The impact of Private Equity growth on Dutch Housing Corporations in the Property Maintenance Sector

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Management Summary

We examine the impact of the rise of private equity in the property maintenance sector. In recent years, one-third of VGO members, representing more than 50% of the market's revenue, have been acquired by private equity firms. The previous highly fragmented market, dominated by regional players, is now consolidating at a rapid pace, leading to the emergence of large, national maintenance companies. The combination of the traditionally high market fragmentation, the large volume of work required to meet sustainability targets, and the need to address the Dutch housing shortage has made the property maintenance sector prone for private equity investments.

The research has been initiated by Uw Onderhoudspartner Lenferink (from now on Lenferink). The company's management recognised the trend and, as a third-generation family business, is particularly interested in understanding its effects. Specifically, Lenferink seeks to assess the awareness of this trend among housing corporations, as their most important clients, and whether they perceive a change in value creation following private equity acquisitions.

To arrive at a solution to this problem, our main research question is:

What are the effects of private equity's entrance into the property maintenance sector, from the housing corporation's perspective?

We aim to gain insights at the intersection of two questions: What do housing corporations expect from their property maintenance partners? And: How does private equity structure an acquired company? To assess the perceived value creation by housing corporations, eight managers from different corporations were interviewed. Simultaneously, the research examined what housing corporations consider essential in their maintenance partners to identify the potential effects of private equity's growing presence in the sector.

In preparation for the interviews, we conducted literature research, also industry experts are consulted to map out private equity strategies and the needs of housing corporations.
By acquiring companies through high-leverage buyouts and merging acquired firms, private equity aims to consolidate and dominate the market. Their strategy focuses on scaling up, standardizing processes, and becoming an integral maintenance partner that offers a complete service portfolio to the corporations. Housing corporations are looking for this scale-up and efficiency, however due to the RGS method of working, they also prioritise strong interpersonal relationships within the partnerships. The RGS approach requires trust, in-depth expertise, the ability to handle complex projects, and strategic knowledge to reduce the TCO.

The interviews revealed that seven out of eight interviewed housing corporations have private equity-backed property maintenance partners in their portfolio. All managers indicated that they have not experienced any differences between their property maintenance partners that have been acquired by private equity and those that remained family-owned businesses, yet. However, all managers had prior experience with partnerships in other sectors where firms were acquired by private equity. These experiences substantiate their opinions they have about the rising private equity

presence in the sector. Three of the interviewed managers indicated that in future partner selections, family-owned businesses would have a preferred position. Notably, these three managers were also the only ones who experienced a decline in the price-to-quality ratio after a partner was acquired by private equity. Additionally, four out of eight managers noted that private equity-acquired companies invest less in interpersonal relationships, despite the fact that strong relationships are crucial for successful RGS partnerships.

Figure 1: Visualization of the different partnership structures.

During the interviews, it became clear that housing corporations are actively searching for their ideal partner structure. Figure 1 presents a spectrum of partnership structures. The left side of the spectrum represents the traditional short-term collaborations involving a single work discipline, whereas the right side reflects long-term partnerships where one partner handles multiple disciplines. All housing corporations indicated that they expect their partnership structures to shift further to the right in the future. Only one manager stated that they feel fully comfortable with their current structure, this corporation already has a structure positioned far-right in the spectrum.

Assessment criteria for property maintenance partners	**Left-sided partner structure**	**Right-sided partner structure**
(Vision on RGS) collaboration, human relationship and cultural fit	23%	26%
Price	39%	5%
Technical quality of work	25%	3%
Experiences and references	0%	28%
Capacity and scope of work	12%	15%
Innovation, sustainability and circularity	1%	17%
Financial health	0%	6%

Figure 2: The housing corporation's assessment criteria comparison between the three housing corporations having the most left- and right-oriented partner structure.

Figure 2 illustrates the differences in assessment criteria between housing corporations with a left-oriented partnership structure and those with a right-oriented structure. Notably, corporations with a right-oriented structure place less emphasis on the tender price and the technical quality. Instead, these corporations prioritise experience, innovation & sustainability, and the soft-side of the collaboration. Given that most corporations indicated they expect to shift further to the right in the future, these insights are particularly relevant for future maintenance partners looking to align with the housing corporation's needs.

After the interviews we further explored whether the consolidating market could impact the pricing dynamics in the industry. We found that due to the market changes, the property maintenance sector is increasingly presenting oligopolistic characteristics. The number of active players in the market is decreasing, while the barriers to entry are rising. These shifts, combined with the urgency for housing corporations to achieve sustainability goals, increases their dependence on maintenance partners.

While the literature mentions that leveraged buyouts by private equity firms can lead to financial distress within the acquired company, none of the interviewed housing corporation experienced such financial distress among their acquired partners. In our exploratory research we suggest that this may be due to the specific strategy private equity firms apply in this sector, namely, the buy-and-build strategy. Their goal is to expand market share through acquisitions, and pushing acquired companies into financial distress would likely harm their reputation. Additionally, private equity firms in this sector are not primarily focused on short-term profit maximisation within the acquired companies. Instead, they prioritise long-term sustainable value creation, aiming to generate returns through increased transaction value rather than extracting profit directly from the companies.

Our research highlights to Lenferink that housing corporations are aware of the rise of private equity in the sector, but they do not yet fully understand the implications of this trend. Private equity is driving the professionalisation of the industry, requiring family-owned businesses to adapt and remain competitively relevant to housing corporations. Since family businesses cannot scale as quickly as private equity-backed organisations, they must carefully assess and reflect on their strategic position moving forward. However, if family-owned companies can secure a position in the market, they could hold a competitive advantage. The interviews revealed that housing corporations like to collaborate with family-owned businesses, particularly due to their strong relationship management and alignment with long-term visions. Nonetheless, to stay relevant to the corporations, these companies must focus on scaling operations and expanding their service offerings.

The biggest limitation during our study was the challenge of quantification. The private equity trend is still in its early stages, and consolidation is actively ongoing, making it too soon to assess actual value creation and long-term results. This also leads to an interesting suggestion for future research, a more thorough investigation a few years after the consolidation trend stabilises would allow for a deeper analysis and increase the feasibility of conducting a quantitative study.

While most of the private equity studies are conducted at a later stage of the trend, our study offers early insights. In this manner, the study adds an interesting perspective to the academic literature. We equipe the market stakeholders with insights to proactively react to the trend as it unfolds.

Preface

This thesis is the final part of my student career at the University of Twente. It has been an absolute adventure and journey in completing the bachelor and this subsequent master. The personal and professional growth I experienced during this period is invaluable for me that I will treasure forever. Nobody achieves anything alone! I'm grateful in meeting all the amazing friends I made in Enschede. Additionally, during my study abroad period, I had the pleasure to experience the Portuguese culture. That semester has been an absolute blast, in which I became close friends with amazing people. Thanks to all of you!

I am grateful for getting the opportunity to graduate at Lenferink, their open and welcoming atmosphere fits to my working mindset. While this research is external oriented, they made me feel part of the team and the process the company is going through.
For the execution of this research, I want to thank the professional guidance I received. Firstly, I want to thank my main company supervisor Bob Lenferink for his engagement. While it has been a busy and intensive period at the company, he was always accessible for support. His thoroughly experience in the sector gave me all the resources needed for executing this thesis. I liked our sparring sessions which shaped this research to the most valuable direction! Secondly, I am fortunate to have Berend Roorda as lead supervisor from the University of Twente. His feedback improved the quality and correctness of this research, in which his academic perspective gave valuable insights and contribution to this end result! The high degree of independence during this research shaped my professional project skills. However, because of their assured support, I never left lost. Sincerely thanks to both of you!

Lastly, I would like to thank my family & friends for their support throughout the completion of the report! Their support has been instrumental in keeping me focussed on this research, especially during moments of reluctance.

I am proud of this report, as the finalising product for my student career.

I wish you a pleasant read!

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List of Abbreviations

Abbreviations	Definition
CAGR	Compound Average Growth Rate
ESG	Environmental, Social and Governance
KPI	Key Performance Indicator
LBO	Leveraged Buyout
MJOP	Meerjaren Onderhoudsplan
RGS	Resultaatgericht Samenwerken
SME	Small and Medium-sized Enterprise
TCO	Total Cost of Ownership
VHE	Verhuurbare Eenheid

1. Introduction

Traditionally, the property maintenance business is heavily fragmented, each subregion having their own players that serve the market. These players serve their clients by maintaining their property at desired level. Classical operations that the property maintenance companies perform are painting walls, sustaining or replacing window frames and facade maintenance.

Recent developments in the market and society caused significant changes in the sector. These developments changed the demand from the clients, the size and scale of the projects and the position of the property maintenance businesses in the market. The main instigators of these changes in the market are the sustainability requirements imposed by the government and the housing shortage that the Netherlands is facing. By signing the Paris Climate Agreement, the government showed their ambitions to reach a climate-neutral society (European Union, 2024). In practice, the Dutch government requires to have 7 million houses (out of the current 8,2 million houses) CO2-neutral in 2050 (Rijksoverheid, 2024a).

The second instigator of the changes in the market is the housing shortage that the Netherlands is facing. Rebuilding houses to make them more sustainable will increase this shortage. Therefore, residents need to stay in their houses when during the operations. This is the connection from the societal problem to the property maintenance companies. Since these companies already work at maintaining the houses, the most efficient option is that these companies perform the activities to upgrade and sustain the houses (Private Equity Analyst, 2024). Being able to make that number of houses more sustainable, requires standardisation and up-scaling of the projects from the property maintenance companies. These standardisations ensure faster cycle times of projects and reduce the cost price per unit (Pan & Goodier, 2011). With these developments, additionally to be able to manage scale, the market asks from the property maintenance companies to be an integral partner. With an integral partner, we mean that the property maintenance companies offer more services than just the classic maintenance services such as cleaning and painting. In addition to the classic services, an integral partner offers services to ensure an extended longevity of properties and upgrade properties in terms of sustainability. Additionally, integral partners take a seat at the table of the client to advise them strategically and tactically about their properties.

These aspects, in combination with the fragmented property maintenance business, made the market prone for private equity companies to enter the market. Looking at the track record of private equity firms, they prefer to enter markets that are fragmented, have growth potential, continuity and potential for operational improvements (Kaplan, 2009; Bain & Company, 2021). Since that are the markets having a long growth path, in which lots of value can be created.

Therefore, private equity saw the opportunity to invest in this fragmented market, in 2017 the first company in the sector was acquired. In the following years more and more companies decided to partnership with a private equity company. Especially in the last three years the trend got accelerated. Currently around one third of the members of the VGO label, which is a label almost all property maintenance companies are part of, are acquired by a private equity firm. These acquired companies have more than 50% of the revenue in the market (Expert in Market, 2024).

During the last decade, private equity firms entered a lot of different industries in the Netherlands. In the last five years the investments increased with 50% to €27.5 billion (Financieel Dagblad, 2024b). Being e.g. active in health care, industrial markets and holiday resorts. By financing the investment with high debt and having the intention to sell the acquired companies within 5 to 7 years, the idea is to add value to the companies to get return on the investment (Ligterink et al., 2017).
The history of private equity in the Netherlands consists of success stories and failures. The non-food discounter Action founds their rise after the private equity investment of 3i Group (Ligterink et al., 2017). Furthermore, private equity has been successful in the fragmented installation engineering market (Private Equity Analyst, 2024).
However, private equity firms also know some failure stories. For example, the Dutch private equity firm Waterland, that also acquired several property maintenance firms during the last years, knows some disgraces with their investments in Happy Italy, Attero and BioMCN. They saw huge losses after a few years or had to resell it shortly after the acquisition (Financieel Dagblad, 2024a). Also, the Dutch government expressed their concerns because of the financial intentions of private equity in the healthcare industry (EY Consulting, 2024; Tweede Kamer, 2024). These characteristics and history gave private equity controversial stigma and an often discussed topic in society.

1.1. The Company

Our research is conducted at Uw onderhoudspartner Lenferink (Lenferink), a property maintenance company operating in the central-eastern region of the Netherlands. This third-generation owned family business was founded in 1949 and currently employs around 130 people. Most of the people do executive work at their clients. For example, maintaining (cleaning, painting and replacing window frames) their properties or upgrading it in terms of sustainability and longevity (e.g. isolating and replacing facades). This executive team is supported by an office team, doing the preparation, planning and other operational support.

During the last decade, the company shifted their focus to long-term partnerships with their clients. Phasing out their business model based on one-time projects. The partnership model means that the company composes long-term contracts with their clients, aligning the contract with wishes from the customer. These types of partnerships result in tailor-made maintenance plans for each client. Lenferink increased their focus on the corporate market, aiming to become an integral partner. They expanded their services to upgrade properties related to sustainability, being better positioned in the market as a multidisciplined partner. Furthermore, to meet the needs of the clients, Lenferink established Onderpand Vastgoedbeheer in 2017 in collaboration with a construction company and an installation company. The aim of this company is to serve as an integral partner to the property owners.

Lenferink's management noticed the rise of private equity in the market. Currently, they want to focus being independent and autonomous on their own goal and mission. However, they are interested in the implications of this trend, especially in the change of perceived and experienced value of their clients. Which bring us to the core problem that Lenferink is facing: the challenge to leverage their strategic position, regarding the rise of private equity in the market.

1.2. Research Design

1.2.1. Research Scope and Aim

Lenferink desires to get a better understanding about how their strategic landscape is changing by the rise of private equity in the market. Solving the whole core problem requires research in multiple perspectives. That is beyond the scope of this research, given the limited timeframe.
We want to understand how a private equity firm operates in a company that is acquired. To subsequently, test on customers how their perceived value and experience is changing. During the investigation of the property maintenance industry and the problem that Lenferink is facing we noticed that aiming to solve this part of the core problem is the most relevant, given the current situation and feasibility to gather the correct data.
As mentioned, we test the experienced value change of customers in the market. In the corporate market of property maintenance there are different types of customers. For example, governmental organisations, healthcare institutions and housing corporations. In our research we focus on the housing corporations. Because of their size, relevance in society, available people to interview and their importance in revenue share of Lenferink, we found this customer group the most relevant to investigate. So, when we refer to customers or clients in this paper, we mean housing corporations.

