IN SEARCH OF EFFECTIVE CORPORATE GOVERNANCE. AN EXPLORATIVE RESEARCH WITHIN THE CONTEXT OF SEMI-PUBLIC HOUSING MANAGEMENT IN THE NETHERLANDS

C.F. van Dreven*, H.M. Koolma**

*Rotterdam School van Management, Erasmus University Rotterdam, The Netherlands
**Faculty of Social Sciences, VU University Amsterdam, The Netherlands

Abstract

In this paper we elaborate, supported by literature on trust, a framework for corporate governance that might overcome lacunas in the classical frameworks of the principal agency theory and the stewardship theory. A historical analysis of the development of corporate governance in the context of the Dutch semi-public housing management shows that a mixture of principal agency and stewardship approach of semi-public managers proves to be contradictory and toxic. A discourse analysis and factor analysis report on the search of actors for a more effective corporate governance. The findings are only indicative, due to the explorative stage of the research. The indication is that third framework gets more positive and consistent support in the corporate governance practice. A longitudinal set up and extension of samples and contexts is recommended.

Keywords: Principal Agency, Stewardship, Corporate Governance, Board Interaction, Power Relations, Trust, Non-Profit, Motivation, Autonomy

1. INTRODUCTION AND MAIN RESEARCH QUESTION

1.1. Theoretical frameworks for corporate governance

The governance of corporations is subject to debate since Berle and Means (1932) wrote their seminal article on the separation of ownership and control. Jensen and Meckling (1976) proposed the principal agency approach as a solution to the governance problems raised by Berle and Means. In this solution there is a board - called the principal - which on behalf of the shareholders/owners hires and fires the senior management, designs a set of incentives, and monitors the outcome of the decisions made by the management. In this approach the economic logic of decision-making, guided by self-interest is retained. In the governance design, incentives and monitoring are aligning the interests of senior managers with those of the firm. The reliance on self-interest and extrinsic motivation evoked fierce critique (for instance Ghoshal, 2005) and initiated an antagonist approach, namely the stewardship theory (Donaldson & Davis, 1991; Davis, Schoorman, & Donaldson, 1997), in which the intrinsic motivation of the management warrants task execution aligned with the interests of the corporation. In this approach it is assumed that autonomy is favorable to both the steward and the outcome of decisions made. Although associated with stewardship, the managerial autonomy also has a function in the principal agency approach. Limited in information on market opportunities and (innovational) potentials of the corporation, the senior management is allowed and even induced by incentives to take the role of entrepreneur and overcome risk aversion (Haid, 1997).

The two approaches reflect distinctly the opposing X- and Y-theories of McGregor (1957). The X-theory is fuelled by a negative human expectancy and distrust and the Y-theory by positive human expectancy and trust. Most people prefer optimistic attitudes, as do we. However, the positive expectancy-based stewardship theory is not per se a theory that ensures a more effective corporate governance. The question is how to deal with human fallibility. In the body of agency literature managerial moral hazard is a prominent issue (Fama & Jensen, 1983; Walsh & Seward, 1990; Haid, 1997). In spite of all effort put in incentive compensation and monitoring, worldwide scandals show that the risk of managerial moral hazard has not been controlled (for instance Enron, the Banking Crisis and recently the Volkswagen Group). The detached attitude of boards in principal agency settings in regard of the actual behavior of the management, creates a moral void that provides ample occasion to opportunistic courses of action (Ghoshal, 2005; Dowd, 2009). Furthermore, leading agency scholars have questioned the effectiveness of boards (e.g. Jensen, 1993; Jensen, 2000), emphasizing that in comparison to complementary forces of state regulation, the capital and customer markets, boards exercise a weak disciplinary force.

As far as our knowledge goes, stewardship scholars show no interest in misbehaviour, moral hazard, fraud, excessive risk-taking[36], and board failure in stewardship settings. Fama and Jensen, prominent principal agency scholars, have hypothesized that non-profits are subject to moral hazard issues too (Fama & Jensen, 1983). Gelman and Gibelman (2000; 2004) in their worldwide research of non-profit scandals find that founders and managing directors of these organizations are not forestalled by boards in their course to fraud, financial mismanagement, and other kinds of wrongdoing. The belief in the good intentions of the managers has been pervasive. We think that Gelman and Gibelman offer us a dark-sided view of stewardship governance that is beyond the scope of the theory. Stewardship is, in juxtaposition to agency theory, used as governance framework by researchers on finance and (forensic) accounting. For instance, Albrecht, Albrecht & Albrecht (2004) find that a stewardship approach in governance is more remedial to fraud, if the actual behavior of the senior managers is stewardship-like. On the other hand, self-identified stewardship has no remedial effect. In organizations with perception of fairness (Schrijver, Delbeke, Maesschalck, & Pleysier, 2010) fraud and others kinds of misbehaviour are less likely to happen than in organizations led by selfish managers (American Institutue of Certifed Public Accountants, 2002). So, stewardship offers advantageous prospects in governance, as long as actual behavior is observable and in line with the intentions connected to stewardship. Without this added condition, stewardship theory shows both in theory as in practice a behavioural void too, namely blind trust. Blind trust is stated as an ineffective phenomenon of trust (Luhmann, 1973). In his early treatise Luhmann infers that trust requires commitment of the governors to react on breaches of trust by managers, and includes the willingness of the trustor to switch to a crisis management role when needed[37]. According to Luhmann the autonomy of the trustee cannot be unconditional. This extension to the theory of trust is lacking in the conceptualization of stewardship theory as governance framework.

