

# Skillsets and Core Competencies to Facilitate Business Transformation in the Non-Profit Community Housing Sector

CANADA'S NON-PROFIT HOUSING SECTOR IS ON A TRAJECTORY OF ADAPTATION AND CHANGE. HOUSING ORGANIZATIONS ARE TRANSFORMING THE WAYS IN WHICH THEY MANAGE TALENT, ADJUST BUSINESS PRACTICES AND INVEST IN ORGANIZATIONAL DEVELOPMENT; TO FUTURE PROOF THEIR BUSINESS.

## KEY POINTS

- This is the most comprehensive of its kind and is the first in Canada to examine skillsets and core competencies of the community non-profit rental housing sector. Findings of this study are based on 213 survey responses and interviews with representatives from 21 housing organizations across Canada.
- In response to the changing operating environment, portfolios of non-profit housing are evolving and, with this, housing organizations are adjusting their management and business approaches.
- To achieve this, they are undertaking business transformations and increasing employing methods that have traditionally been associated with private sector organizations while continuing to be strongly committed to their mandates and missions of meeting community housing needs.
- Business transformation activities typically fall into three categories: renewing (e.g. modernizing practices, planning for new staff), diversifying (e.g. creating new partnerships and diversifying sources of funds/ financing) and refocusing (e.g. becoming more business oriented and adding development capacity)
- The shift in approach is driven by multiple factors including: public demand and accountability; workforce and tenant demographics; changes in the regulatory landscape; the increasing use of information technology; and the need to re-configure community housing portfolios due to the expiry of operating agreements and aging housing stock.

*This bulletin is based on research conducted by R.A. Malatest Associates Ltd for Housing Partnership Canada. The study is a second series of research on business transformation commissioned by Housing Partnership Canada.*

*The complete report, along with the first business transformation study, are available for download at <http://housingpartnership.ca>*

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## CONTEXT

The *Business Transformation II* study is the first in Canada to examine skillsets and core competencies that the non-profit housing sector needs to transform and future-proof their businesses.

The study provides an “insider” perspective on how these housing organizations are responding to new opportunities and responsibilities in the changing operating environment.

Many factors are driving the changes underway in the sector today, including:

- Expiry of operating agreements
- Aging housing stock
- Aging workforce with retiring staff

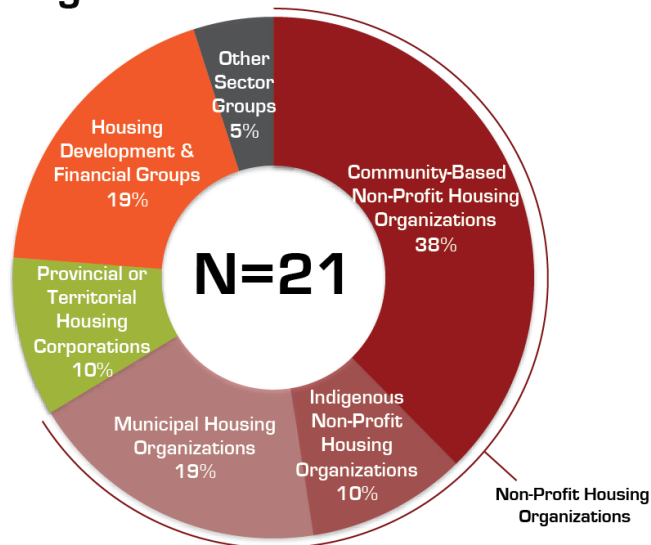
- Recruiting and training millennials new to the non-profit housing sector
- Changes in tenant demographics (e.g., a growing seniors’ population)
- Changes in the regulatory landscape at the local, provincial and national level
- Increasing use of information technology
- Demand for greater public accountability and focus on results

Housing organizations are considering adjustments to their management and business approaches. To achieve long-term business sustainability, non-profit housing providers are recognizing that they must examine their organizational dynamics.

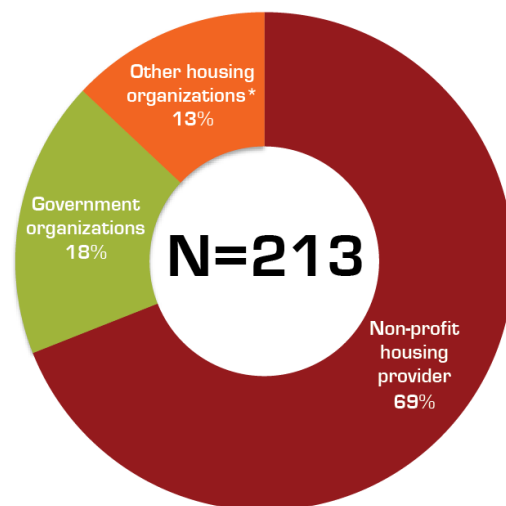
## METHODOLOGY

Focusing on the Canadian non-profit rental housing sector, the study used multiple lines of inquiry to explore business transformation. A total of 21 interviews were conducted with non-profit housing provider organizations (n=14) and other organizations’ (n=7). An open online survey was also conducted with 213 individuals, with representation from non-profit housing providers (69%), government organizations (18%) and other housing organizations (13%).