1.2.2. Research Questions and Problem-Solving Approach

Lenferink wants to know how the housing corporations perceive changes in experienced value creation with the rise of private equity companies in the market. Currently, they do not know the concrete consequences of how private equity is changing the operations, strategy and way in which they serve the customer. Translating this to the discrepancy between the norm and reality helps us formulating our main research question, which is answered during this research.

Main research question formulated as:

What are the effects of private equity's entrance into the property maintenance sector, from the housing corporation's perspective?

In order to solve the main research question, we need a systematic problem-solving approach (Heerkens & Van Winden, 2017). For this thesis, 7 phases are defined to proceed this research in a structured and systematic way. These formulated phases each have their own research questions, which form the red line in our research.

An overview of the research phases is given below, together with their associated chapter in which the phase is executed and the related content.

Research Phase	Chapter	Content
Phase 1	1	Introduction, problem definition & research design
Phase 2	2	Investigating the changes in a company after being acquired by a private equity firm.
Phase 3	3	Investigating the concepts of a housing corporation and how they experience value creation from a property maintenance company.
Phase 4	4	Constructing an interview to test the perceived value change at housing corporations
Phase 5	5	Analysing and the results from the interviews
Phase 6	6	Supplementary sub-research
Phase 7	7 & 8	Conclusion, discussion and recommendations for further research

Table 1: Overview of thesis phases.

Research Phase 1: *Introduction, problem definition & research design*
The research starts with gaining information and knowledge about the company at which the research is executed and the property maintenance market. By combining the gathered knowledge, the problem can be defined together with the research design, additionally the problem-solving approach is introduced.
A thorough understanding of the market is essential for formulating a relevant research question and designing a study that can be supported by existing data and data feasible to collect. Research Phase 1 is compiled in Chapter 1.

Research Phase 2: *Investigating how private equity operates in an acquired company*
During this phase, we are going to investigate what private equity firms changes to acquired companies. We address how private equity firms can add value and give opportunities to Small and Medium-sized Enterprise (SME) companies. Also, the perceived risks are covered.
This knowledge is gained via literature reviews and conversations with experts in the field. The following sub-research question is formulated for this research phase:

I. What are the concepts of private equity and how do they operate in SME markets?

Additionally, knowledge is collected about the risks and opportunities for a company when they are acquired by a private equity firm.

II. What are the risks and opportunities for a SME company for being acquired by a private equity firm?

Research Phase 3: *Investigating how housing corporations experience value*
In this phase, the next building block towards answering the main research question is constructed. We start with addressing the general concepts of the housing corporations. In which we answer the following sub-research question.

III. What is the function of housing corporations in the Dutch society and how do they operate?

Next, we explore how housing corporations perceive value and examine what they expect from their property maintenance partners.

IV. What do housing corporations expect from their property maintenance partners?

The questions are answered via literature study and information gained from experts in the field. This phase is discussed in Chapter 3.

Research Phase 4: *Interview setup and execution*
The data to understand how the experienced value of the housing corporations change after a company is acquired is gathered via interviews. During this phase of the research, the aim is to construct a correct interview to be able to collect the data. The following sub-research question is formulated for the research phase:

V. How to construct an interview to test the change of perceived value creation of the housing corporations?

Research Phase 5: *Analysing and interpreting interview results*
After that the execution of the interviews, the results are analysed and processed in this research phase. In this phase, the following sub-research question is answered:

VI. How to interpret the interview results?

In the search for correlations and patterns in the interview results we find the way in which the value creations aspects changes.

Research Phase 6: *Additional topics*
The interview results revealed several interesting follow-up questions that emerged throughout the research process. These additional researches are worked out in Chapter 6.

Research Phase 7: *Conclusion, discussion and recommendations for further research*
In the last phase of the research, we answer our main research question which is formulated as:

- What are the effects of private equity's entrance into the property maintenance sector, from the housing corporation's perspective?

Next to that, we touch upon the recommendations and opportunities for further research. We also look critically back on the assumptions, decisions and conclusions we made throughout the research.

1.3. Key Concepts

This section explains several key industry specific and technical concepts that are essential for a clear understanding of this thesis.

Total Cost of Ownership (TCO)	In the context of property maintenance, TCO refers to the total costs incurred by the owner to maintain the property over a specified period.
Meerjaren Onderhoudsplan (MJOP)	An MJOP outlines an building maintenance activity planning that is required over an extended period. This budgeting plan consists of an overview of which maintenance activities needs to be performed in the upcoming years.
Working discipline	Within property maintenance, there are various work disciplines, each requiring specific expertise, skilled workers, and experience. Examples of work disciplines include painting, roofing, and carpentry.
Integral service portfolio	A service portfolio of a property maintenance partner that consists of a wide range of working disciplines, covering all maintenance activities for a housing corporation, is an integral service portfolio. When a maintenance partner delivers all work disciplines for a housing corporation, it is classified as an integral partner for the corporation.
Interior and exterior maintenance	There is a clear distinction in property maintenance between interior and exterior maintenance. Exterior maintenance includes all activities that can be performed on a property without entering the residents' living spaces, while interior maintenance encompasses everything inside the property.
Verhuurbare eenheid (VHE)	The term VHE is commonly used by housing corporations. A VHE refers to a property unit that can be rented out individually. The size of a housing corporation is often evaluated based on the number of VHEs they manage.
Property maintenance types	The sector commonly recognises four different types of maintenance, described below:

- *Daily Maintenance:* Reactive maintenance required to address unexpected defects, such as repairing a leak in a property of a broken window.
- *Change Maintenance:* Typically, smaller-scale maintenance performed when tenants change. This is an ideal opportunity to carry out necessary work with minimal disruption to residents.
- *Planned Maintenance:* Large-scale maintenance activities to ensure that the property is thoroughly maintained to the desired standard. These extensive operations are scheduled well in advance.
- *Projects:* One-time projects focused on upgrading a building, such as installing a new kitchen or implementing energy-efficiency measures.

2. Private Equity

Private equity is a form of investment where stakes in a company are acquired by a private equity firm. Typically, with the aim to enhance the value within the acquired company and realise profit on the investments. Investments can both be performed in public and privately held companies. Value is created by restructuring the company, implementing operational efficiencies and Leveraged Buyouts (LBOs) (Zheng, 2024).

The private equity industry founds their rise during the 1980s and is still significantly growing. From 2003 to 2021 fundraising has grown with 13,38% on yearly Compound Average Growth Rate (CAGR) to reach $1.184 billion worldwide fundraising in 2021(Mckinsey, 2022). While the private equity industry initially focused on acquisitions with a market capitalisation of several hundred million of euros, the industry showed extreme interests in SME markets. The investments in this segment more than tripled from 2013 (€14 billion) to 2022 (€46 billion) in Europe, demonstrated a CAGR of 14,13% (Drosin, 2023; Zheng, 2024).

This chapter discusses the way in which private equity changes strategies, policies and operations in acquired SME companies. Subsequently, this chapter indicates the opportunities and risks for a company when acquired by a private equity firm.

2.1. Private Equity Entering the Property Maintenance Industry

As mentioned above, the private equity industry started to enter SME markets in the last decade. The approach in creating value in SME markets differs compared to the large cap. In the latter, matured and structured companies are acquired, making the value creation focussed on financial engineering. In SME markets, private equity uses a more hands-on and operational approach, also they often apply the buy-and-build strategy. This strategy comes down to acquiring a company as platform, to subsequently build on it with so called ‘add-on’ acquisitions to achieve growth (Farisi & Lemmen, 2017). By applying this strategy, synergy advantages can help for creating value.
In the last decade, the private equity firms entered several fragmented SME markets in the Netherlands, now being active in a variety of different industries (Consultancy, 2024). Next to the fragmentation in the property maintenance industry in the Netherlands, the earlier discussed sustainability goals and current housing shortage made the industry prone for private equity entrance. Achieving the sustainability goals and eliminating the housing shortage requires significant efforts and a long-term commitment. That gives the private equity firms the opportunity to build in this industry during the next decades. Also, as mentioned in Section 1.1, the revenue model in the industry is based on long-term partnerships. This revenue model has a high degree of recurring revenue, which gives the business continuity. Operating in a market with a long growth path, high recurring revenue and continuity adds value to the businesses, which helped attracting private equity to this industry (Private Equity Analyst, 2024).

2.2. Private Equity's Influence on the Acquired Company

After an SME is acquired by a private equity firm, changes are made in the company trying to achieve their desired return and fulfilling their vision. This section addresses these changes. To keep structure, the changes are subdivided in three categories.

Capital management and value creation
The financial structure of a private equity acquired company changes often significantly. Private equity firms use the structure of an LBO to finance the acquisition. A leveraged buyout is used by acquiring a company with a significant amount of borrowed capital to meet the cost of acquisition (Investopedia, 2024). Typically, private equity acquisitions are financed with 30 to 40% of equity, and the remaining being financed with debt (Dalko, 2012; Stancill, 1988). This high leveraged structure is different in SME markets, which are relatively more capitalised with own equity, and so have a lower leverage (Rivaud-Danset, 2001).

This different way of capitalising the business is one of the three aspects that helps with directing the investment to the desired return for the private equity firm. Zheng (2024) wrote about the three main value drivers for a private equity investment in SMEs. Next to the LBO structure the other two drivers are operational engineering and multiplier arbitrage. Value creation via operational engineering includes organisational and operational changes, which is further discussed in the next paragraph.
Enhancing the value via multiplier arbitrage means buying a company at a lower multiple than selling it later. The multiplier at which a company is selling depends on the profitability, size and industry. This value creation method is applied in the private equity's buy-and-build strategy. In this approach, the private equity firm starts with buying a company, which is used as foundation to acquire, often smaller, companies in the same industry. Often, smaller companies trade at lower multiples than bigger ones. By acquiring several smaller companies, consolidating them to a bigger corporate, the private equity firm tries to create value (Bain & Company, 2019). The difference at the multiple at which the small company and the big company is traded is the value created by multiple arbitrage. This type of value creation is sometimes also called as The Whole is Greater than the Sum of the Parts or Value of Synergy (Damodaran, 2005). Which means that the value of a buy-and-build company can be higher than the sum of the individual parts.
Zheng (2024) investigated the stake of value creation by every value driver. While in the past (1980s) most value was created by multiplier and LBO (51% and 31% respectively), during the 2010s most value was created by operational engineering. In which the LBO strategy driver accounts of 13% of the value creation, multiplier arbitrage of 40% and operational engineering for 47%. Indicating that operational excellence is the most important value driver for the private equity investment to maximise the return.

Organisational
As mentioned above, operational changes in the company account for the biggest value driver in the private equity investment. Here, we discuss the internal organisational changes the private equity party implements in the acquired company. To start off, we must understand that a lot of the smaller companies that are acquired are

underdeveloped compared to the modern large cap companies. In most SME acquisitions, the founder is still the director and most internal processes have never been organised and designed by experts (Private Equity Specialist, 2024).
Being acquired by a private equity firm gives a company access to a huge amount of knowledge and expertise from the private equity organisation. Often, the private equity company employs people with a lot of experience in the specific market, also their network around the company gives input in the organisation. The private equity firm quickly begins working on changing the management team of the acquired company. Putting focus on clear functions on finance, human resources and operations, since these are key functions within a company and often underdeveloped in SMEs (Private Equity Specialist, 2024; Tosca & Østrup, 2013).
Related to the addressed point above, cost cutting measures are implemented after the acquisition. The private equity firm starts looking at the financial department of the company and their financial statements. They appoint a financial professional in the company, aiming to eliminate inefficiencies and unnecessary costs (OnderhoudNL, 2024b).
At the operational floor, changes are adopted to ensure standardisation, enhance structure and process optimalisation. Processes gets standardised and structured, which enables to speed-up projects, decreasing failure costs and increasing efficiency (OnderhoudNL, 2024b; Zheng, 2024). Related to adjusting the processes, the private equity firm focuses after the acquisition on modernising and digitising operations. As previously stated, most SMEs tend to lag behind large-cap companies regarding implementations around innovative technologies. Implementations include digitisation of workflows, establishing and monitoring Key Performance Indicators (KPIs) through systems and developing data driven solutions. Due to the capital resources, expertise and scale, private equity firms are more capable of developing and implementing innovations (Private Equity Specialist, 2024).

Growth and market expansion
Through acquisitions in a fragmented market, private equity firms focus on growth in the firms that are consolidated by the acquisitions. This consolidation leads to bigger geographic coverage, which enable them to serve larger customers with more extensive and comprehensive projects (Jovanovic et al., 2022; Kaplan & Strömberg, 2009). Increasing the size of the company and the scale of the projects is important for the Dutch property maintenance companies. Achieving this, in combination with a bigger national coverage enables them to serve the bigger corporate customers in the future (Private Equity Specialist, 2024).
Additional to geographic growth, private equity firms work on having a complete integral service portfolio to their customer. They assess the product integration of the companies they acquire extensively before a take-over (Private Equity Specialist, 2024). Expanded service offering strengthens the company's position and is an important growth aspect for private equity firms. Companies expanding the services they offer helps them becoming a more integral partner. The maintenance partner structure of a housing corporation was highly fragmented in the past, having several partners for different disciplines. This is now consolidating, and private equity firm are focussing to offer complete integral service portfolio to the housing corporations (Housing corporation consultant, 2024).

2.3. Opportunities and Risks

Above, we discussed the potential changes that a private equity firm can adopt after an acquisition. In this section, we translate and do further research to the concrete opportunities and risks for property maintenance companies when acquired by a private equity firm.

2.3.1. The Opportunities

Increased scale

When a property maintenance company is acquired by a private equity firm, the company will be part of a bigger organisation. This can result in efficiency gains through economies of scale and scale advantages. A bigger company needs more materials and resources for their projects, in absolute values. This higher amount of procurement can give the company a better negotiating position to reduce costs (European Commission, 1997). Being part of a bigger organisation has correlations with an increased horizontal and vertical integration. This gives you the opportunity to work on larger scaled projects in which you are the only partner without making use of subcontractors. This can reduce organisational and coordination costs around the activities on the construction site (OnderhoudNL, 2024b). However, belonging to a bigger organisation does not necessarily mean that the overhead costs decrease. In fact, because of the increase in management layers and organisational complexity, overhead can increase (Eliasson, 2011).