In the conceptual elaboration of both frameworks the power relation between board and senior management have to be taken into account (Murray, Bradshaw, & Wolpin, 1992; Cornforth, 1999). Agency theory assumes board dominance, which is limited by information asymmetry. Stewardship theory provides autonomy to the senior management. As autonomy means literally the faculty to state your own rules, stewardship theory appears to be affiliated to the managerial hegemony theory (Muth & Donaldson, 1998). Information asymmetry is not reducing the power distance; on the contrary, the balance scales up towards to the steward due to the abstinence of monitoring or to the negligence about information sharing[38] by the steward's board. Set up in their autonomous realm, stewards do not have to face countervailing powers and negative feedback unless invoked and maintained by themselves. On the one hand the deep-rooted belief in human fallibility of the agency theory may have been criticized as being self-fulfilling (Ghoshal, 2005), on the other hand governance conducted by stewardship theory takes a risk on leadership derailment too. There happens to be no defense against stewards who develop a belief in their own infallibility and divine power, due to a conducive environment (Padilla, Hogan, & Kaiser, 2007) or by 'grace' of their high-pitched traits.

Both agency theory as stewardship theory fail to provide a complete framework for effective governance. Cornforth states that neither agency nor managerial hegemony theory is able to explain complex power relations as observed in practice (Cornforth, 1999). A mixture (Van Slyke, 2007) and an alternation (Van Slyke, 2005) of elements of agency and stewardship theory were recommendable. Both agency and stewardship theory are reductionalist and normative approaches which do not give clues on how to deal with contextual factors (Van Slyke, 2007; Cornforth, 2012). In an evaluation of the research on the governance of public and non-profit organizations Cornforth contends that research has focused too narrowly on the boards of unitary organizations, and has ignored both the wider governance system and the more complex multi-level and multi-faceted governance structures that many organizations in sectors have adopted (Cornforth, 2012, p. 2). According to Cornforth board processes are in the long run influenced by historical and contextual factors.

1.2. A corporate governance context: the sector of Dutch semi-public housing management

We have chosen a specific context for the research on corporate governance, namely the Dutch public housing sector. The sector comprises 376 decision-making units[39]. The organizations are examples of non-profit organizations embedded in public law and policy. In The Netherlands the execution of public services like health care, social welfare, education, and housing is assigned to private legal entities without shareholders and owners. The Dutch housing corporations have the legal entity regime of corporation (vast majority) and association and are obliged by the state to maintain a non-distribution constraint. Since the early nineties the state control is diminished through a policy reform. The reform aimed at more autonomy for housing corporations. Key issues of the reform were the promotion of entrepreneurship and of corporate governance. The sector can be marked as an early example of New Public Management (Hood, 1991). Within Dutch public service it was a frontier sector with regards to corporate governance. Corporate governance was seen as a way to professionalize and step away from the traces of voluntarism. Therefore, the corporation status was promoted above the association. In the design of the corporate governance a two-tier board was preferred, departing from the board of directors as is usual in Anglo-Saxon countries. There is a (non-executive) board of governors, which chooses its own chair. The board is independent from the senior management. The senior management has the discretion to exert the property rights, within the boundaries of board approval. There is no distinct owner of the organization's assets/resources. The board of governors acts autonomously and is not subordinated to a body to which it has to account for

[36] Muth & Donaldson mention an age depending risk-appetite of senior managers (Muth & Donaldson, 1998).
[37] These steps are discerned by Mordaunt and Cornforth in their research on non-profit boards (2004).
[38] Information sharing is proposed as a strategy in response to moral hazard (Millon & Thakor, 1985).
[39] At the end of 2013. Ultimo 2001 there were 579 housing corporations (Statistics provided by the CFV).

its decisions and policy; there are no actors who can enforce a turnover of the board. So the position of the boards is indistinct as well.

The introduction of the corporate governance model has been a process of mimetic isomorphism (DiMaggio & Powell, 1983). Actors had their own motives to promote this market-like corporate governance model. The Dutch state wanted a professionalization of the sector, while the sector organization regarded the corporate governance model as an alternative and buffer to state control. So, corporate governance got vaguely associated with self-regulation and autonomy, while the configuration was not properly thought trough. Later on, problems rose related to the indistinctnesses in the configuration.

A key event in the mid nineties was a conversion of the state subsidization and financing to lump sum deposits, calculated in schemes with determined macro-economic parameters. The housing corporations benefitted from advantageous macro-economic parameters, a situation which caused a cash windfall. During that time the investments in public housing were limited and a number of housing corporations started commercial real estate development. The first debacles happened: cases emerged of real estate fraud and a financial debacle with derivatives, in which 15 corporations were involved (Tweede Kamer der Staten-Generaal, 2014). The Dutch government reacted with an administrative obligation to the housing corporations to have a document with articles on investment and finance. There were no reconsiderations with regard to the corporate governance configuration.

In 2004 a sector wide plan for incentive compensation (Comissie-Izeboud, 2004) was introduced by Aedes, the sector organization. The plan reflected the practice at opinion leading corporations. The CEO-compensation was related to the size of the firms and to market-leadership. The last criterion implied the reputation of the corporations concerning innovation and entrepreneurship. A bonus plan was related to the real estate investment sum. The level of emoluments was related to the reference group of directors in the commercial market, not to the level of compensation in other non-profit sectors. There were no considerations reported in respect of moral hazard. The compensation plan facilitated compensation-based mergers and reputation-boosting investment programs (Koolma, 2008). The senior management was clearly treated as agents. The second part of the principal agency set up, the monitoring by the board did not get equal attention. The approval and accounting procedures for acquisition and real estate performance were superficial in comparison to the commercial market. At the same time the financial authority indicated in a research on the self-perceived role of board members, that the boards regarded the senior managers as stewards (CFV, 2003). The financial authority expressed serious concerns about the quality of board performance on behavioural control, risk-assessment, integrity and accountability, concerns that persisted in following inquiries (CFV, 2005; CFV, 2006; CFV, 2011; CFV, 2011). The observations suggest that boards acted from a stewardship perspective, leaving the major decisions to the autonomy of the senior management. With regard to integrity issues and risk-taking. Boards appeared to have blind trust in the senior management. The concerns and warnings of the financial authority (CFV) were neglected by the political superiors, the subsequent state secretaries and ministers. The CFV did not have the faculty and authority to correct the boards and to intervene into the corporate governance of the housing corporations. The CFV sought an alliance with a national association of board members (VTW), which was founded in 2002. However, this actor did not have either the power or formal authority to intervene.