### Organizations Interviewed



### Organizations Surveyed



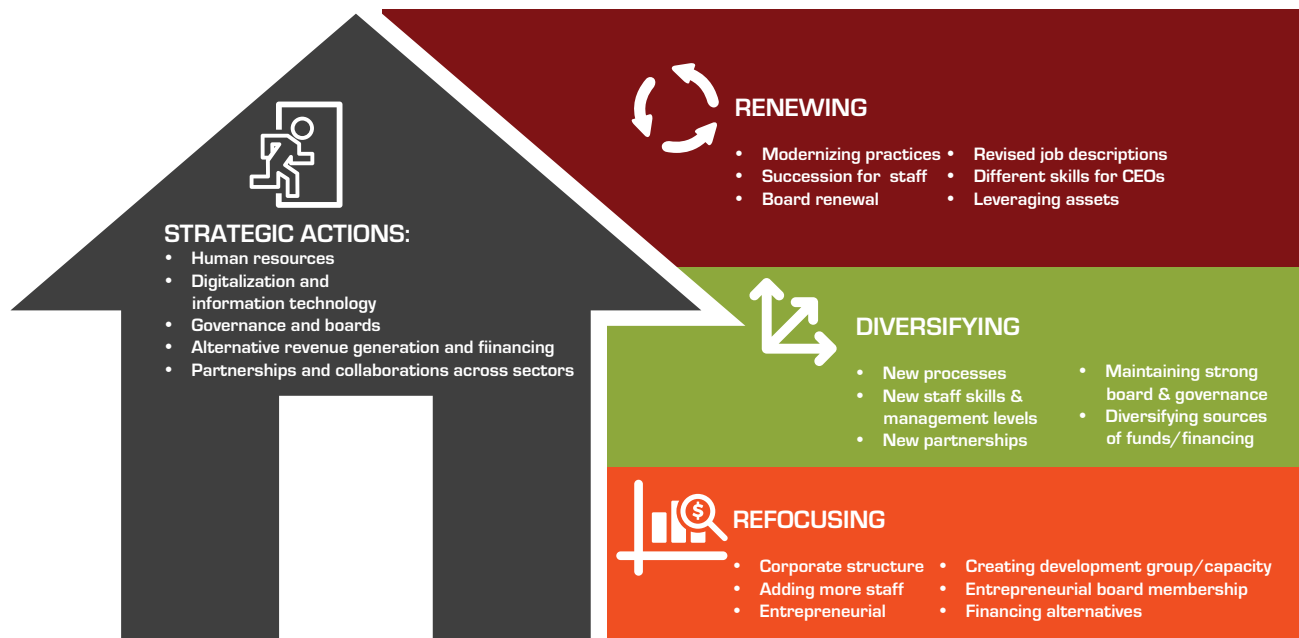
\*Other survey organizations include: housing development groups, agencies that support housing, contractors, or faith-based/charitable organizations

## KEY FINDINGS

The study found three types of processes driving change among organizations: renewal, diversification, and refocusing. Within and across these three processes, specific strategic actions were identified: developing new human resources strategies; investing in digitalization and information technology; strengthening

governance and boards; and exploring alternative revenue generation or financial strategies. Organizations are also exploring partnerships and collaborations across sectors. Survey respondents and key informants largely supported similar findings across the study.

## KEY CHANGE CATEGORIES AND STRATEGIC ACTIONS



### 1. HUMAN RESOURCES

In response to the evolving sector, organizations updated their visions or developed new plans or strategies, such as strategic plans and HR strategies. While the pace varied from assessments of readiness to re-assessing organizational resources, these changes prompted shifts in HR.

Addressing HR requirements was the most commonly reported change made by all participating organizations.

Key changes included:

- Strategic changes in senior management, including succession planning for retiring leadership
- Changes in staff recruitment, including new skill sets to address organizational gaps, client services, marketing, IT, financial, and real estate development or project management skills

### 2. DIGITALIZATION & IT

Investments in IT were the second most common organizational change. Some organizations had

made substantial investments with positive impacts, including:

- Increased electronic information sharing with boards that improved operational efficiency
- Use of remote data entry (e.g., tablets) which improved the efficiency of property management and repairs
- More streamlined information systems that helped to meet funder reporting requirements
- Development of performance tools that were incorporated for technical and project development or redevelopment proposals.

Challenges with new technologies were also noted, including the lack of dedicated IT staff and the continuous resources required due to the rapid pace of technology.