Reaching the sustainability goals imposed by the Dutch government, requires a huge amount of work, as mentioned in Chapter 1. Innovative technologies can help to accelerate processes. However, developing these technologies independently demands significant capital and effort. Bigger organisations are better equipped to fund these developments and have often more expertise and knowledge at their disposal. By taking the lead in innovative solutions, they can strengthen their competitive positioning (Private Equity Analyst, 2024; Private Equity Specialist, 2024).

Financial- and capital structure

Property maintenance companies could also see the private equity firm as an investor or facilitator. From the acquisition, capital will be available to invest in the company. When a company has ambitions to increase their degree to be an integral partner or increase their scale, they can use the available capital from the acquisition to finance this (OnderhoudNL, 2024b). For example, inorganic growth can be financed with the capital, if the company pursues faster expansion compared to organic growth. This can be applied to both horizontal and vertical integration (Private Equity Analyst, 2024). Another capital related advantage is that acquired companies can get loans at more favourable terms. Since they are part of a larger organisation, they have access to greater knowledge and expertise, also being part of a larger organisation makes it a safer option for a bank. This gives the acquired company the ability to get capital at lower costs, especially during economically challenging times (Huang et al., 2016; Private Equity Specialist, 2024; Zheng, 2024).

Knowledge and expertise
Being part of a larger organisation brings knowledge, expertise and a huge network to the company, which results in multiple opportunities and can be broadly utilised within the enterprise. For example, as mentioned earlier in Chapter 1, it is expected from the property maintenance companies to increasingly serve as a tactical and strategic partner to the housing corporations. So not only carrying out the services, but also advising them (Housing corporation consultant, 2024; Housing corporation manager, 2024). The knowledge and organisational experience from the private equity firm can be valuable in this context.
In Section 2.2 we discussed that after an acquisition, the private equity firm implements various personnel changes within the company or adds additional experts to the team. The extensive network of the private equity firm can help them placing the right person on the right role within the company. This is particularly relevant in the context of digitalisation, automation and innovation within the organisation. Combined with the expertise that the private equity firm can provide, this is a significant opportunity for a company to position themselves better in these areas (OnderhoudNL, 2024b; Zheng, 2024).

2.3.2. The Risks

Financial
As mentioned, a private equity acquisition is often financed by high leverage, resulting is significant interest costs for the company. This can heavily impact the profit and have considerable financial implication throughout the organisation, especially on the short term. Furthermore, the high debt levels can lead to unstable situations and less flexibility, particularly during economic downturns (Andrade & Kaplan, 1997; Private Equity Specialist, 2024). Additionally, the high interest costs create stress within the company, resulting in an increased performance pressure on the work place and provoking short-term driven decisions to boost profitability (Kaplan & Strömberg, 2009).

Short-term vision
The collaboration between property maintenance companies and housing corporations increased to be based on long term contracts, compared to the one-time projects in the past, as discussed in Section 1.1. The relationship between the parties is based on a long term-vision, in which they work on projects and tenders that could last over more than twenty years. This could contradict with the strategy of private equity, since the average holding period of a private equity investment is 5.3 year in 2012 (Hammer et al., 2018). This short holding period can lead to differences within the partnership between the property maintenance companies and the housing corporations. Since one party may keep in mind to change the ownership within five years, while the other seeks a partner focused on achieving the best solution and partnership over a period of multiple decades.
This long-term vision of housing corporations aligns more closely with that of family-owned businesses. Family businesses generally maintain a stronger focus on long-term objectives compared to non-family-owned companies. A study conducted by Credit Suisse examined the performance of 1,000 publicly listed family businesses, revealing that between 2006 and 2022, they achieved an annual market capitalisation growth rate

that was 3.6% higher than their non-family counterparts. Additionally, family businesses demonstrated greater innovation output, longer employee tenures, and better performance on Environmental, Social and Governance (ESG) objectives (Credit Suisse, 2023).

Cooperation and cultural differences
Cultural differences are one of the most significant issues in acquisitions. The culture of a company is complex and many-sided, deeply rooted into the organisation (Lodorfos & Boateng, 2006). Usually, people tend to reject changes. It is important that the employees of the acquired company understand the process and the purpose, increasing the likelihood of achieving the desired changes (Buono et al., 1985). As mentioned earlier, the acquired companies in the property maintenance industry often involve family-owned companies, mainly having their own (regional) culture. For a private equity company, it is important to be aware of this, to avoid excessive changes to a company. Additionally, the management of the acquired company needs to work closely with the private equity firm. It is important that both parties share the same mission and vision to encouraging effective collaboration. Private equity firms differ from each other, in terms of culture, post-acquisition approach, size and vision to the future. It is crucial for the acquired company to partner with a private equity that aligns with their future vision (Private Equity Analyst, 2024).

2.4. Intermediate Conclusion

We examined the strategy of private equity firms after the acquisition of an SME. Three main drivers were identified that creates the value in the private equity investments, namely:

- Multiplier arbitrage
- LBO structure
- Operational engineering

The multiplier arbitrage and LBO structure accounts for 40% and 13% of the value creation, respectively. While operational engineering is the biggest value creator with 47%. The value in operational engineering is created by organisational changes, private equity focusses on increasing the scale of the projects and standardising processes. We also formulated concrete opportunities and risks for the private equity acquired companies, as can be seen in Table 2.

Risks and opportunities for the acquired company	
Opportunities	**Risks**
Growth & increased scale	Financial stress
Financial structure	Short-term vision
Knowledge & expertise	Cultural differences

Table 2: Risks and opportunities for the acquired company.

Following a private equity acquisition, the acquired company can use the available capital to increase their capacity. This helps them growing and complying to the increasing market demands, which is considered as an opportunity for the acquired

company. Furthermore, the private equity firms bring a lot of knowledge and expertise in optimising processes.
However, the LBO structure can put the company in financial distress, because of the increased interest costs. Also, the short-term vision of the private equity firm can clash with the acquired company, resulting in cultural differences.

3. Housing Corporations

Now we know what can be adapted within a company after a private equity acquisition, the next step towards answering our main research question is to understand how housing corporations experience value from the property maintenance companies. Therefore, in this chapter, we discuss the concepts and position of the housing corporations in the society. Next to that, we state what housing corporations expect from their property maintenance partners.

3.1. The Concept of Housing Corporations

Housing corporations have a unique position in the Dutch housing landscape, setting the system apart from many other countries. Housing corporations are nonprofit organisations, they manage in total 2,4 million houses, which is nearly one-third of the Dutch housing stock (H. Van Deursen, 2023a). The goal of the corporations is to provide affordable housing for low-and middle-income households, including ensuring social needs in the neighbourhoods they manage (Rijksoverheid, 2024b).
The history of housing corporations dates back to the mid-19th century, their turbulent history positioned them uniquely in the Dutch society. The size of the housing corporations and their structure gives them significant societal responsibilities in which they are financially backed by the government (H. Van Deursen, 2023b).
Currently there are 276 independent housing corporation in the Netherlands, ranging from managing 400 to 80.000 properties. Although they work closely together and pursue the goals and ambitions of Dutch governmental organisation, they operate without receiving direct governmental subsidies. Although the government backs the long-term loans of housing corporations, which gives them a position to raise relatively cheap capital (van Deursen, 2023). Since housing corporations operate to provide housing for households with limited financial resources, they emphasise their societal position and goals, which does not include commercial intentions.

3.1.1. The Aim of Housing Corporations

As mentioned in the previous section, there exists 276 independent housing corporations in the Netherlands. We investigated several strategic plans, missions and visions of housing corporations, which are mostly described in their "Ondernemingsplan". Also, we spoke to different experts in the field. The mission of all the different housing corporations is very coherent and includes: we work on providing affordable housing in liveable neighbourhoods and communities for people with modest incomes (Aedes, 2020; Deltawonen, 2018; Portaal, 2021). They often emphasise their societal position, pursuing to build and create neighbourhoods and living environments where it is safe and pleasant to live. So, they do not only provide the physical houses itself, but also want to offer a comfortable environment to live in. Offering a complete living experience is important for them and emphasises their societal position, which is rooted through their whole organisations (Housing corporation consultant, 2024).
In the process of renting out houses, the resident is at the centre for the housing corporations. Their relation is very important for them and corporations monitor an

index to keep track of the resident satisfaction. For example, Salland Wonen states in their strategic plan that they require a resident satisfaction of at least eight out of ten (Salland Wonen, 2023). The wishes of the resident is the priority of the corporations and multiple corporations emphasises the urgency of clear and structured communication to the renter.
Next to the close connection with the residents, housing corporations work closely together with governmental organisations, especially municipalities. Most corporations operate in a specific region in the Netherlands. They collaborate with the local government organisations to establish and discuss their mission and vision. Especially related to sustainability and circularity aims. For example, housing corporation Omnia Wonen shares and aligns their sustainability strategy with their local municipality (Omnia Wonen, 2019). Also, the region Noord-Holland stated their ambition to build the houses for housing corporations 100 percent circular in 2050 and using 50 percent fewer primary resources in 2030 (Stolker & Van Stijn, 2021). The ambitions and goals are shared with the associated housing corporation in their region. So, the governmental organisations have influence on the strategy portfolio of the housing corporations in their region, in which the parties collaborate closely together (Housing corporation consultant, 2024).

3.1.2. Trends Towards the Future

The housing corporation market is quickly changing, their maintenance partners should align and adapt their strategy to remain relevant for serving the housing corporations. The average size of the corporations has increased in the last decades. While the total number of houses managed by housing corporations kept approximately the same, the number of corporations decreased from 492 in 2005 to the current 276 (Westendorp, 2011). This caused the increase in the average number of houses managed by a corporation. This is expected to growth further in the future. The primary causes of this growth are the housing shortage in the Netherlands and the kind demographic group of people requiring a house. The housing shortage can partly be solved by building more houses. Furthermore, the number of migrants and the aging population in the Netherlands is increasing. These groups rely on social housing more frequently, which will lead to a rise in the demand (Aedes, 2020). These factors will increase the scale of the housing corporations further, requiring their stakeholders and partners to grow in their capacity to be able to serve them effectively.
Furthermore, housing corporations are heavily investing to advance in technologies they apply. Data-driven solutions can further accelerate their processes and quality of work. Innovations can help them scaling up the production, also it can help them reaching their sustainability and circularity goals (Aedes, 2020).

3.2. Housing Corporations and the Property Maintenance Sector

The collaboration between housing corporations and property maintenance companies dates a long way back. As discussed in Section 1.1, traditional tasks and services that property maintenance companies perform are painting, replacing window frames and cleaning. The expectations from the housing corporations have been expanded in

recent years, with housing corporations expecting services that focus on sustainability and extending the lifespan of the properties.
Additionally, the nature of the work in the industry has evolved. Traditionally, the property maintenance sector operates through clear tenders and one-time projects. The housing corporation indicated clearly what needs to be done and a property maintenance company takes the project for a predetermined price. In recent years, the working approach has been shifted to “Resultaatgericht Samenwerken (RGS)”. Here, the housing corporations specify the desired quality of the service, in which it collaborates via a partnership with a property maintenance company. Setting up contracts up to 25 years. This change represented a major shift in the collaboration and relationship between the two parties, with the aim on more efficient operations, creating mutual responsibility and focusing on long-term quality (Brink, 2023; Stichting RGS, 2023).

To ensure that we are able to design an as interesting interview as possible, it is essential to thoroughly understand the perspective and needs of the housing corporations. The aim of this section is to identify what housing corporations consider important about the property maintenance companies, and which aspects are decisive for the housing corporation in choosing a partner. In the next subsection, we define different categories of aspects that are for importance of the housing corporations.

3.2.1. Housing corporation’s Expectations

Quality-price ratio
At its core, the collaboration between housing corporations and their property maintenance companies is based on providing the desired quality at the lowest possible price. However, in recent years, housing corporations have increasingly been considering other factors beyond the price-quality ratio. In particular with the RGS manner of working, housing corporations increase the weight of other factors in their considerations, compared to the traditional method of working (Housing corporation manager, 2024).
In the RGS approach, the housing corporations and property maintenance companies establish a partnership based on a fixed price, excluding annual indexation. The partnership starts via a selection through tenders, in these selection procedures, housing corporations still weigh the property maintenance companies' bid price as a significant factor (Dutch Housing Corporation 1, 2024; Uw Onderhoudspartner Lenferink, 2024). Additionally, the quality level that needs to be retained is clearly outlined in the framework agreement. Examples includes the presence of wood rotten, visual appearance, paint quality and cleanliness of maintenance components. These standards are quantified into measurable variables to ensure they can be evaluated (Dutch Housing Corporation 2, 2023; Dutch Housing Corporation 3, 2024).
While it may seem obvious, providing the desired quality at a reasonable price is the basis of the partnership between the parties. The addressed aspects below may have a smaller weight in the tender procedure, however when executed effectively, they can enhance efficiency and reduce costs while the quality is maintained. Therefore, they are crucial aspects for a property maintenance company to establish themselves as a future-proof maintenance partner.

Increased service expectations

Due to the increase in sustainability and circularity requirements, in combination with the housing shortage, the property maintenance market is rapidly evolving. These aspects cause that the problems become more complex for the housing corporations. Traditionally, housing corporations offered one-time projects, based on their own maintenance strategy, in which the property maintenance companies only carried out the work. Now that maintenance projects are growing in complexity and housing corporations are forming long-term partnerships (via the RGS working method), they expect more than just carrying out the traditional services. They expect that the maintenance partners expand their service portfolio to be able to sustain properties (Private Equity Analyst, 2024). Because of the growing complexity of the faced problems, housing corporations increasingly expect that the property maintenance companies work as a strategic and tactical advisor for them, additional to practical execution of the projects (Housing corporation manager, 2024).