During the same period the state delegates addressed the senior management ambiguously. In conferences the senior managers were evoked to act like real entrepreneurs, to seek risks and to 'show guts' (Minister van VROM, 2003). Emerging losses on development of commercial housing in urban areas had to be solved creatively with consent of the minister. Necessary renewal of the legislation on the governance of housing corporations was suspended because the minister came to an agreement with the sector organization. Cooperation in a state policy program was exchanged for an ongoing practice of self-regulation (Interrogations, 2014).

Senior managers were treated like agents without any awareness whatsoever of entailed moral hazard. While being the political principal (Koolma, 2013), the interrogations of state representatives at the parliamentary inquiries show a general disregard of monitoring tasks. Senior officials rationalized why the state could not execute the tasks. The department lacked oversight, internal boards had that function and on merger decisions clients and municipalities were the stakeholders (Interrogations, 2014). Meanwhile, the department issued evaluations, some so praiseful that internal boards did not dare to have a different opinion on the performance of their senior managers. In spite of their responsibility, board members reported during the interrogations that they trusted the department and financial authority so much that they did not feel the need to formulate own appraisals.

Afore a parliamentary inquiry is mentioned. After an ongoing sequence of scandals revealed in public media the Dutch parliament decided to investigate the sector and its senior managers (Esmeijer, 2013). The three major cases are concisely discussed.

1) The chair executive of Rochdale, a corporation in the Amsterdam region, has been prosecuted for real estate fraud, which caused losses amounting to at least 6 million euro. In 2004 a first report was given to the department of alleged integrity violation. Not until the report in the public media at the end of 2008 the chairman was exempted from interventions by his board and the state department. The board did not accomplish to set up a monitoring of the real estate projects in spite of feelings of unsoundness. A lie about driving his exuberant company car, a Maserati Quattroporte, facilitated the board in her decision to fire the manager. The board resigned after political pressure and a full-page report about their personal data in the main financial daily of The Netherlands. The reason why the department had renounced an intervention is not reported (Rijksauditdienst, 2009; Tweede Kamer der Staten-Generaal, 2014) and is still unrevealed. During the interrogation the manager showed no

regret, contended to have served the cause of social housing, and said only to have made some mistakes. Hereby he showed a self-identified stewardship adverse of his actual behavior.

2) In 2004 Woonbron, a corporation in the Rotterdam region decides to buy a former cruise ship from the municipality. The business case is approved by the department before the internal board has had its say. Costs are underestimated by ten times just like the revenues are overestimated. At the same rate the restoration of the ship did not have a substantial relation to housing. In 2009 the board resigns after fierce debates in the parliament and negative reports in the media. The chairman of the senior management resigns some months later. When Woonbron succeeds to sell the ship to a hospitability entrepreneur the final result sums up to a loss of 230 million euro. The board has been critical on the project but has accepted a goal displacement and a budgetary camel nose. The former chairman is entrapped and entrenched in a personal pet project. The project is also an example of excessive risk-taking and financial mismanagement with continuing financial restatements. During the interrogation the chairman has expressed regret for the losses and the damage to sector's reputation. In his opinion, the intentions to save the southern district of Rotterdam from deprivation were good. In this case to a self-identified steward gave his statements. Similar is the disturbance of the corporate governance by state representatives, who were euphoric about the project even when it turned out to be a fiasco.

3) The final case concerns the derivatives debacle and fraud at Vestia, the largest corporation with almost 90.000 houses all over The Netherlands. In 2012 the corporation appears to have a derivatives portfolio of 23 billion euro. The treasurer and the senior manager of Vestia have set up an alleged profit centre for derivatives trade. Annual reports show an advantage on the interest rate on long-term loans of 1% less than the next best corporation. The annual reports are not explicit on the size of liquidity risks involved. Clauses in the contracts with the business banks force Vestia to deposit to such an amount that a default is near and a backstop by the government would cause a degradation of the international rating of the Dutch state. A direct intervention is not feasible because of breaking event clauses in the contracts. An arrangement is made for a bail-out. The losses amount to 3 billion euro, which are taken by Vestia and the collective of the sector. The senior manager is fired. The board resigns under severe pressure of the state department. The state department has reported laudatory on the performance of Vestia. Vestia was the corporation that by means of takeovers solved financial problems of other failing corporations. The risks in the policy of Vestia have been neglected by the internal board, accountants, the financial authority (CFV), the sector intermediary to the capital market (WSW) and the department officials. In the interrogation the senior manager avoided to express regret. He stated to have served the cause of the social housing well. The losses were needlessly caused by the intervention of the state. The board accepted to be off side of the financial policy of Vestia. They said to have had great confidence in the capacities of the senior manager and his staff. This reputation was eagerly supported by state officials and the sector agencies. One last remark is that the senior manager of Vestia received a bonus plan from his board aimed at an offensive acquisition strategy.