### **3. GOVERNANCE & BOARDS**

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Many organizations reported that their boards had gone through transitions in the past, resulting in changes to structure or processes. Changes to strengthen organizational governance and boards included:

- Fixed or limited terms for members
- Implementing board policies and committees to carry out governance responsibilities, such as strategic planning or audits
- Recruiting diverse skillsets and backgrounds (e.g., business, finance, or real estate) to fill organizational needs and build ties for partnership opportunities with other sectors
- Establishing committees and processes for filling vacancies to ensure continuity

### **4. ALTERNATIVE REVENUE GENERATION & FINANCING**

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Nearly one-quarter (23%) of survey respondents reported exploring alternative revenue generation

options, including joint ventures or diversification into new housing products and services. This was not commonly reported by key informants, but a few organizations that were interviewed did report:

- Revenue sources from other services
- The disposition of assets as a source of funds for new builds or renewals
- Seeking out new funding opportunities

While some new social financing approaches had emerged, these opportunities were localized and depended on resources available in the area. Another key trend observed was the emergence of separate development and financing entities. Some organizations described this as building intermediaries to share responsibilities.

### **5. PARTNERSHIPS & COLLABORATIONS**

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The study also identified changes across sectors that had impacts or implications for business transformation in the non-profit housing sector:

- Partnership approaches have crossed sectors to include municipalities and service organizations. Leadership from government housing agencies has helped to broaden these partnerships.
- Non-profits are increasingly looking for partners with available sites to support development. Access to land is challenging and internal expertise is needed to support the expansion of housing portfolios.
- Crossovers with other sectors require a broader skillset due to the diverse services offered. Better understanding of business models best suited to support transformation in this context is required.

## RISK PERCEPTION

Non-profits as business entities have responsibilities for managing financial and organizational risks to their operations. Some non-profit housing providers said they dealt directly with **financial risk** and others noted the need to take **smart risks**. There are inherent risks with new approaches, and this risk has to be weighed against the risk of doing nothing or

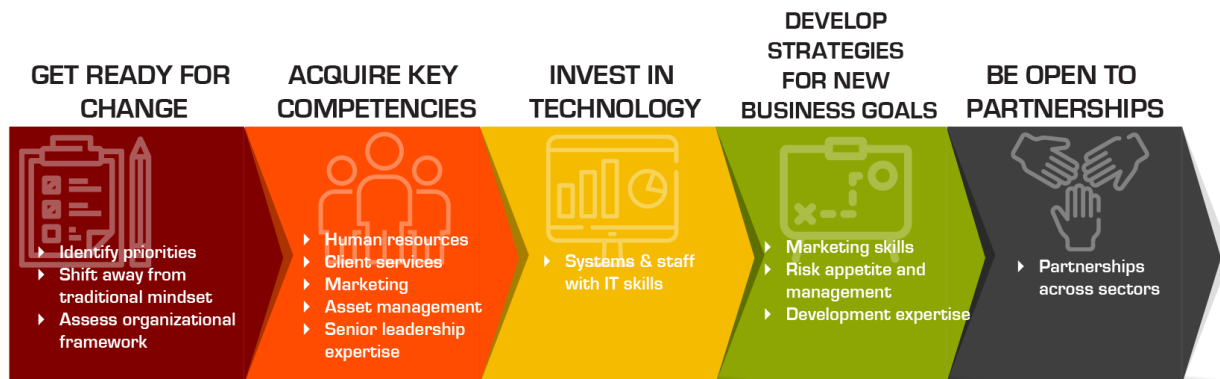
continuing to use old models (**comparative risk**).

When asked whether risk hindered organizational changes for business transformation, few key informants reported that their boards were risk averse, while just over one-third (37%) of survey respondents identified risk as a challenge for business transformation.

**“Organizations are looking to the future as part of their planning processes. A greater focus on smart risks that matter to the resilience of the non-profit housing sector could be promising.”**

## LESSONS LEARNED

The study identified the following factors for success in business transformation:



## CONCLUSIONS

Overall, the non-profit community housing sector is transforming business practices in response to a changing housing landscape. Non-profit housing organizations are strongly committed to their mandates of meeting community housing needs and are adapting their structures and capacities to achieve long-term viability and sustainability through:

- Changes in skill sets and competencies to address organizational gaps
- Strengthening of boards, governance policies, and senior management to support operational sustainability

While not typically framed as ‘future proofing’, the need to be better positioned to respond to changing priorities and challenges is widely recognized.

## HOUSING PARTNERSHIP CANADA: OUR ROLE

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HPC plays a unique role in the national housing sector. Our mandate is to promote opportunities for collaboration and building on best practices and approaches to encourage the capacity development of all providers.

Building on the findings of the research, HPC has prepared a companion document entitled “***Implications of Business Transformation II Study***” to highlight several areas for practice that can be undertaken by government, sector-based organizations and the non-profit community housing sector to facilitate business transformation.

In our efforts to promote business transformation, the following HPC activities are also underway:

- Development of a Toolkit of Resources to support organizations initiating or undergoing organizational transformation
- Partnering with the Canadian Housing Renewal Association and the Chartered Institute of Housing Canada to implement a Housing Professionals Mentorship Program
- Thinker in Residence Program for housing leaders and senior staff of organizations to support peer-to-peer action learning
- Information exchange and collaboration on business practices on an international scale through our participation in International Housing Partnership Canada.

### ACKNOWLEDGEMENTS

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