Furthermore, to remain relevant as a maintenance partner in the future, the maintenance partners need keep up with the growing scale of the housing corporations. As noted in Section 3.1.2, the scale of housing corporations has expanded and is expected to continue growing. It is therefore essential for the maintenance companies to grow proportionally to maintain their relevance and being able to carry out projects (Private Equity Specialist, 2024).

Innovation

As in the whole society, the expectations for innovations are high. The property maintenance sector is lagging behind in implementing innovative solutions, while the possibilities and potential is huge (Private Equity Analyst, 2024). The shortage in skilled labour is growing in the construction industry (Economisch Instituut voor de Bouw, 2023), these innovative solutions can play a crucial role to solve this. The housing corporations expect their maintenance partners to implement innovative solutions to predict maintenance through artificial intelligence, improving home sustainability and increasing efficiency (Aedes, 2020).

From an internal received document (Dutch Housing Corporation 4, 2023), about a tendering process from a housing corporation, the degree of innovation initiatives and capability is obvious emphasised. They expect form their maintenance partners to develop and implement product and process innovations, and this aspect weighs significantly in their decision-making process. Additionally, according to a housing corporation manager (Housing corporation manager, 2024), there is an immense potential of efficient data collection and processing in the sector. Showing the ability to establish and share information and communication systems with the project stakeholders is essential in the near future.

The applications of artificial intelligence are extensive in this sector, e.g. the application of data-driven maintenance. This method involves predicting and formulating maintenance strategies based on collecting recent data and conducting analyses on it (Jansen, 2022). For instance, drones can be applied to gather immense amount of data (OnderhoudNL, 2024a), which can subsequently analysed to base the maintenance strategy accordingly.

Partnership collaboration
The application of the RGS approach of working increasingly becomes the standard among housing corporations, therefore the relationship between the property maintenance companies and housing corporations shifts towards a partnership. Through this collaboration approach, housing corporations aim to establish a more predictable and reliable long-term maintenance budget, with their primary objective to minimise the Total Cost of Ownership (TCO). Their property maintenance partners should show the ability to cope with the TCO in a strategic manner, since it is an important KPI for housing corporations. Additionally, in this partnership, the housing corporations aim to drive innovation and optimise capacity utilisation (Dutch Housing Corporation 4, 2023).
This form of collaboration requires more than just the technical performance of the work on the construction site, the maintenance partner needs to be backed with a professional organisation. Being backed by a professional organisation, we mean that the company shows excellence on abilities next to execution of the work itself. The maintenance partners need to have proper skills on the fields of communication and project management. This is also closely related to the resident satisfaction, which holds a high priority for housing corporations. Since the maintenance partners work during the projects at the clients of the housing corporations, the residents. Therefore, it is really important that maintenance partners have abilities to communicate the projects and their work with the residents and possess good interpersonal interaction skills (Housing corporation consultant, 2024; Housing corporation manager, 2024).

3.3. Intermediate Conclusion

In this chapter, we discussed the vital role of housing corporations in Dutch society. These corporations operate with a societal mission to provide affordable living environments for low- and middle-income households in the country. To maintain and improve the sustainability of their properties, housing corporations collaborate with property maintenance companies. This collaboration is increasingly evolving into long-term partnerships, shifting the values within these relationships and, consequently, the mutual expectations.
Through multiple discussions with experienced professionals in the market and a review of documents from housing corporations, we identified the key aspects that housing corporations value in their maintenance partners. Within the RGS approach of working, partners are expected to show extensive expertise in property management. They are expected to act increasingly as initegral partners, developing long-term maintenance plans to reduce the TCO. Additionally, partners must commit to delivering innovative solutions and stimulating strong relationships within the partnership.

4. Interview

Now that we understand how private equity firms operate in the property maintenance sector and what housing corporations expect from their maintenance partners, we can design our interview. The purpose of the interview is to determine whether housing corporations experience a shift in value creation after a maintenance partner has been acquired by a private equity firm. Additionally, we aim to assess what housing corporations expect from their partners and how these expectations might evolve in the future.

In this chapter, we design the interview. In the following sections we discuss the approach in which we developed and conducted the interviews. Additionally, the data analysis methodology is discussed.

4.1. Interview Design

The knowledge to understand how the housing corporation experience the rise of private equity in the property maintenance sector, is as mentioned in Section 1.2, gathered through interviews. We have chosen to conduct semi-structured interviews, this gives us the opportunity to ask specific follow-up questions which are relevant in the corresponding conversation. This is a disadvantage of a structured interview, in which you follow a fixed interview guide. Also, the semi-structured format gives us a guide during the interview, to ensure all specific topics are discussed. This is a restriction of an unstructured interview, which has no predetermined interview protocol (Young et al., 2018). Therefore, this format, having a flexibility between the two extremes of structured- and unstructured-interview fits the most for our research.

The semi-structured format of the interview gives us the ability to go in-depth during the interview on specific topics. During an interview, the interviewee might have an interesting answer to a question which tiggers us for follow up questions on that topic, to find interesting opinions or experiences. Which topics that are more extensively discussed during the interview depends on the progression of the conversation and may therefore vary between the interviews. This flexibility is a key characteristic for us to construct a semi-structured interview.

According to literature, it is desired to follow an interview guide (Young et al., 2018). The composed interview protocol can be found in Appendix A, this protocol guides us chronologically, ensuring all desired topics are discussed.

The interview is divided into four parts, starting with general questions before delving deeper into specific topics. Each part consists of main questions, supplemented by planned follow-up questions, having different alternatives. This approach allows us to achieve the desired depth during the interview (Taherdoost, 2022). In addition to the open-ended questions, the interview also includes fill-in questions. Specifically, six Likert scale questions have been developed, which the interviewee answers during the interview. Incorporating the Likert scale questions alongside the open-ended ones creates a dynamic where the interviewee clearly expresses their opinion about a subject (Tanujaya et al., 2022), followed up by providing further explanation, aiming to create interesting dialogues. Furthermore, these questions bring structure to the interview by focusing on the specific topic addressed in each fill-in question.

The first part of the interview consists of an introduction to the interview, a brief conversation about the research topic, and a discussion of the research objectives. In this part we explain that the research is a public and academic study. After that, the inform consent is presented, requesting to read and, if in agreement, sign it. When the interviewee signed the inform consent, the person is aware that it participates to this academic research.
The purpose of this initial phase of the interview is to familiarise the participant with the research. Additionally, we aim to start with an informal and casual conversation to create some feeling between the participant and us. This helps us to establish a comfortable atmosphere before delving deeper into the interview topics.
The purpose of the second part of the interview is to gain deeper understanding about the interviewee's function, their organisation and their assessment criteria when they select maintenance partners. Before we delve deeper into specific topics, we first need to understand how the organisation's maintenance partner structure is composed. Also, we want to identify the key criteria that are used to assemble their partner portfolio. Understanding these two constructs about the interviewee are crucial for guiding the interview in the right direction to gain as interesting insights as possible. Additionally, in this part of the interview we assess the participant's awareness of the private equity trend in the market and the financing structure of their partners. Another objective of this part is to align some key constructs between the interviewee and us, to avoid potential misinterpretation or misunderstandings, this is often forgotten but crucial to do (Taherdoost, 2022). Examples of this include aligning the interpretation of planned property maintenance, discussing the structure of their maintenance partners, and establishing a shared understanding about fundamental concepts related to the private equity trend.
The third part of the interview is the most crucial one, as it focus on discussing the influence criteria of a private equity acquisition. In Chapter 2, we explored the potential changes private equity can bring to a company, while Chapter 3 outlined the key criteria housing corporations consider when evaluating their maintenance partners. The intersection between these two chapters is examined in this part of the interview, since these topics are the most relevant in investigating the impact of a private equity acquisition. Based on Chapter 2 & 3 we selected the following topics: the expectations of housing corporations regarding the scale and scope of their partner's service portfolio, financial requirements, innovative capabilities, the soft aspects of a collaboration, and price-quality standards. These criteria are addressed individually, testing their importance to the housing corporation and whether they observe differences between acquired and non-acquired partners. If the interviewee provides particularly interesting responses, there is space to ask follow-up questions for further exploration of specific topics. After discussing the influence criteria, the final part of the interview focuses on the participant's opinion and perspective on the (expected) consequences of the private equity trend. This section also provides the opportunity to ask the last follow-up questions on topics to provide additional in-depth insights or perspectives.

A summary of the interview protocol can be seen below in Table 3, indicating the topics discussed per part and the desired allocated time.

Part	Topic / Purpose	Target duration (minutes)	Percentage of duration
1	Discussing research introduction & aim	5	8%
2	Understanding the housing corporation's maintenance partner structure and key selection criteria	15	25%
3	Testing the influence criteria	30	50%
4	Discussing concepts regarding private equity trend and final follow-up questions	10	17%

Table 3: Summary of interview protocol.

4.2. Interview Sample Selection & Execution

For validity and reliability, selecting the right sample of participants is crucial (Robinson, 2014). Through studying business plans and annual reports of various housing corporations, as well as consulting market experts, we determined that housing corporations do not differ significantly from one another. Their core goals, mission and vision are highly correlated. This means they can be considered as a single group for the purposes of this research. The only distinctions among housing corporations are their size (number of managed properties), target group of residents, and the region in which they operate. We cope with these aspects in the following way. The demographic target group of residents for housing corporations can vary. For example, certain corporations focus on student housing while others specialise in residents for seniors. Since Lenferink does not have any partner housing corporations focused on student housing, such organisations are not included in the interviews. As mentioned, housing corporations operate within specific regions, often targeting specific cities or covering a municipality. For practical research feasibility and relevance to Lenferink, we only include housing corporations located in Central- and Eastern-Netherlands.
The size of a housing corporation influences the organisational culture and how structures are implemented. The size of a corporation is given by the VHE, which is the number of managed properties by the housing corporation. In the geographic area we cover in our research, most housing corporations manage anywhere from a few thousand to a maximum of 50,000 VHE. For a well-justified sample selection, we define small housing corporations as those managing up to 10,000 units, medium-sized housing corporations as those managing between 10,000 and 20,000 units, and large housing corporations as those managing over 20,000 units. To ensure a reliable execution of the research, we aim to balance the sample from which we collect data, if practical feasibility allows it.

Within housing corporations, multiple roles are eligible to participate in our research. Functions that are qualified for participation had to meet the following criteria.

1. Daily engagement in the management and strategy of maintaining the corporation's property portfolio.

2. Direct involvement and contribution in the decision-making process for selecting maintenance partners.
3. Direct contact with the maintenance partners during the collaboration.

Depending on the size and organogram of a housing corporation, the following roles are eligible to participate in our research: property maintenance manager, property maintenance advisor, and property manager.
In October 2024, various housing corporations were invited to participate in the research. The composition of the interviews with housing corporations is presented in Table 2 below.

Housing corporation	Manager	Function name	Length of interview (hh:mm)	Size of housing corporation
A	1	Property manager	01:14	Small
B	2	Property maintenance manager	00:56	Medium
C	3	Property manager	01:18	Medium
D	4	Property maintenance advisor	01:11	Medium
E	5	Property manager	01:06	Medium
F	6	Property manager	01:04	Large
G	7	Property maintenance manager	01:08	Large
H	8	Property manager	01:14	Small

Table 4: Overview of interview.

All eight interviews were conducted in the last two weeks of November and the first week of December 2024. The interviews were held in person, in which we visited the offices of the housing corporations to conduct the interviews. Face-to-face interviews are particularly advantageous for enhancing the quality of responses and the overall dynamics of the conversation, compared to online held interviews (Gubrium et al., 2012). Additionally, we pretested the interview prior to conducting the actual interview. Testing helped us to practice follow-up questions, managing the time and getting used to the interview conversation dynamics. Therefore, it is important to pretest the interview protocol before collecting the real data (Taherdoost, 2022).

4.3. Data Analysis

To prevent missing data, the audio of the interviews was recorded. This allowed us to focus on asking appropriate follow-up questions and deepening the conversation rather than taking excessive notes during the interview. As soon as possible after each interview, the recordings were relistened, and notes were taken. For transcribing and analysing the interviews, a structured Excel format was developed to organise notes by topic and interview section. Transcription was done manually without the use of software, all recordings were individually relistened, and notes were taken by hand.

Also, instead of transcribing the entire interview, only the relevant sections that could provide insights for answering the main research question were noted. Additionally, responses to the fill-in questions were consolidated to generate statistics on opinions and experiences regarding specific statements.

After transcription, the information of the interviews was analysed. By documenting and comparing the opinions and experiences shared by participants, conclusions could be drawn regarding the research questions. Both inductive and deductive methods were applied to extract meaningful information from the interviews. Using the deductive method, patterns were identified, and conclusions were drawn based on previously defined frameworks, questions, and methods in the research. The inductive approach was also employed, by analysing the data to identify new topics or patterns that could provide insights for addressing the research question from a new perspective (Boeije & Bleijenbergh, 2023). The findings of the interview are elaborated in Chapter 5.

4.4. Intermediate Conclusion

The deliverable of this chapter is the collected interview data. Using the interview protocol outlined in Appendix A, we conducted interviews with eight housing corporation managers. In the next chapter, we analyse the gathered data using the data analysis methodology established in this chapter. In our analysis we employ both inductive and deductive approaches to gain insights into the perceived changes experienced by the managers for each topic. Additionally, we examine the expectations housing corporations have of their maintenance partners for each subject area.

5. Interview Results

In analysing the interview data, we begin, in this section with stating the perceived differences noted by housing corporations between their maintenance partners that have or have not been acquired by private equity. Following this, in Section 5.1, we delve deeper into each interview theme individually, seeking correlations and additional insights to move closer to answering our research question.
During the analysis of the interviews the expressed opinions, experiences, and quotes are linked to the specific interviews defined in Table 4, which can be found in Section 4.2, a few pages back. For example, statements about Housing Corporation [A] and Manager [1] refer to the same interview.