The historical draw and the discussion of the 3 cases show an unsynchronized, contradictory and even a toxic mixture of stewardship identification and actual uncontrolled agent behavior, causing new schoolbook examples of decision failure and moral hazard. The interference between the principal layers in the governance network has created circumstances in which the drift to failure was not interrupted (Koolma, 2013).

The impact of the failures was an institutional crisis that constitutes the starting point for the empirical research in next session. The lack of involvement of the internal boards has been remarkable. The power relations in the three cases indicate managerial hegemony and irresponsive boards, which are overjumped by the senior managers as were they insignificant and irrelevant. The managers decided on the resources as if they were the sole owners of these non-profit corporations, providing evidence of moral hazard hypothesis of Fama and Jensen (1983). An explanation is that the boards had the task to supervise senior managers whose reputations[40] were outstanding and beyond doubt of higher authorities. Their trust appeared to be not justified in hindsight. Such read the statements of board members during the interrogations. An alternative explanation might be that the governors have followed a course that served their self-interest. Intervention would explode their workload and launch the risk of a loss of face when their reputation should contest the one of the senior manager.

The enforcement of the law and subordinate regulations has been neglected in the discussed cases and also in other cases of the parliamentary inquiry. There was a general preference for self-regulation by the housing corporations. While having a protective intermediary to the capital market and ruling a monopoly in the market for affordable housing with entry barriers (Koolma, 2008), all correcting force was depending on the boards of governors of the housing corporations. In almost all cases the boards have proved to be ineffective.

The government's reaction was to blame mainly the managers and boards of housing corporations. State control is restored. The minister decides in an overruling way the hiring, incentive compensation, monitoring, and firing of internal board members and senior managers[41]. New regulation is restricting the autonomy of housing corporations in their operations in a comprehensive and detailed way. Boards reconsider their position in relation to the senior management. Prior to the research, we expected to find a control reflex of the boards at the expense of senior managers who have done no wrong and have acted as true stewards.

[40] All three senior managers were welcomed as saviors: Rochdale saved a high-rise district in Amsterdam, Woonbron would save southern Rotterdam from deprivation and Vestia averted defaults of weak corporations.

[41] In imitation of the Dutch Central Bank 'fit and proper test' are conducted by the new housing authority.

1.3. Main questions in empirical research

Starting in a situation in which there seems a general agreement that the corporate governance has been ineffective in the past, looks like an easy way to conclusions. However the positions and interests of actors differ. The role perception of boards and management are probably changed. In this context we have raised the following research questions:

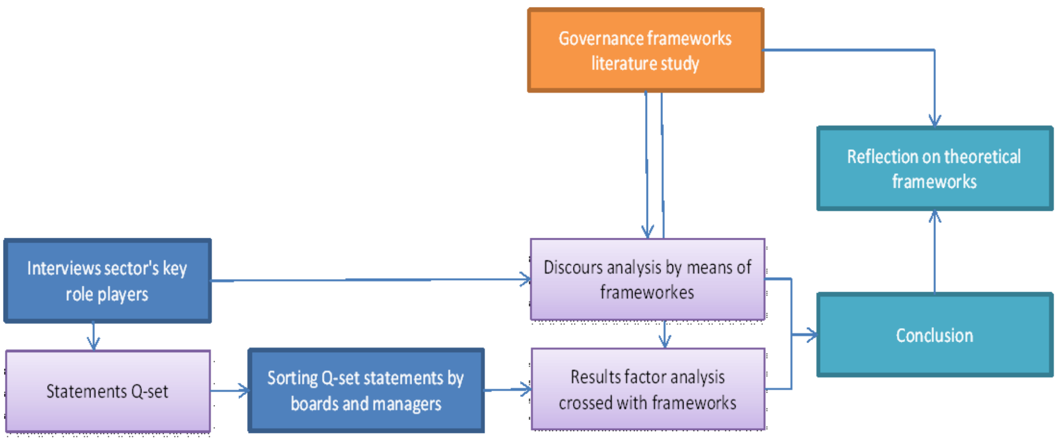
- What are the role perceptions and governance opinions of boards and senior managers in the context of the institutional crisis in the Dutch semi-public housing sector?
- What are the implications for the interaction between board and senior management?
- Which opinions are traceable to the components of the governance frameworks in the literature?

Besides the principal agency and stewardship theory a third additional framework is proposed, namely a trust-based, a mutual or reciprocaly one in which the simplicity of one-sided dominance (either board or managerial) is breached. Both agency theory and stewardship theory are taken in the original form, neglecting some recent nuances and amendments in the literature. This choice might be judged as arbitrary, but we have made this choice with the ideal typing of Weber in mind. Trust-based governance resembles stewardship theory, but the notion of trust is departing fundamentally from the original stewardship theory. Arbitrary in the stewardship theory is the assumption that best results are achieved when the steward has maximized autonomy and the board keeps distance. The boards are important when the intrinsic motivation of the candidate steward is assessed (Mills & Keast, 2009; Mills & Keast, 2013). Both theories fail to take into account the context and the development of the relation over time (Van Slyke, 2007). The literature on trust (Luhmann, 1973; Mayer, Davis, & Schoorman, 1995; Rousseau, Sitkin, Burt, & Camerer, 1998) provides leads to a third framework.

2. RESEARCH DESIGN, METHODS, AND OPERATIONALIZATION

In order to find a new avenue to effective governance, an explorative research design is drawn:

Figure 1. Research design



The first two research questions are answered by means of a two stage empirical inquiry. The first stage comprises 14 interviews with key role players regarding the governance in the Dutch semi-public housing sector. The informants are selected on having a wide view on governance affairs in the sector. Most of them have occupied diverse positions in the institutional network and have practical governance experience. A wide range of the institutional network has been covered: an opinion-leading accountant, a former alderman, a former minister, directors from the former (CFV) and new housing authority, the director of the intermediary to the capital market (WSW), a former chairman of one of the two sector banks, the chairman of the sector organization, the chairman of the pressure group of tenants, the managing director of the association of board members, a former state advisor and a scientist.

