts, principal-steward relationships with steward-like managers let to obtain better results. This is true in general and particularly for the Italian social housing sector

(quadrant 4). At the beginning of the new century, the Italian public officers thought that the contractualization of public services to privates was the most effective way to save public money. They externalized many services among which the social housing. After some years, some public institutions realized that the private management had produced worse performance relative to the public one. On this respect, the Milan case is meaningful. The mistake was to consider social housing management as parking management, that is, as a service easy to perform. Instead, as shown in this work, the social housing (as designed in Italy) is complex and consequently its management cannot be contracted with any providers. A solution alternative to the choice of a steward-like manager with which to structure a principal-steward relationship is to define rules in order to reduce service complexity. In this case, the issue is not merely contractual, but concerns the whole sector's design. Particularly, we have noted that when the size of the housing stock decreases, the complexity decreases. Consequently, the sector can be opened to more providers and even principal-agent relationships can be structured. Generally speaking, the contractual relationships, that regulate the managerial aspects, must be designed in accordance with the sector rules such as the allocation criteria, and the financing systems. An efficient contractual relationship alone is not sufficient to guarantee satisfactory performance. For instance, the effect of the level of rents on the percentage of arrears is determinant. Yet, the percentage of satisfied demand minimally depends on the manager's skills or on the contractual rules.

Structuring contractual relationships coherently with the sector rules implies that no "a better way" exists in the social housing sector's design. This has an important implication from a theoretical perspective (quadrant 3) because allows us to give an alternative interpretation to that offered by the public choice theory. Specifically, the theory suggests that it is necessary to reduce the size of (public) agencies that provide services in order to improve performance. Boyne and Walker (1999) report the English case as an instance of public choice theory application and they show how performance is improved after the reduction of agencies' size. Nonetheless, they are not able to explain why in the Netherlands, performance is improved but the size of agencies is increased. This study, instead, offers a possible interpretation. The rules that characterized the social housing sector in the Netherlands and in England are different. In both cases, managers are nonprofit organizations whose goals are aligned with those

of the principals. In other words, they are potential steward. However, in England the sector is open for the poor and disadvantages only (residual model) and it is financed by public grants. Thus, it is complex and principal-steward relationships let to maximize performance. When a manager is a potential steward, the smaller the size, the more it behaves as steward. Consequently the smaller are the agencies the better is the performance. At the opposite, in the Netherlands, the sector is structured in accordance with the universalistic model and rules are market-oriented. In other words, it shows a lower degree of complexity and it is regulated to favor relationships more agent-oriented. A potential steward becomes more agent-like when its size grows. Thus, the point of contractual efficiency, that lead to obtain a good performance, can be found with managers that are bigger that the English counterparts.

The last contribution of this work concerns the novelty of its approach in the social housing field. Saying that public or nonprofit organizations are more suitable for managing the sector when it is structured in accordance with the residual model, is not new at all. However, explaining this phenomenon using the agency and stewardship theories in a complementary way, and particularly, understanding that public and nonprofit organizations are preferable because they tent to behave in a more steward way can be considered quite innovative.

Obviously, the work represents a starting point and it certainty requires some adjustments. Additional studies are needed in order to confirm our findings and additional variables may be explored for better classifying managers as steward or agent in different context. In this respect, already in this research, the figure and the role of organization's leaders, and the previous interactions occurred between the principal and manager over the years emerge as important elements for the manager's behavioral strategy. Yet, the sample must be modified and enlarged, including private nonprofit organizations whose lack in this work is considered a relevant limitation.

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