Experienced differences
Seven of the eight interviewed housing corporations have maintenance partners in their portfolio that have been acquired by a private equity firm. All managers indicated that they have not experienced any differences between their property maintenance partners that have been acquired by private equity and those that remained family-owned businesses, yet. The acquisitions in the property maintenance sector have all occurred within the past three years, which may explain why it is still too early to notice significant differences.
However, all housing corporation managers expressed their opinions and experiences about private equity-acquired partners, as they all have encountered such partners in other sectors and disciplines. In these other sectors, particularly the installation industry, private equity acquisitions started earlier. Based on these experiences, the managers have strong opinions about the private equity, making them aware and prepared for the trend in the property maintenance sector. All eight housing corporations, except from [D] and [F], noticed that the acquired companies get driven by different motivations in the partnership. Meaning that they start to focus more on making profit or adopting different strategies. Additionally, three out of the eight managers, [1], [2] and [8], also reported that the price-to-quality ratio significantly declined after the acquisition. Manager [8] stated: *"After our partner was acquired, the relationship became strained because the collaboration had to conform to new structures, agreements became stricter, and prices increased. I also noticed a reduced willingness to deliver the right quality and to 'go the extra mile' when needed. Although I have not yet experienced private equity acquisitions in the property maintenance sector, this experience has made me cautious."*
Four out of the eight housing corporations, [A], [B], [C] and [H], indicated that the acquired companies approach to collaboration differs and they invest less in the human relationship compared to family-owned businesses. Manager [3] stated, *"When one of our partners was acquired, we faced significant challenges in working with them. We noticed that they were too focused on rapid growth, prioritising it above all else. As a result, our human connection was lost, both in the collaboration and on the work floor. They were moving too fast."* Similarly, Housing Corporation [B] observed changes in their partnership: *"Since the partner was acquired, our collaboration took a different turn. The focus shifted toward profit making and away from investing in innovation and the human element, even though the strength of our partnership lies in the personal connection."*

5.1. Interview Theme Analysis

In this section, we discuss each interview theme individually. In the previous section, we outlined the differences housing corporations experienced between their property maintenance partners that have or have not been acquired by private equity. We noted that none of the managers had experienced specific differences so far. However, their opinions and expectations are largely shaped by their experiences with private equity acquisitions in other disciplines. Therefore, in this section, we examine various interview topics to uncover what they have experienced, how their opinions have been formed, and what they expect from private equity in the property maintenance sector. Additionally, we explore what they value most in their property maintenance partners, particularly with a focus on the future.

5.1.1. Maintenance Partners Structure

The foundation for understanding what housing corporations expect from maintenance partners is to map out their maintenance partner structure. As indicated in the key concepts in Section 1.3, there are different types of maintenance. From the interviews we got to know that all housing corporation separate change- and daily-maintenance as distinct parts of their maintenance operation. However, several housing corporations already link projects to planned maintenance. Since Lenferink does not engage in the change-and daily-maintenance operations, but only in planned maintenance and project, we exclude the change- and daily-maintenance perspectives from our results. Therefore, we solely focus to get understanding of the planned maintenance and project types of maintenance in our research.

In Section 3.2, we discussed that, traditionally, housing corporations put one-time projects in the market, allowing maintenance companies to bid and participate in the selection procedure. This process resulted in a short collaboration, once the work is completed, the project ends, and the collaboration ceases. Over time, various housing corporations have transitioned to a structure in which they work with fixed partners, entering into long-term collaborations based on contracts, the RGS manner of working. These partners often handle multiple disciplines, whereas traditional one-time projects typically involved a single discipline. These represent two extremes of the spectrum regarding the partner structure of a housing corporation.
Figure 3 below visualises this spectrum. On the left is the traditional approach, the further a housing corporation moves towards a structure of working with fixed partners performing multiple disciplines, the more they shift to the right in the spectrum.

Figure 3: Visualization of the different partnership structures.

It is crucial for us to understand how comfortable housing corporations feel with their maintenance partner structure and where they expect this structure to evolve in the future. This is important because the two ends of the spectrum require different

operational approaches. On the right side of the spectrum, there is a much greater emphasis on relationship management, communication, and aligning long-term perspectives between parties. While the other is primarily focussed on short-term optimalisation of price-quality ratio.
The interviews revealed that housing corporations are highly questioning which partner structure works the best for their needs. However, the general trend is clear: all housing corporations anticipate shifting further to the right side of the spectrum over time. The Property Manager of Housing Corporation [C] said: *"At the moment, we have four partners managing all external maintenance on our buildings, but we also have partners for interior and installation maintenance. In the future, I expect we'll move toward a structure with integral partners handling both the interior and exterior of our buildings, but we're not there yet."* Similarly, Housing Corporation [E] anticipates a further shift in their structure, acknowledging that they are not yet entirely comfortable with their current approach. They have observed a logical connection in combining different disciplines within partnerships and moving toward longer-term collaborations, but they are not ready to make that transition just yet.
Housing Corporation [G] is the only organisation that feels entirely comfortable in their current partner structure. This large corporation expressed with confidence and conviction that they will likely maintain their current setup for the foreseeable future. They operate with five integral partners, these partners all have their own part of the properties of Housing Corporation [G], in which they execute in all disciplines the planned maintenance and project. They recently established eight-year contracts with the intention of renewal.

From this perspective, a clear advantage emerges for private equity firms. Housing corporations are looking for partners that can provide a comprehensive solution. By acquiring and consolidating multiple companies through a buy-and-build strategy, private equity firms align closely with these customer demands.

Application of an own technical department
During the interviews, we discussed the potential use of in-house technical services by housing corporations. Most housing corporations employ a small number of maintenance staff, however these employees are exclusively assigned to change- and daily-maintenance. Manager of Housing Corporation [A] stated: *"During the end of the previous century, we operated, along with another housing corporation, our own company that handled all maintenance for us. At the time, we had full control over the maintenance process, but that company was dissolved. Considering the increasing complexity and scale of planned maintenance and project-based work, I cannot imagine housing corporations taking such a step today."* Therefore, we exclude this maintenance structure as a risk for the property maintenance companies and is not further addressed in our research.

5.1.2. Awareness and Curiosity in the Private Equity Trend

Based on the experiences and opinions of the housing corporations regarding private equity backed companies, the interviews revealed that housing corporations have developed an awareness of the private equity trend in the market. All managers interviewed acknowledged being aware that private equity firms are actively acquiring companies. However, the level of awareness varies among housing corporations when it comes to understanding the financing structure of their own partners. Table 5 presents, on the horizontal line, responses to the Likert-scale Question 1 from the interview protocol regarding whether housing corporations are interested in knowing how their partners are financed. The table also shows the responses to the vertical line question: "Family-owned businesses, purely based on the way they are financed, hold a preferred position[1] compared to other companies when selecting new maintenance partners?"

<table>
<tr><td></td><td></td><td colspan="3">I’m interested in knowing how my partners are financed</td></tr>
<tr><td rowspan="3">Family-owned companies do have a preferred position</td><td></td><td>Disagree</td><td>Neutral</td><td>Agree</td></tr>
<tr><td>Agree</td><td></td><td></td><td>[1], [2], [8]</td></tr>
<tr><td>Disagree</td><td>[7]</td><td>[3], [4], [6]</td><td>[5]</td></tr>
</table>

Table 5: Overview of the combined answers of the interviewed managers.

The table reveals that most managers are interested in the way their partners are financed. The three managers indicating that family-owned businesses hold a preferred position during the selection all mentioned that they are interested in the way their partners are financed. From analysing the interviews, we noticed that these three housing corporations have the most negative experiences with private equity backed partners in the past. This could have resulted in their increased awareness and interest the financial structure of their partners, compared to the other managers.

Through their experiences and the stories they heard, housing corporations have developed awareness and interest in this topic. The increase in interest and awareness developed in recent years, earlier parties were neither interested nor concerned with this issue. Manager [1] from Housing Corporation [A] stated: "*Due to our recent experiences in other sectors with partners acquired by private equity firms, we are now more aware. We want to know whom we are working with. We are currently developing a procurement policy that will include rules to identify who our partners are. We stand for transparency and local partnerships, where a good connection forms the foundation for a long-term collaboration.*" This manager also indicated that he thought that he was aware of the way their partners are financed. He mentioned that he thought none of their maintenance partners had been acquired by private equity. However, after the interview, we investigated this claim and found that two out of their four partners are PE-backed.

An analysis of whether there is a positive correlation between the number of a housing corporation’s partners that are family-owned businesses, while they indicated that family-owned companies hold a preferred position during new partner selection, revealed no significant relationship. Conversely, no correlation was found between the number of private equity-backed partners a housing corporation has, while indicating that family-owned companies do not hold a preferred position status in partner selection.

[1] With having “a preferred position”, we mean in Dutch “een streepje voor”. This phrase in the Dutch language cannot be directly translated to English. Therefore, when we write “a preferred position” we mean “een streepje voor”

Based on the responses from the housing corporations during the interviews, we can conclude that they are aware of the private equity trend in the sector. However, not all housing corporations are aware yet of the financing structure of their partners, despite expressing interest in this information. Housing corporations have, however, reacted to previous experiences in other sectors. For instance, all housing corporations now include clauses in their contracts granting them the right to terminate the partnership if the ownership structure of the partner changes during the collaboration. This provides housing corporations with a safeguard, allowing them to end the partnership if they choose not to work with a private equity-backed company.

5.1.3. Assessment Criteria for Property Maintenance Companies

Early in the interview, the managers were asked to complete a table with self selected criteria. They were instructed to create a list of criteria they consider important when selecting new maintenance partners. Additionally, they were asked to assign a weight to each criterion to identify which aspects are considered most important. For us, it is crucial to understand what housing corporations value in their maintenance partners. Companies that perform best on these criteria in practice are likely to serve housing corporations most effectively and, consequently, achieve success on the long term. Based on the managers' explanations, the responses were categorised into seven different aspects.
Table 6 provides an overview of the criteria and the average weightings assigned by the eight participating managers. A more detailed explanation of the criteria and their definitions can be found in Appendix B.

Criteria	**Weight**
(Vision on RGS) collaboration, human relationship and cultural fit	30%
Price	19%
Technical quality of work	13%
Experiences and references	13%
Capacity and scope of work	12%
Innovation, sustainability and circularity	11%
Financial health	2%

Table 6: The average significance of each assessment criteria of the interviewed manager.

In the subsequent subsections, the criteria are discussed more extensively. In which we state the significance of a criterion and mention eventual correlations between types of housing corporation and their vision on the importance of criteria.

Shift of importance
Based on the maintenance partner structure of the interviewed housing corporations, we analysed and positioned each housing corporation in the spectrum visualised in Figure 3. To achieve this, we analysed the maintenance structures of each housing corporation. Based on the extent to which a housing corporation engages in long-term partnerships and adopts integral partners, they are positioned within the spectrum. Next, a comparison is made between the significance of each assessment criteria of the three housing corporations locating most on the left and on the right within the

spectrum. Housing Corporations [C], [D] & [H] have the most left-oriented structure, while [B], [E] & [G] operate in a right-oriented structure. Table 7 shows the comparison.

Criteria	**Left-sided partner structure**	**Right-sided partner structure**
(Vision on RGS) collaboration, human relationship and cultural fit	23%	26%
Price	39%	5%
Technical quality of work	25%	3%
Experiences and references	0%	28%
Capacity and scope of work	12%	15%
Innovation, sustainability and circularity	1%	17%
Financial health	0%	6%

Table 7: Assessment criteria weight comparison between the three Housing Corporations having the most left- and right-oriented partner structure.

Clear differences can be observed between the two groups. It is evident that housing corporations utilising a long-term partnership structure with partners handling multiple disciplines are moving away from a selection policy primarily driven by the price-quality ratio. Instead, these corporations increasingly evaluate partners based on their experiences, ability to implement innovations, and approach to collaboration. In particularly, the rising importance of the "Experiences and references" aspect is striking. During the tender process, these housing corporations request evidence of partners' experience and references to previous projects. Partners must demonstrate their capability to apply various work methods, handle different building archetypes, and manage diverse people and situations effectively.
These insights are valuable for the continuation of the research, as all housing corporations indicated that their partnership structures are expected to shift further toward the right of the spectrum.

5.1.4. Service Portfolio of Property Maintenance Companies

As indicated in Section 5.1.1, all interviewed housing corporations are either moving towards or already adopting a more integral structure with their maintenance partners. In the interviews, all corporations expressed expectations for their maintenance partners to implement sustainability measures on their properties. Two out of the eight housing corporations, [B] and [G], stated that their maintenance partners are already performing sustainability interventions, while the remaining six indicated that they plan to demand more of such measures from their partners in the near future. These sustainability measures include insulation work, such as roof insulation, facade cladding, cavity wall insulation, window frame filling, and glazing upgrades.
All eight interview participants agreed with Likert-scale Question 3 of the interview, indicating that they expect maintenance partners to take on a more advisory role in tactical and strategic areas in the future. Housing Corporation [F] stated: *"Our maintenance partners are the ones most frequently on-site at our properties. It would be logical for them to provide more advice on our strategy and tactics for asset management in the future. Additionally, with the increasing complexity of projects, more*

expertise is required, and housing corporations simply do not have this knowledge in-house."
Starting in early 2025, Housing Corporation [G] will adopt a more intensive form of RGS, introducing the "Property Management" concept to the collaboration between the housing corporation and the maintenance partner. They explained: *"We are forming a triangle to apply the Property Management principle. We, as a housing corporation, provide an asset manager and a property manager, while the maintenance partner completes the triangle by supplying a maintenance coordinator. The idea is to evaluate each property individually to determine how it can be operated in the long term. We map out sustainability goals and necessary maintenance interventions and develop a plan to organise these as efficiently as possible. When this plan is applied to an entire area with multiple properties, the principle can be scaled up and organised as efficiently as possible. The goal of introducing Property Management is to extend the lifespan of homes, reduce the number of interventions, and lower the TCO. The knowledge role of the maintenance partner is crucial for this setup."* Additionally, Manager [5] emphasised the importance of having in-house knowledge: *"With the long-term partnerships we are establishing, the questions we ask each other are changing. Instead of asking, 'How can we maintain the facade now, so it looks good for the next eight years?' We are now asking, 'How can we manage maintenance as efficiently as possible for the entire complex over the next 30 years?' This requires a completely different perspective on the problem and demands more knowledge and expertise. Maintenance partners who can organise this process and successfully integrate it into the supply chain will be the ones to succeed."*