All informants consented to be interviewed. The interviewer was already acquainted with 12 of the 14 interviewees. The interviews are conducted through a technique whereby only one question at the start of the interview is raised. The question reads: "What are the characteristics of effective governance and in what respect does the interaction between board and senior management contribute to effective governance". By 'humming' the interviewees are stimulated to continue their monologues. Most interviewees spoke about 47 minutes continuously. The interviews provided data for a discourse analysis. The exact interview transcripts have been scanned for salient statements, input for the second stage of the empirical inquiry.

The second stage is conducted by means of Q-methodology, a survey technique driven by factor analysis (Exel & Graaf, 2005). The software is developed as PQMethod application by Peter Schmolck (http://schmolck.org/qmethod). 45 statements have been selected which have to be sorted in a 7 point Likert-like scale; from totally disagree to totally agree. The technique forces people to rank and choose, and is especially suited for the measurement of values, preferences and opinions. The first step in the factor analysis is made by Principal Component Analysis. All statements remain in the model. Rotation is not made by hand but automated by Varimax. The factor analysis has been set up to report on three factors. Four factors resulted in a kind of fragmentation due to the relative small number of respondents. The statements discriminate at confidence intervals 0 > 0.01 and 0.01 > 0.05.

Board members and senior managers have been invited to perform a Q-sort with the selected statements. 14 board members and 13 senior managers accepted the invitation. A pre-test is done in order to obtain a balance between dissenting end consenting statements. The response to online invitations was low (<30%) and only 3 of the sorts appeared to be performed correctly. The remainder was performed on a sheet with 45 cards like playing a board game. The informants were afterwards asked to give their comments on the test. Some reported feelings of ambiguity at certain statements. Each sort started with a free-ordering instruction, in order to measure an eventual off-set to an average consensus or dissent. Generraly, there was a small off-set to consensus, departing from the balanced scores in the pre-tests. At the interpretation of the scores on the statements the off-set is taken into account.

As discussed before, three governance frameworks are assumed. We did not expect that the sorts of statements by the respondents would reflect exactly distinct frameworks. In order to be able to trace the opinions to the frameworks, the frameworks have been operationalized in aspects or components of each framework. We are aware of the gross reduction made by the translation into indicators.

In this research design the principal agency framework consist of:

- Response on information asymmetry;
- Extrinsic motivation and incentive compensation;
- Scrutinized monitoring;
- Attention to moral hazard.

The stewardship frameworks has in our inquiry the next indicators:

- The assumption that board and management continuously share goals;
- Intrinsic motivation;
- Autonomy of the management.

The trust-based framework needs still some discussion in this paper.

Inter-actor trust relies on the willingness to be vulnerable (Luhmann, 1973; Mayer, Davis, & Schoorman, 1995) when leaving a task to another. This willingness is based on positive expectancy of the intention of the other (Rousseau, Sitkin, Burt, & Camerer, 1998). Departing from stewardship theory, we assume that the intentions not only are important at the start of a trust relation. Intentions have to be exchanged in one way or another during the continuation of the relation between trustor and trustee. Not only the intentions of the trustee are relevant, also the one of the trustor, namely the expectations. Therefore the first component is:

- Exchange of intentions and expectations.

Stewardship's autonomy infers a distant role for the principal. Mills and Keast (2009; 2013) find contra-indications for this assumption. Stewards and their performance prosper when assured of the involvement and attention of the principal. This finding is convergent with Self-Determination Theory (Ryan & Deci, 2000). Relatedness is a condition for effective autonomy. Trust has both a cognitive and an affective dimension (McAllister, 1995). Board members seems to keep distance in avoidance of affiliation and loss of independence. However, if all affect is banished out of the relation to the senior manager, trust will be fragile. It requires a search for balance (Roberts, McNulty, & Stiles, 2005). Not only personal involvement is required. Board members who show no interest in the cause and the purpose of the firm, transfer intentions of negligence and indifference to the senior management.

Hence, we propose the next component:

- Involvement in the relation and in the cause and purpose of the firm.

Trust has the advantage that the informational burden of contract specification and monitoring is alleviated (Brown, Potovski, & Van Slyke, 2007). This a core issue of trust (Luhmann, 1973; Mayer, Davis, & Schoorman, 1995). However, when the trustee is unwilling to openness of information exchange in respect to his of her autonomy, the trustor will have reasonable doubt about the benevolence and integrity of the trustee. Sharing of information might also be a solution to moral hazard issues (Millon & Thakor, 1985), a solution without generating distrust and heavy monitoring. In the relation between board and senior management openness with regard to the exchange of information and opinions has to be a taken-for-granted. Therefore we propose the following component:

- Openness with regard to the exchange of information and opinions.

The trinity benevolence, ability and integrity are the backbone of trust. We assume that these conditions are required not only at the start of the relation. This seems obvious but we observe a reservation to this theme in governance situations. From these three concepts integrity is the one that has the least tolerance. Integrity violations breach and damage trust often irreparably. With this consideration we propose the next component:

- Questionable integrity in the relation between board and senior management.