5.1.5. Capacity Requirements

The capacity of a maintenance company is an important consideration for housing corporations. By capacity, we refer to the volume of work that a maintenance partner can handle. Housing corporation Manager [1] explained why capacity is crucial for them: *"When entering into a RGS collaboration, we, as a housing corporation, provide continuity in the work, and we expect the same from our partners. That's why we assess the capacity of our partners. A single partner may derive a maximum of 50% of their revenue from us. In an RGS collaboration, there is mutual dependency, so this percentage cannot exceed 50%. Additionally, we want our partners to gain experience and knowledge from working with other clients, which is why we enforce this limit."* Most interviewed housing corporations impose a revenue limit for their maintenance partners, which can be translated into a capacity standard. The median of these limits is 30%.
As indicated in Chapter 1, capacity challenges are one of the reasons private equity has entered the property maintenance market. The volume of work required to meet sustainability goals and address the housing shortage is immense. Private equity focuses on scaling up to achieve greater efficiency through mass operations and standardisation. Several housing corporations have already expressed that they view the scaling potential of private equity firms as a significant opportunity. Manager [5] stated: *"An advantage of the private equity trend might be that these companies' ability to scale and standardise processes acts as a catalyst for the amount of work that can be accomplished."*

Because of these clear statements and opinions from the managers, we consider the capacity requirements imposed by the housing corporations as an important aspect to highlight further.
The required capacity for the property maintenance companies imposed by the housing corporations can be increased by three aspects, namely, expanding the scope of work, reducing the number of partners, and growth of the housing corporation itself. The first aspect has already been discussed in Sections 5.1.1 & 5.1.4 and will have a significant increasing impact on capacity requirements. The second aspect that may increase capacity requirements is reducing the number of maintenance partners. Housing corporations typically divide their portfolio among several maintenance partners, with each partner managing properties in a specific region. If a corporation decides to work with fewer partners, the remaining partners will take on a greater workload. Therefore, determining the optimal number of maintenance partners is a crucial factor in a housing corporation's capacity requirements. Four of the eight interviewed corporations indicated that they are seriously considering reducing the number of maintenance partners during their next partner selection process. By dividing the number of properties under management by the current number of maintenance partners, we can calculate the average number of properties managed per partner. Among the four corporations considering to reduce their number of partners, the current average is 2,950 VHE per partner. In contrast, the remaining four corporations, who feel comfortable with their current number of partners, average 3,825 VHE per partner. This significant difference suggests that the corporations considering a reduction are still searching for their optimal structure. If we hypothetically accept their doubt by removing one partner of each of these corporations, the average increases to 4,010 VHE per partner. This brings them approximately to the same amount of VHE per partner compared to the corporations already feeling comfortable in their number of partners. So, this aspect also contributes to the increasing capacity requirements in the coming years.
The third and final aspect is the growth of the housing corporations themselves. As discussed in Section 3.1.2, the number of housing corporations has decreased significantly over the past decades. Since 2005, the total number has fallen by 44%, to the current total of 276. This wave of consolidation among housing corporations has led to an increase in scale for individual corporations. However, during the interviews, managers expressed that they believe the most significant consolidations have already taken place. Manager [6] stated: *"You can see that when housing corporations grow beyond 25,000 VHE, they start organising into multiple divisions, which in practice become individual organisations again. A size between 8,000 and 25,000 VHE seems optimal for housing corporations. Therefore, I do not expect further consolidation in between housing corporation among this size. However, I do think further consolidations will take place among smaller housing corporations managing fewer than 8,000 units."* The impact on the expected capacity of a maintenance partner for this aspect would be minimal. This is due to two main reasons. First, it is not anticipated that there will be many additional mergers between housing corporations. Second, our research into the correlation between the size of a housing corporation and the number of VHEs per partner revealed no significant relationship. We did not find that larger

housing corporations allocate a higher number of VHEs per partner compared to medium-sized corporations.

In summary, the combined influence of the three discussed aspects will lead to an increase in the expected capacity of maintenance partners. None of these aspects exerts a negative impact on the expected capacity. As a result, the combined increasing effect of the first two aspects will significantly raise the required volume of work that a maintenance partner must be able to deliver.

5.1.6. Financial Health

From Chapter 2, we know that private equity firms often burden acquired companies with significant levels of debt. Both in the literature and in practice, this has resulted in a stigma, suggesting increased financial pressure and companies operating on the edge of insolvency. However, all interviewed managers indicated that they did not observe or experience any differences between private equity acquired companies to operate more often in financial distress.

When responding to Likert-scale Question 4 in the interview protocol, all managers stated that they assess the financial stability of their prospective partners and consider it a crucial factor. The managers provided two consistent arguments for this. First, if a partner goes bankrupt, it leads to significant sunk costs for prepared work and investments in the relationship. Second, working with a partner under financial pressure is unpleasant and feels uncomfortable, particularly in the RGS form of partnership, where collaboration and mutual reliance are essential.

Manager [5] from Housing Corporation [E] shared his experience with a painting company (not private equity-backed) that was struggling financially: *"They started invoicing more quickly and wanted to finish and deliver projects faster. They became stricter and more formal in the relationship, they behaved differently, you do not want that in a partnership. Eventually, we terminated the collaboration with this company, which ended up costing us money."* Most managers reported having had similar experiences with partners in the past.

Housing corporations therefore place great importance on the financial health of their partners. All housing corporations indicated that, before entering into a collaboration, they request financial ratios from prospective partners, which is part of the tender process to check their financial health. Additionally, more than half of the interviewed housing corporations indicated that they conduct a credit check through an external company on their partners. These external parties collect financial data of the partners to verify their financial stability.

The discrepancy between the literature and practical experiences is noteworthy, as no manager reported observing that private equity-acquired companies are more frequently under financial pressure, even in other sectors. Section 6.2 delves deeper to investigate this gap between the literature and the manager's experiences. We explore why managers have not identified any differences and investigate whether financial pressure is indeed a potential risk associated with private equity-backed companies.

5.1.7. The Soft Side of Collaboration

From the responses to Likert-scale Question 1, as discussed in Section 5.1.3, we found that the vision of RGS collaboration, the human relationship, and a cultural fit is the most important criteria for housing corporations when assessing maintenance partners. Multiple managers identified these factors as the greatest challenge within a collaboration. Manager [3] stated: *"It is always about the people. Even if you have the best innovations and pricing, it still comes down to the human element. If the relationship within the collaboration is well-structured, the partnership will run smoothly."* The softer aspects of collaboration can therefore determine the success or failure of the partnership.

From the open-ended interview questions and Likert-scale responses, several key points emerged. In long-term collaborations under an RGS contract, understanding each other's interests thoroughly is essential. Manager [4] explained: *"Respect for each other's long-term goals is critical. A partner must be allowed and encouraged to make a profit to grow and innovate. We, as a housing corporation, need to create room for that. On the other hand, a maintenance partner must avoid being overly rigid or excessively profit-driven."*

Additionally, all housing corporations emphasised that the individuals involved in the partnership must not change following a private equity acquisition. Housing Corporation [F] remarked: *"It is vital that the people we work with remain the same, this is crucial. If the type of person we partner with changes, we are not happy. Partnerships are built on knowing the people you work with, and those individuals, along with their approach, should remain consistent."* For this reason, Housing Corporation [G] operates with "dedicated teams", meaning that they always work with the same individuals within a collaboration, such as the same project leader, planner, and asset manager. This consistency is considered crucial, and these individuals are not easily replaced, since strong working relationships are developed over time.

Moreover, the willingness of a partner to collaborate with other partners is highly valued. For example, when a corporation has four property maintenance partners, expect that these partners collaborate together to enhance collective performance. Manager [3] shared his experience: *"During a project, our partners were willing to share knowledge with one another, which improved the relationship and collaboration. From there, they were also more willing to step in and cover capacity gaps when needed and collectively take responsibility for the task at hand."*

These factors all contribute to determining whether there is a cultural fit between the housing corporation and the maintenance partners. During the tender process, housing corporations aim to assess whether such a fit exists. As part of this process, they visit potential partners before entering into a partnership. Manager [2] explained: *"If that 'fit' is not there, the collaboration will only require extra effort and energy. But if it is there, everything flows seamlessly."*

Experienced differences

From Table 5 in Section 5.1.2, we observed that Housing Corporations [A], [B] and [H] indicated they would give family-owned businesses a preferred position during a selection procedure. We identified a correlation between this preference and their past experiences with partnerships where, after a private equity acquisition, different individuals were assigned to the collaboration. This change in personnel led to a shift in the partnership's dynamics, ultimately resulting in the loss of the ‘click’.

5.1.8. Innovation

During the interview, all managers responded to Likert scale Question 5 below.

	The maintenance partner offering suitable innovative solutions is best positioned to serve housing corporations and residents and can therefore distinguish itself competitively from other partners. Examples include data-driven maintenance, dashboarding/monitoring systems, and communication systems.									
	Completely disagree				**Neutral**			**Completely agree**		
	1	2	3	4	5	6	7	8	9	10
Housing corporation's Answer	-	-	-	-	[8]	-	[7]	[3], [4], [6]	[1], [5]	[2]
Average	8									
Median	8									

Table 8: The manager's answers to Likert-scale question regarding the significance of innovation.

As shown in Table 8 above, housing corporations consider innovation an important pillar for their maintenance partners. Additionally, as illustrated in Table 6 in Section 5.1.3, innovation accounts for an average weighting of 11% in the selection process for new partners. The managers indicated that a partner's ability to implement sustainable and circular solutions in their work is considered part of innovation, which is why these aspects are discussed under the same category. Three housing corporations consider innovation a significant factor in their evaluation criteria: Housing Corporations [A], [B], and [E] assign weightings of 30%, 30%, and 15%, respectively.
All managers stated that there are significant opportunities for innovative solutions in this sector. Housing corporations especially want to be involved in innovations that improve process efficiency and promote sustainability. Manager [5] highlighted that larger private equity firms could leverage this to their advantage: *"These companies are growing, have more professional organisations, and, most importantly, more smart minds. Larger organisations are better positioned to attract highly educated individuals, which is crucial for developing innovations."*
As discussed in Section 2.3.1, the literature also suggests that PE-backed companies have the potential to differentiate themselves in terms of innovation. However, none of the managers reported observing this, even in other industries. Manager [2] stated: *"It is a nice sales pitch for private equity to claim they can focus more on innovations. I have not seen this at all. In fact, when one of our installation partners was acquired, innovation got a lower priority in the collaboration."*

5.1.9. Price and Technical Quality

Price
From Table 6 in Section 5.1.3, we see that the price of a partner accounts for only 19% of a housing corporation's evaluation. This percentage has decreased as the partner structure trend shifts to the right on the spectrum depicted in Figure 3. This trend is also

reflected in the responses of the interviewed managers. The three Housing Corporations [C], [D] & [H], operate closest to the left end of the spectrum out of the eight interviewed corporations. They primarily work with shorter-term contracts and employ a minimal degree of integral partnerships. These three managers indicated that, on average, price accounts for 38% of their selection criteria. In contrast, the three corporations with the most integral and long-term partnerships, Corporations [B], [E] & [G], assigned an average weighting of just 5% to price. This is an interesting insight, in which we see that the price tends to have a lower significance when housing corporations apply a partner structure that relies more on long-term contracts. During the interviews, the housing corporations that rely on more long-term contracts emphasise the shift of importance of knowledge about the TCO and MJOP. They need to show their ability for being able to decrease the TCO over time and managing the agreed MJOP effectively.

During the selection process for an RGS collaboration, all participating parties submit their price book, which lists the prices of their products and services, for example the cost per meter for painting or the price per square meter for installing double glazing. These prices weigh into the evaluation process of partner selection. Subsequently, after the partners have been selected, the average price of the partners is reviewed and tested by an external cost expert. All housing corporations rely on an external cost expert to assess whether the partners' prices align with market standards. As Manager [2] stated: *"By using an independent cost expert, we ensure market-compliant pricing, allowing our partners to achieve healthy profit margins. This also protects us from undercutting strategies and hidden costs during the collaboration"*.
The final price of the collaboration is therefore dependent on "market conformity". However, no one was able to explain how this is determined or established, as they simply trust the process. The questions surrounding how this market-conformity price is formed, whether the consolidating maintenance market can influence it, and whether housing corporations are vulnerable to price increases by players in the market triggered us to explore this topic further. In Chapter 1, we investigate how the market-conformity price is established and whether housing corporations are susceptible to price increases from maintenance companies.

Technical quality
During the interviews, Likert scale Question 6 is shown to the managers, their answers are indicated in Table 9 below.

The technical quality of the executed work is one of the most important aspects of a maintenance partner. Therefore, partners can competitively differentiate themselves with this aspect.		
Disagree	**Neutral**	**Agree**
[2], [7]	[6], [3]	[1], [4], [5], [8]

Table 9: The manager's answers to Likertscale question regarding the technical quality of the work.

By technical quality, we refer to the quality delivered during the execution of the work itself. Most managers indicated that their partners do not achieve the desired quality obviously, meaning partners can genuinely differentiate themselves competitively on

this aspect. As Managers [1] and [3] said: "*Quality is purely about aligning expectations and delivering it.*"
The only two managers who disagreed with the Likert scale question and do not consider quality as an issue, viewing it as a foundation in the partnership, were from Corporations [B] and [G]. These are also the only two corporations that operate with a fully integral partner structure and long-term collaborations, both approaching the far-right end of the spectrum Figure 3 visualised in 5.1.1.

Different price-quality ratio experiences
The two aspects discussed above together form the price-quality ratio within a collaboration. Housing Corporations [B] and [H] have experienced situations where this ratio was negatively impacted following a private equity acquisition. These experiences have left them with a strongly negative perception of private equity takeovers.

5.1.10. Opinions About the Private Equity Trend

During the interviews, the managers also shared additional opinions and thoughts about the trend. The views mentioned below do not fall under a specific category but are highly relevant for further exploration in this research.