Ability is also a main issue in the relation between trustor and trustee. However, managers of enterprises and other firms who have to adapt to their environment have to take decisions and start projects which are new to the organization, management and board. Without tolerance on ability, the senior management will become risk averse and will flight into an administrative task execution. So, managers have to learn on the job and need support of their boards. In this learning feedback is required. Two kinds of feedback are distinguished: affirmative feedback on goal attainment and feedback on errors and possible improvements (Ashford, Blatt, & VandeWalle, 2003). Avoidance of giving and accepting negative feedback is a source of entrapment and other kinds of decision failures (Koolma, 2013). However, feedback is easily taken as a personal attack and ego-offense. Acceptance of feedback requires psychological effort (Hendry, 2005) and social intelligence. Boards and senior management have to create an interaction and atmosphere wherein negative feedback does not harm the relationship. So the next component is:

- Interaction wherein feedback is given and accepted without resentment or animosity.

The last component comprehends all previous components. The building and maintenance of a trust-based relation requires reciprocity in the interaction. For instance, a board can summon integrity, but has no authority if the integrity of board members themselves is arbitrary. Benevolence and ability cannot be unilateral requirements of the senior manager too. Board and management have to face each other in full respect. Exchange of information and opinions is prolific if the flow goes two-ways. Hence we state the final condition for a trust-based governance:

- Reciprocity in the relation between board and management.

The third framework assumes a mutual investment of the relation between board and senior management. The next components constitute the third framework:

- Exchange of intentions and expectations.
- Involvement in the relation and in the cause and purpose of the firm.
- Openness with regard to the exchange of information and opinions.
- Questionable integrity in the relation between board and senior management.
- Interaction wherein feedback is given and accepted without resentment or animosity.
- Reciprocity in the relation between board and management.

The statements of the key-role players are crossed with the components of the three frameworks. In this matrix some statements relate to more than one component. When a component has more than one related statements, the scores on the statements are divided by the number of cells. Doing so, the components are weighed equally.

3. RESULTS INQUIRY

The results will be reported in two sections. The first one comprises the findings from the discourse analysis.

3.1. Results Discourse Analysis

14 key-role players in the governance of Dutch housing corporations are interviewed by asking one single question: "What are the characteristics of effective governance and in what respect does the interaction between board and senior management contribute to effective governance". Their answers have been coded following the indicators or components of the three theoretical frameworks. In advance total coverage of the components was not guaranteed. Some informants will be familiar with concepts from scientific governance literature. More likely is their frame of reference to be found in literature as discussed in local and national networks of governance and housing. No attempt has been made to trace the source of their statements.

Surprisingly, the informants consent on most issues. There are some differences in emphasis and nuance. Because of this result, we have decided to suffice with a concise record of the discourse.

In Dutch inner governance circles there is a saying that reads "Don't sit on the chair of the senior manager". It is a mantra that reflects a norm, namely the board has to respect the autonomous position of the manager and 'don't try to do his or her work yourself'. This norm is no longer taken for granted. One is not surprised when board members gather information on their own initiative and bypass the senior manager. The informants observe contacts of boards with accountants, employees and stakeholders in absence of the senior management. Probably this is a reaction to the scandals where essential information has stayed outside the view of boards. It is their way to handle the problem of information asymmetry. There is little attention to and belief in positive effects of incentive compensation. Bonus plans are even seen as sources of adverse effects. Scrutinized monitoring is not popular. The monitoring is associated with a heavy accounting load for housing corporations in the period after the crisis. The informants show an aversion to ticking the boxes on checklists. The general opinion is that 'common sense' is more important in the assessment of the policy and the observation of the behavior of the senior manager. Moral hazards are not in the foreground of the responses.

Intrinsic motivation is very much preferred. Intrinsic motivation has an unquestioned positive effect according to the informants. Sharing of goals is seen as a major issue, in the sense that boards ought to have a say in the formulation of goals. A trend is that board's members are allowed to use their networks[42]. It would contribute to the results and the legitimacy of the housing corporations. One is aware of a risk of board member networking. It could easily evoke confusion about the question who is 'in command'.

The coverage of the components of the third framework is less convincing. An open relation between board and senior managers is noted frequently. It is necessary to have a relation in which feedback can be given. The idea of a two-way direction in the relation is less common. So, there is attention for the interaction between board and senior management and this supports the idea of open relationship. However, the idea is still in consideration and the implications are not clear yet.

3.2. Results of Sorting Statements

There has been made a selection of salient statements out of the transcripts of the interviews with the key-role players in sector's governance. The statements are not derived from the theoretical frameworks but

[42] A notion related to the resource dependency approach in which the network of the non-executive boards members are considered as a resource.

associate well and give a full coverage of the component of all three frameworks. Without connotation to the frameworks the statements are presented to a new group of respondents, comprising 14 board members (G = governors) and 13 senior managers (M). There is a spread regarding the size and urbanization grade, but the small number does not allow to account for external validity. The respondents have been asked to sort the statements in a fixed score board with a seven point-scale.

The correlation between the sorts in de sample equals to 0.32. Split in groups the correlation scores are 0.33 for the managers and 0.37 for the governors. The scores are high but not extreme regarding the select sample of professional peer group members. Notwithstanding the correlation level, discriminating three factors have been found.