Reduced competitive environment
The majority of managers expressed concerns about the reduction of competition in the market, viewing it as both limiting and threatening. Manager [2] stated: *"As a few players grow significantly, the competition becomes less diverse. Previously, we worked with four partners, but now two of them have been acquired by the same private equity firm. This effectively means we are left with one fewer partner."* The once highly fragmented market is now consolidating rapidly, reducing the number of partners housing corporations can collaborate with, which could impact market dynamics. Additionally, Manager [5] highlighted another side effect of this trend: *"As companies grow larger, the result is that we, as a housing corporation, become less important to them. Previously, you might have been a 'top 3' client, accounting for 20% of their revenue. Now, you're more like a 'top 20' client, contributing just 4%, so to speak. This puts them in a different position within the collaboration."*

Friction in long-term vision
Several managers noted that the vision of private equity firms clashes with that of housing corporations. At its core, private equity aims to increase the value of its portfolio companies in the medium to short term, typically within 5 to 7 years, before selling them. In contrast, housing corporations operate with an ultra-long-term vision, managing properties they plan to maintain and use for the next 50 years. This fundamental difference creates friction, making family-owned businesses naturally better suited to these types of partnerships.

Boosting efficiency and scale
One advantage of the trend, highlighted by several managers, is its role in driving scale and efficiency. Manager [5] remarked: *"I feel that this trend is professionalising the market. Private equity firms bring their goals, knowledge, and experience into the sector,*

which drives efficiency and scale. Other players must adapt to keep up." This manager also expressed a preference for maintaining a mix of private equity-backed and family-owned companies in their partner portfolio. According to them, these two types of organisations can learn from each other's strengths and compensate for each other's weaknesses.

5.2. Intermediate Conclusion

This chapter presented the results of the conducted interviews. Based on the interview protocol, we interviewed eight housing corporations. The findings revealed that none of the housing corporation managers noticed any differences between their property maintenance partners that were acquired by private equity and those that were not. However, all managers had experience with private equity-owned companies in other sectors. In those cases, most housing corporations observed changes in the company's approach and motivation within the partnership. The acquired companies were more focused on financial constraints, involved different personnel in collaborations, and invested less in building the relationship. These experiences resulted in a preference for family owned businesses by Housing Corporations [A], [B] and [H], meaning that the non-acquired companies hold a preferred position in a next property maintenance partner selection process.

In addition to investigating the perceived changes in value creation when a partner is acquired, we also explored what housing corporations value in their partners. Based on this, we assessed whether the strategic focus areas of private equity firms could positively contribute to the perceived value creation for housing corporations. In the future, housing corporations are expected to increasingly collaborate with partners that offer an integral service portfolio, commit to long-term collaborations, can cope with large projects, possess professional knowledge, and excel in coordination. According to our analysis of how private equity firms invest in acquired companies, they focus heavily on these areas.

6. Additional Topics

In this chapter, we conduct two additional studies, both inspired by insights gained from the interviews. In Section 6.1, we delve into how the market conformity price is determined and explore the impact on market prices related to the consolidating property maintenance sector. In Section 6.2, we examine how private equity firms manage financial stress within acquired property maintenance companies. Also, we explore why the interviewed managers did not experience more financial distress at their private equity acquired partners.

6.1. Market Conformity Prices

As discussed in Section 5.1.9, the prices in an RGS collaboration are determined through an assessment of the market conform prices. However, none of the interviewed managers could clearly explain how this market conform price is established. Due to the increasing consolidation in the market, the lack of clarity about the formation of market conformity prices, and the evolving market structure, we are interested in examining the impact of the consolidation in the market on the market conformity prices. To explore this, we address the following research question:

- *To what extent does the consolidation in the property maintenance sector impact the market conformity prices?*

As described in Section 5.1.9, candidate partners submit a pricing book during the tender process to the housing corporation. This includes detailing the costs for specific products and services, such as the cost of painting one meter or installing one square meter of double glazing. Once a partner is selected, their pricing book is reviewed by an external cost expert to assess its market conformity. In an interview with a cost consultancy firm in the central-eastern Netherlands, the expert explained how they assess market conformity. The prices of the selected partner are compared with those paid by other housing corporations for similar projects. Only comparable data points are considered, those from corporations in the same region and offering similar projects. If the price falls within a margin of around -10% to +10% of the benchmark, it is assessed as market conforming. If the price deviates significantly, further investigation is conducted, and discussions are held with the parties involved (Cost Expert, 2025). This process ensures that housing corporations pay prices that align with market standards.
The interviewee mentioned that discrepancies between the pricing book of a partner and what other housing corporations pay typically arise in specific cost categories: *"Hourly wages, raw materials, and material prices do not vary significantly. These costs are relatively straightforward to determine a fair price for. However, friction often occurs in the quantity of work, particularly in project management and preparation hours, where partners can differ substantially. This can lead to significant cost differences."* The interviewee also observed a consistent rise in prices over recent years: *"We've seen prices increase steadily year after year. While some of this can be explained by indexation, a portion of the price increases remain unexplained."*

One significant factor contributing to higher costs is that maintenance companies now charge for their expertise. Previously, the partner only executed the work at the construction site. Now they are also establishing strategic planning and work preparation. The housing corporations demands for this knowledge and expertise, however the costs drive up and power could shift more to the property maintenance companies. *"Housing corporations are outsourcing more processes, the invoicing for preparing MJOPs and managing increasingly complex projects drives up the costs"* said the costs expert (Cost Expert, 2025).
On the other hand, we need to mention that when housing corporations outsource the knowledge, it reduces their internal costs, since they do not employ these employees by themselves. So, this cost saving could balance the increasing outsource costs and can be a strategic choice by the corporations. However, the housing corporations gets more dependent on the knowledge and expertise of the property maintenance companies.

Rapid Market Consolidation
The consolidation trend has progressed rapidly, more than half of the market revenue is acquired by private equity and it is expected that the number of acquisitions keep growing (Expert in Market, 2024). This consolidation occurs on two sides. First, the smaller maintenance companies are merged into larger entities. Second, these larger companies expand their scope by adding multiple work disciplines. As a result, the regional market now has significantly fewer players, leaving housing corporations with a smaller pool of partners to choose from in a new tender process. This issue is particularly acute for larger housing corporations, as only partners with sufficient capacity can meet their needs.

Emerging Oligopolistic Market Characteristics
Where the property maintenance sector previously had a more competitive market structure, consolidation is driving it toward an oligopolistic structure. As highlighted in the literature about oligopolistic markets structures (Friedman, 1982), they are characterised by fewer players and higher barriers to entry. Both aspects are increasing present in this sector. Regionally, the number of players is decreasing, and the requirements for being relevant to serve housing corporations are becoming more complex. Partners now need to possess extensive knowledge, handle large and diverse projects, and manage complex operations. This makes it increasingly difficult for smaller maintenance companies to compete.
This shift toward an oligopolistic market could create significant economies of scale for the remaining players, providing them with a competitive advantage over smaller firms. Additionally, it may open the door for price collusion among the remaining market players.

Conclusion
In this section, we explored the impact of the market consolidation on the market prices. Based on our analysis of the evolving market structure in the property maintenance sector and the current practices housing corporations use to determine contract pricing, we find that housing corporations are becoming increasingly vulnerable to price changes as consolidation progresses. The rising characteristics of an oligopolistic market, which this sector is moving toward, enhance this vulnerability.

We found, in our analysis around the market conformity prices, that comparing it solely on the prices paid by other housing corporations without deeper understanding how these prices are set, can increase the costs for the housing corporations. The small amount of players serving all the housing corporations in a region could incrementally raise their prices, with the market conformity benchmark adjusting upward accordingly.

To mitigate this risk, housing corporations should recognise the shift toward an oligopolistic market and the changing power dynamics it entails. To prevent rising prices, they could consider reducing their dependence on the property maintenance companies. For example, increasing their internal knowledge or exploring the feasibility of performing some maintenance in-house. Furthermore, they can try to involve more partners in tender processes and improve the methodology for assessing market conformity pricing by going beyond price comparisons among housing corporations. For instance, they could investigate how these prices are formed and whether they are justified.

6.2. Private Equity Backed Company's Solvency Structure

In Section 2.2, we learned that private equity firms often finance acquisitions by leveraging the acquired company with debt, a principle known as the Leveraged Buyout (LBO). This approach aims to enhance the return on equity. However, according to the literature, this practice can result in financial stress for the acquired company.
This contrasts sharply with the results of the interviews, where the managers of housing corporations indicated that they had not observed any differences in financial stability between companies acquired by private equity and those that were not. Given that all managers emphasised the critical importance of their maintenance partners' financial health, it is crucial to investigate this discrepancy between the literature and the observed reality.

To address this, we engage with industry experts and conduct a literature review to answer the following question:

- *Why does the housing corporations not feel an increased financial distress at their private equity acquired property maintenance partners?*

Knowledge and information are acquired and reported below in three subject areas, which are subsequently concluded in the conclusion part at the end of this section.

VGO Certification
Virtually all established and significant maintenance companies in the sector are certified by the VGO label (VGO, 2025b). This certification confirms that a maintenance partner is proficient in the RGS working method, is financially sound, and is well-regarded by clients and employees.
To obtain a VGO label, companies must maintain a minimum solvency ratio of 25% and a current ratio of 1.2. According to the Stichting VGO, who manages the label, these ratios are defined as the standard based on market standards and are considered indicators of financial health (Rabobank, 2025; VGO board member, 2025).

The property maintenance companies having a VGO label, the VGO members, need to provide their annual statement, reviewed by a registered accountant (VGO, 2025a). This measurement minimises the risk of fraud by the members.
In a conversation with a VGO board member, it was highlighted that the financial health of its members, as measured by the current ratio and solvency, is not a concern at present. In recent years, no members have approached the threshold values for these ratios. As mentioned in Chapter 1, halfway 2024 around one third of the VGO members are acquired by private equity firm, having more than 50% of the revenue. So, despite the fact that private equity entered the market in recent years no financial issues have been observed among VGO-certified members.

Private Equity in the Property Maintenance Market
A key factor influencing the financial structure of an acquisition is the private equity firm's strategy. The extent to which financial pressure is applied depends significantly on the private equity firm's market approach.
During an interview we performed with an expert in the industry (Expert in Market, 2025), the interviewee stated: *"Private equity can employ various strategies, such as the buy-and-build principle versus profit maximisation. In this sector, private equity clearly adopts the buy-and-build strategy. They aim to generate returns by creating value within the company, by essentially making it a more valuable business than at the time of purchase. Their focus is on developing a long-term sustainable enterprise aligned with ESG standards. Private equity here is not driven by maximising profits via cash flows or extracting cash flows from the business."*
In a buy-and-build strategy, private equity firms emphasise growth, synergies, and consolidation, aiming to strengthen market position and achieve geographic expansion. So, they try to gain profit by increasing the market capitalisation of the company. In contrast, a profit-maximisation strategy focuses on cost reductions, margin improvements, and operational excellence. In which the strategy to gain return on investment is based on optimising cash flows and operational profits (Hammer et al., 2020).
The expert continued: *"Because private equity focuses on developing sustainable and valuable businesses, they have no interest in driving companies into financial distress. Their goal is to expand and grow further, and causing financial strain in acquired companies would be highly damaging their reputation."*

Waterland, one of the most prominent private equity players in the property maintenance market, recalled this sentiment in an interview (CoBouw, 2025):
"During the holding period of an investment, we prefer to keep funds within the company rather than extracting cash flows. In fact, we would rather inject additional capital if needed. Our strategy is to generate returns when the business is sold."

Market characteristics
In addition to the financial stability guaranteed by the VGO certification and the specific strategies employed by private equity in this sector, the market characteristics of the property maintenance industry also provide valuable insights to help answer our research question. Key characteristics such as economic climate, capital intensity, and the fragmented SME market significantly influence our findings.

Firstly, the economic climate of the market. Companies associated with the housing market are traditionally considered highly sensitive for economic changes (Volkshuisvesting Nederland, 2024). However, the property maintenance sector is less sensitive. The increasing presence of RGS contracts, which provide long-term work security, results in a high level of recurring revenue within this sector. Consequently, both revenue and costs are relatively predictable. Furthermore, the ability to scale capacity up or down in a timely manner reduces the sector's vulnerability to market fluctuations.
Secondly, the low capital intensity of the work. Fundamentally, large capital investments are not required to perform the work. This point was also emphasised in a conversation with an industry expert (Expert in Market, 2025): *"The capital intensity of our work is relatively low. We do not need to stock inventory or purchase large machines to get started. As a result, we have less idle capital when market demand decreases, making it easier to scale operations up or down."*
Lastly, less leverage and capital burden are applied in SME markets compared to private equity activity in large-cap markets. This is due to two main reasons, the lower multiples paid for SME acquisitions and the lower debt willingness among lenders for these transactions. Since SME acquisitions typically involve lower multiples, less leverage is required to achieve the desired returns. Additionally, lenders perceive SME acquisitions as higher risk, which leads them to apply more conservative debt levels to these transactions (Lahmann et al., 2017). These factors contribute to the relatively lower debt levels of acquired SME companies. This could also cause a lower experiences financial distress in private equity acquired SME companies.

Conclusion
Based on the three aspects analysed above, we have attempted to explain why the interviewed housing corporations have not observed any differences in financial stability or stress between private equity-backed and non-private equity-backed maintenance partners. This stands in contrast to the literature, which highlights such differences. Via market research and an interview with an expert in the market, this discrepancy can largely be attributed to the strategic choices of private equity firms operating in this market. By adopting a buy-and-build strategy, these firms are discouraged from creating financial stress within their acquired companies, but focus on sustainable, long-term value creation. Financial instability would hinder their ability to expand further in the market and damage their reputation. However, we could not substantiate this via literature.
Additionally, the three market characteristics, low cyclicality, low capital intensity, and lower leverage in SME acquisitions, further limit the degree and likelihood of financial stress in this sector.
During the interviews with the housing corporation managers, they emphasised the critical importance of their partners' financial health. From our investigation, we want to highlight the value of certifications, such as the VGO label. The VGO certification indicates that a maintenance partner is financial healthy, with minimal risk of fraud due to annual audits. Housing corporations could consider placing greater emphasis on such certifications and potentially use them as a prerequisite for entering into partnerships.