Table 1. Response categories Q sort of 45 statements

Valuation	*Count of statements to place*	*Score*
Full disagreement	4	-3
Disagreement	6	-2
Slight disagreement	8	-1
Neutral	9	0
Slight agreement	8	1
Agreement	6	2
Full agreement	4	3

Table 2. Factor loading of respondents' factor loadings

Informant	*Factor 1*	*Factor 2*	*Factor 3*	*Highest loading*
M01	**0.6011***	0.1979	0.2011	1
M11	**0.7237***	0.2703	0.1017	1
M02	-0.0364	**0.5518***	0.4929	2
M03	0.3376	**0.6003***	0.2982	2
M04	0.0838	**0.5303***	0.2499	2
M05	0.0846	**0.6783***	0.0432	2
M09	0.3600	**0.6393***	0.2449	2
M10	0.1812	**0.6699***	0.0318	2
M12	-0.0099	**0.7176***	0.2676	2
M13	0.4256	**0.4911***	-0.1258	2
M06	0.1655	0.4390	**0.6244***	3
M07	0.3644	0.2952	**0.5324***	3
M08	-0.0084	0.1649	**0.5403***	3
G01	**0.6593***	0.3410	0.1557	1
G05	**0.8253***	0.0413	0.1036	1
G06	**0.4480***	-0.0082	0.3531	1
G09	**0.5513***	0.2838	0.3097	1
G12	**0.7587***	0.1090	0.0564	1
G13	**0.7682***	0.0811	0.2465	1
G14	**0.6435***	0.2851	0.4961	1
G04	0.1865	**0.5748***	-0.0202	2
G03	0.4376	0.1850	**0.6933***	3
G07	0.0817	0.1091	**0.6780***	3
G08	0.4456	-0.0583	**0.6427***	3
G11	0.2876	-0.0248	**0.6338***	3
G02	0.3606	0.3351	0.2296	**none**
G10	0.4300	0.2973	0.3949	**none**
Var. expl. [43]	21%	16%	15%	

A factor loading of 1.0000 would imply that the sort of a respondent is identical to a calculated factor. In the table the factor loadings of the managers and governors are discernable. With regard to this distinction it is remarkable that factor 1 comprises in majority governors (7 to 2) and factor 2 consists of a majority of managers (8 to 1). Factor 3 appears to be a mixed group (3 managers and 4 governors). The factors have the next characteristics inferring the significantly discriminating statements ($p<0.01$):

- Factor 1, the 'governors' factor', shows disagreement with belief in extrinsic motivation (-1.80 (The scores minimum and maximum arithmetically range from -3 to 3)) and with managers

[43] Variance is explained by the aggregate to a level of 52%.

that in anticipation on leading opinions adjust their input in the board meetings (-1.85) or use coping strategies in order to avoid blame (-1.78). The board is seen as guard against manager's self-interest (1.01). One agrees on the statement that the manager is responsible for the policy and the board monitors the outcome in hindsight (1.07). Even more agreement is on the statement that one should have heart for the cause (1.32). Most agreement is on the opinion is that a good board is a very close watcher who intervenes if necessary (1.43).

- Factor 2, the managers' factor disagrees with the statement the board regularly tests the credibility of the senior manager and, if okay, grants him or her unconditional trust for the period coming (-1.94). Opposite to factor 1 there is disagreement with the statement that a good board is a very close watcher who intervenes if necessary (-1.66). One disagrees on the idea of sharing responsibility with the board in case of wicked problems (-1.19). In factor 2 there is agreement that scandals have changed the board's surveillance (1.17). Remarkable is agreement on the positive role of a Works Counsel within the internal governance (1.41). Most agreement is a self-reflective question "Have I told enough why I do things" (1.62).
- Factor 3, the mixed group, disagrees on the statement that the manager is responsible for the policy and the board monitors in hindsight (-2.07). One doesn't want to rely wholly on the financial monitoring by the accountant and the national supervisors (-1.52). Remarkable is the disagreement on the statement that the board withholds from personal involvement and prefers to hire a personal coach for the senior manager (-1.47). Agreement is on the statement that that board should have diverse capabilities including insight in operational processes of the housing corporation (1.33). Most agreement is on the opinion is that a good board is a very close watcher who intervenes if necessary (1.76).

The statements are connected and pivoted by means of a matrix to the components of the governance frameworks. Weighing is applied in order to suppress the effect of over-measurement of some components. All statements are taken into account, because selection on significance would lead to unbalanced comparisons between the factors while most statements are significant in one and not significant in the others factors. Elimination on significance in all three factors would lead to a severe loss of information.

As discussed afore, the statements and components may have n to m connections to each other. The factors are related to the governance frameworks in next table.

Table 3. Factors pivoted to the governance frameworks

Component	*Framework*	*Factor 1*	*Factor 2*	*Factor 3*
Information asymmetry	PA	0,03	0,24	0,43
Scrutinized monitoring	PA	0,44	-0,20	0,29
Extrinsic Motivation	PA	-1,32	-0,82	-1,15
Moral hazard	PA	-0,85	-1,05	-0,37
Sharing the goals	S	0,75	0,01	0,23
Autonomy	S	-0,03	-0,48	-0,90
Intrinsic motivation	S	0,98	1,01	0,72
Intentions and expectation	T	0,64	0,69	0,70
Involvement	T	0,28	0,27	0,29
Openness relationship	T	1,04	0,18	1,09
Integrity	T	0,46	0,21	0,47
Feedback	T	0,74	-0,04	0,30
Reciprocity	T	0,02	0,32	0,44

Due to the addition of non-extreme and neutral scores the figures range closer around zero. The 'scores' of factors on the framework components are discussed in two sections. In the first section the consensus between the factors is looked at.

One point of consensus is the preference for intrinsic motivation and an objection to extrinsic motivation. The distance in score of both components is 2.30 at factor 2, however the differences are not big. Sharing intentions and expectations scores almost equally among three factors (0.64 0.69 0.70). Appreciation for involvement of the board of the business is equally distributed but not high (0.28 0.27 0.29).

There are also divergent scores, representing dissent between the factors, and so, between the governors' group (1), the managers group (2) and the mixed group (3). Factor 3 shows the most attention to coping with the information asymmetry. The aversion to the subject of moral hazard is highest in factor 2 and lowest in factor 3. Sharing of goals is neutral in factor 2 and positive in the two other factors. Autonomy scores neutral in type 1, and negative in factors 2 and 3 (-0.03 -0.48 -0.90). Regarding openness in the relation between board and management factor 1 and 3 have a high scores while factor 2 approximates zero. This is remarkable because it suggests that the subject of openness does not have importance in the group of the senior managers. Attention to integrity scores higher in factor 1 and 3 on the one hand and factor 2 in the other hand. Giving feedback has the highest score in factor 1 and even a slight negative score in factor 2. Type 1, representing the governors group, has a neutral score on reciprocity while factors 2 and 3 have modest positive scores (0.02 0.32 0.44). It could suggest that change of one-way relation is not considered in the governors group. The connection to the stewardship framework is contradictory: Intrinsic motivation is regarded positively while autonomy tends to a negative score. The experience with the scandals in the recent past is a probable explanation, reporting senior managers to state their own rules to the dupe of their organizations.

Generally, the respondents do not adhere to the principal agency model. Most scores are at zero or below. Exceptions are the scrutinized monitoring of factor 1 and the active coping with information asymmetry in factor 3. The trust frameworks get moderate positive scores. The governors group and the mixed group set the positive scores. Factor 2, the managers group has diverged with lower scores on openness of the relation, attention to integrity, and the exchange of feedback. In analysis of the statements there is dissent between the governors group and the managers group, suggesting a classical antagonism between the need for control and the need for autonomy. Trust as an alternative to this antagonism is not embraced by the managers group. The mixed group seems to bridge this antagonism. Not surprisingly regarding the mixed composition. This group is most of the three inclined to share in the relation.

4. CONCLUSION AND DISCUSSION

In the introduction we raised the following research questions:

- What are the role perceptions and governance opinions of boards and senior managers in the context of the institutional crisis in the Dutch semi-public housing sector?
- What are the implications for the interaction between board and senior management?
- Which opinions are traceable to the components of the governance frameworks in the literature?

The analysis of the two classic frameworks, the principal agency and stewardship theory shows that both approaches are incomplete. Abstracting from context is a lacuna, although this is a common fault of general theories. More problematic is the categorical antagonism of power relations and the absence of interaction dynamics. At this last point both approaches show behavioral voids. In the principal agency managers get a free hand to pursue opportunities, while in the stewardship theory the managers are blindly believed to remain stewards till their resignation. More recent authors recommend a smart combination of both approaches, and a dynamic alternation. We have drawn a third framework on the foundations of the trust literature. In this framework the interaction dynamics are covered and by sharing information and reciprocity the deadlock of the conflicting power positions could be overcome.

The historical introduction of the case of the Dutch semi-public housing management gives evidence that a mixture of the principal agency and stewardship approach in corporate governance practice can be contradictory and toxic. The managers are under influence of incentives that induce entrepreneurship and risk-taking, while the board respects the autonomy of the managers to a fatal extend. Former stewards transform in to uncontrolled agents under this mixed governance regime. One question is not raised, namely what the intrinsic motivation of housing corporation managers would be and do in acquisitions and commercial real-estate projects. Further, the negative interference of the state as political principal in corporate governance affairs is remarkable. It is supports the recommendation to consider multi-layered and multi - faceted governance networks surrounding the classical corporate board-senior manager relationship.

The empirical research is conducted is very special historical context. The sector and the housing corporations are in a phase of reconsideration after an institutional crisis. This context has obviously colored the findings on the research questions. Key-role players in sector governance and a sample of board members and senior managers: the actors in this Dutch non-profit sector have little affinity to the principal agency components. With regard to the stewardship the actors consent in a contradiction; there is a general preference for intrinsic motivation and also a slightly varying doubt about the blessings of autonomy. There is a moderate positive adherence to the components of the trust framework as elaborated in this paper. The factor analysis does not divide the respondents along the demarcations of the frameworks. A group with a majority of governors and a mixed group show attention for some components of the principal agency framework and have a more positive attitude to components of the trust framework. The group with senior managers gives food for thought. The score of their discriminating statements shows that they have a negative attitude to involved boards, to autonomy and to openness of the relationship. It can be understood as a temporarily defensive reaction to the public blaming of housing corporation managers.

In the discussion we start with the restrictions of the research. It has an explorative aim, and the evidence from the analyses provides not more than an indication of the explanatory potential of the approach. The discourse analysis is covering the institutional network of the corporate governance. The sample of the factor analysis (27 respondents) is much too small to have pretentions on external validity. However the findings are internally significant and clarifying. Both discourse analysis and factor analysis should be extended in time, sample and to other non-profit sectors. By using a Q set of statements resulting from a discourse analysis, the cultural gap between a sector corporate governance practice and theoretical concepts is bridged and it has the flexibility in application to other sectors and countries. However, selection of the statements, the calibration of the test scores, and the linking to the framework components need further elaboration in order to get more robustness than they have now.

The findings that a mixed group consisting of board member and senior managers bridging the gap between power positions and classical frameworks is remarkable and promising. In search for a new effective approach of the corporate governance the respondents and researchers seem to have chosen a same way.

There are some ideas emerged that might indicate avenues for future research. The Self-Determination Theory could lead to a reconsideration of the stewardship theory. There is proof that the conception of autonomy is not effected as intended. Another point is the difference between self-identification and actual behavior of senior managers in stewardship situations. Managers' self-identification is a very risky base for assessment and evaluation by boards. We have the idea that there is a related risk. Self-identification is related to psychological concept locus of control. We have leads to assume that full reliance on intrinsic motivation and self-identification stimulates managers to follow the pattern drawn by Salancik and Meindl (1984): successes are attributed to the manager's effort and excellence while failures are caused by others and circumstances. Along this way autonomy and avoidance of responsibility meet surprisingly. Finally, we recommend strongly to extende the research to intertwining of institutional and corporate governance.

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