7. Conclusion, Discussion, and Recommendations

7.1. Conclusion

In recent years, one-third of VGO members, accounting for more than 50% of the market's revenue, have been acquired by private equity firms. Because of the fragmented market and the huge amount of work that needs to be done to reach the sustainability goals and solve the housing shortage, private equity has entered the property maintenance sector. The rapid pace of private equity acquisitions has led to swift changes in dynamics and practices within the sector. Lenferink's management has observed this trend and is interested to understand its implications. This has led to the formulation of our core problem: T*he challenge to leverage Lenferink's strategic position regarding the rise of private equity in the property maintenance market.* The problem owner, Lenferink, is primarily interested in how housing corporations, as their most important client, perceive this trend and whether they notice any differences between maintenance companies that are private equity-backed and those that are not.
Chapter 1 outlines the problem statement and the current market situation. From this, sub-research questions were formulated to serve as a pathway through this study, with the main research question being: *What are the effects of private equity's entrance into the property maintenance sector, from the housing corporation's perspective?*

The first step in answering the main research question is to understand how private equity operates within SMEs markets, elaborated in Chapter 2. Three main value drivers are identified in the literature: the LBO structure (13%), multiple arbitrage (40%), and operational engineering (47%). Private equity aims to create value in this sector by introducing leverage into the financial structure, combined with scaling up operations, expanding the service portfolio, and building a more professional organisation. These factors also represent opportunities for a property maintenance company to be acquired by a private equity firm. By a professional organisation, we mean that private equity brings in knowledge and expertise, focusing on designing and organising more efficient processes and operations. However, there are also risks for the company, namely, financial pressure, differences in vision with the private equity firm, and a lack of the cultural click.
The other essential knowledge required to answer the main research question involves understanding housing corporations, their role in Dutch society, and their expectations of property maintenance partners. This is addressed in Chapter 3. Housing corporations emphasise their social position in society and are aware that they are spending public funds. As a result, ensuring that their partners deliver market-conform profits is important for them. Over the past decades, housing corporations have increasingly adopted the RGS method of working, moving away from traditional one-time projects. Within this approach, they expect their partners to embrace long-term partnerships, handle large-scale projects, excel in sustainability, demonstrate innovation, and invest in building strong relationships within the partnership.
The insights gained about what housing corporations expect from their maintenance partners and how private equity operates in this sector were combined to design our interview, as detailed in Chapter 4. To collect data, we interviewed eight housing corporation managers. The goal of the interviews is to understand how housing

corporations experience the rise of private equity in the sector and what they expect from maintenance partners, in particular related to trends to the future.

From the analysis of the interview data, we discussed the results in Chapter 5. All managers indicated that they have not experienced any differences between their property maintenance partners that have been acquired by private equity and those that remained family-owned businesses, yet. However, all of them had prior experience with private equity-owned companies in other sectors, primarily in the installation industry. These experiences have shaped their opinions on private equity acquisitions and made them aware of their rising presence in the property maintenance sector.
Among the eight interviewed managers, six observed that partnerships with private equity-backed companies were driven by different motivations. These companies tended to focus more on financial outcomes and implemented other strategic approaches within the partnership. Three of the interviewed managers indicated that in future partner selections, family-owned businesses would have a preferred position. Notably, these three managers were also the only ones who experienced a decline in the price-to-quality ratio after a partner was acquired by private equity.
The managers emphasised that the most critical aspects of a successful partnership are the people involved, the cultural click, and the application of the RGS method of working. Additionally, four housing corporations mentioned that private equity-acquired companies tend to invest less in the human relationship aspect of the collaboration.
During the interview analysis, we positioned the maintenance structures of housing corporations on a scale based on their adoption of the RGS method and their use of integral partners. On the left side of the spectrum, housing corporations follow the traditional one-time project method of working, while on the right side, corporations engage in long-term partnerships with integral partnerships. Two housing corporations already operate within the right side of the spectrum, while all others indicated that they expect to shift further in that direction. This shift requires maintenance partners to expand their service portfolios, take on larger projects, and possess professional knowledge. The ongoing consolidation driven by private equity firms is creating large regional players, directly aligning with these increasing needs of housing corporations.

Based on the findings in Chapter 5, we further explored two follow-up research topics. First, we examined whether the consolidating market could impact pricing dynamics. We concluded that due to the market changes, the sector is increasingly presenting oligopolistic characteristics. The number of active players in the market is decreasing, while the barriers to entry are rising. These shifts, combined with the urgency for housing corporations to achieve sustainability goals, increase their dependence on maintenance partners. This dependency could influence pricing strategies in the market. Therefore, housing corporations could become more aware of this moving trend in the market.
Second, we investigated the discrepancy between our interview findings and the literature. According to the literature, The LBOs can lead to financial distress within acquired companies. However, none of the interviewed housing corporations observed such financial distress among their maintenance partners. Our research suggests that this may be due to the specific strategy private equity firms apply in this sector, namely, the buy-and-build strategy. Their goal is to expand market share through acquisitions, and pushing acquired companies into financial distress would likely harm their

reputation. Additionally, private equity firms in this sector are not primarily focused on short-term profit maximisation within the acquired companies. Instead, they prioritise long-term sustainable value creation, aiming to generate returns through increased transaction value rather than extracting profit directly from the companies. These factors could explain why housing corporations do not perceive financial distress among their private equity-backed maintenance partners.

7.2. Discussion

7.2.1. Limitations and Potential Improvements

A significant limitation of this research is the available time in relation to the research scope. Given the restricted timeframe of this thesis, choices had to be made regarding the focus of the study. Examining the full effects of private equity in the property maintenance sector would have been too broad in scope. From the perspective of the problem owner, Lenferink, the most relevant approach was to investigate the effects from the standpoint of its most important clients, the housing corporations.
To achieve this, we adopted a qualitative research approach, conducting interviews with eight housing corporations to collect data. There are a total of 276 housing corporations in the Netherlands, but our study only included corporations operating in the Central and Eastern part of the Netherlands. As a result, it is important to acknowledge that the findings of this research are not universally applicable to all housing corporations or regions. We cannot guarantee that the observed results would be the same for corporations in other areas. Additionally, the number of interviewed corporations is too small to draw statistically significant conclusions, as no quantitative validation was conducted.

We conducted extensive research into how private equity operates in this sector. However, it is widely recognised that private equity firms tend to be relatively closed organisations that share limited information. Academic literature on the subject primarily focuses on publicly listed private equity firms, with less emphasis on smaller private equity firms that target SME markets.
Due to these limitations, we encountered difficulties in quantifying this research. Since the trend is still in its early stages and private equity firms are generally closed organisations, we were compelled to pursue a qualitative approach. This could lead to less definitive conclusions and research findings.

Given the exploratory nature of this study, the interviews were not fully transcribed, nor was coding software used to analyse the results. The interviews were conducted in an open-ended manner without seeking specific answers. As a result, applying a structured coding analysis method would have been less suitable, particularly considering its intensive nature.

For our analysis of the impact of the private equity trend on market pricing, we conducted an interview with a one cost expert. While this expert expressed confidence in their methodology applied, we assumed that other experts in the field use similar methods. However, due to the limited time available for this research, it was not feasible to consult multiple cost experts.

7.2.2. Contribution to Theory

Regarding the contribution to the scientific body of knowledge, this thesis adds new insights to academic literature. Current literature contains a lot of knowledge about the financial and operational aspects of the impact of private equity. There has been comparatively little research about the perceived customer value after such acquisitions. By exploring the value creation from a customer's perspective and their experiences, this study adds new academic knowledge, beyond the traditional financial measures. Most studies on the impact of private equity are conducted at a later stage of the trend, once the effects are more established. Our research provides valuable insights at an earlier stage, for helping property maintenance companies to position themselves as a long-term partner for housing corporations, regarding the growth of private equity in the market.
Furthermore, the study investigates private equity's strategy in SME markets. We explored the risks and opportunities for the acquired companies. This informs all research stakeholders to cope with the trend.
Additionally, this research contributes to the understanding of how a fragmented national market evolves when a rapid wave of consolidation takes place. This thesis provides deeper insights into how market characteristics shift when a fragmented SME market undergoes rapid consolidation through private equity acquisitions.

7.2.3. Contribution to Practice

Lenferink's curiosity for understanding how the value creation of their customer is evolving and the housing corporation's degree of awareness with the entrance of private equity in the market, initiated this research. The insights gained from this study on how housing corporations perceive and experience the rise of private equity can help Lenferink, as a family-owned business, to strategically position itself within the market. Additionally, this research provides an in-depth analysis of the needs and expectations of housing corporations, outlining how a future property maintenance partner could position itself to remain relevant. These insights are valuable not only for Lenferink but also for private equity-acquired maintenance companies and other independent maintenance firms.

Housing corporations can also benefit from this study by learning from the experiences and perspectives of their peer corporations regarding the rise of private equity. This research offers an understanding of how private equity firms enter the market and develop their acquired companies. Furthermore, this thesis may raise the awareness of how this trend could change the market, influencing industry dynamics and the level of dependency housing corporations have on their maintenance partners.

7.2.4. Suggestions for Further Research

This research offers several suggestions for further study, building on the identified barriers and opportunities that have emerged within the current research landscape. The first, and most evident, recommendation is to expand the dataset on which the research findings are based. Currently, we have conducted interviews with eight housing corporations. A follow-up study that includes a more diverse and larger data sample could significantly enhance the accuracy and generalisability of the results.

As the market consolidation process is still ongoing, it is currently too early to draw definitive conclusions about the actual changes in value creation for housing corporations. A more thorough investigation a few years after the consolidation trend stabilises would allow for a deeper analysis and increase the feasibility of conducting a quantitative study.

Another valuable area for further research is exploring the different strategies employed by private equity firms. We discussed the strategic approaches of private equity, including the contrast between a buy-and-build strategy and a profit-maximisation approach. Additionally, we considered the differences between an acquired company to continue operating under its original name versus integrating it under a group brand. These strategic choices impact exit strategies, reputation, and operational opportunities. Further research into the private equity's strategy selection across industries would provide stakeholders with a better understanding of the potential effects of these approaches.

Another potential addition to this research is the execution of case studies in industries where private equity has already established a presence, such as the installation sector. Analysing how private equity operates in these industries and assessing the effects of its presence could provide valuable insights for stakeholders in the property maintenance sector. The installation sector is just one example, other industries could also serve as benchmarks. During this research period, we considered incorporating a case study, but due to time constraints and resource limitations, we chose a different research direction.

Lastly, further research into evolving market characteristics, as examined in Section 6.1, could provide stakeholders with a better understanding of the future direction of the industry.

7.3. Notes to Research Stakeholders

Based on the knowledge and insights gained during this research, this section provides notes to the three main research stakeholders. Namely, the research problem owner Lenferink, private equity firm active in this market and the Dutch housing corporations. These notes aim to help the stakeholders to cope and anticipate effectively on this trend.

Lenferink
This research confirms the rapidly evolving strategic and operational landscape of family-owned property maintenance companies. The interviews revealed that, at their core, people generally like working with family-owned businesses. Their vision, way of working, interpersonal approach, and long-term perspective make them appealing partners compared to companies that operate under large corporate structures. Being a family-owned business, therefore, could provide a competitive edge in the selection process for partnerships.

However, the rise of private equity is significantly reshaping this market. Therefore, this research explores the question: How can family-owned businesses position themselves against the rise and strategies of private equity in the property maintenance sector?

Private equity firms focus on broad capacity expansion, which includes increasing their geographical coverage, fostering innovation, expanding their service portfolio, and taking on larger projects. They achieve this by standardising processes, centralising innovation, and acquiring professional knowledge. Shortly, they professionalise the market. These are precisely the aspects that housing corporations demand from their maintenance partners.

To remain competitive and relevant to housing corporations, family-owned businesses must adapt to the evolving market dynamics driven by private equity. A family-owned business like Lenferink cannot scale as rapidly as private equity-backed organisations. Therefore, it must take a focused strategic approach and consider key questions: Which customer segment should we target? In which disciplines do our strengths lie? How can we optimise our supply chain to handle larger projects effectively? Given the increasing scarcity and rising complexity of the projects, knowledge acquisition and expertise development will be the most critical factors for success. It is professionalising the organisation that backs the executive forces at the projects.

For this reason, it is essential for Lenferink to continue monitoring the market beyond this research. The company must critically assess its position by asking key strategic questions, for example: To what extent can we still justify our market position to our customers? In which direction are private equity firms moving? Maintaining a clear market perspective and adapting proactively is crucial for sustaining a competitive edge. In which the knowledge and insights gained in this research, can help them.

Private equity

The general aspects outlined in the notes above, which apply to all maintenance companies, also extend to private equity firms. However, we emphasise that scale is the key competitive advantage of private equity-backed companies. Their ability to respond to the large volume of work required in the market provides them with a competitive edge. In particular, their capacity to rapidly and centrally develop innovations strengthens their position. If projects in the market continue to grow extend and complexity, their advantage can expands further.

However, their success also heavily depends on how they manage relationships and collaboration, particularly within the RGS method of working. Housing corporation managers have emphasised that people and the quality of collaboration are at the core of these partnerships. It could be beneficial for private equity firms to place greater emphasis on fostering strong relationships and prioritising human interaction in their collaborations, as this could significantly enhance their long-term success in the sector.

Housing corporations

Housing corporations face a pressing need to meet sustainability targets, requiring a significant amount of work. Private equity exploited this gap, by investing and taking the lead in increasing their scale and attracting expertise. However, as examined in Section

6.1, this has led to increasing dependence of housing corporations on maintenance companies due to shifting market dynamics.
Market consolidation is narrowing the selection of available partners, while the transfer of expertise from housing corporations to maintenance companies is further deepening this dependency. It is crucial for housing corporations to be aware of these changes. Gaining deeper understanding of the evolving market characteristics, can help them making rationalised strategic decisions to adapt effectively to these market shifts.

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Appendix

A. Interview Protocol

<u>Deel 1 – Introductie onderzoek en interview + achtergrondkennis (5 minuten)</u>

1. Bespreek
   a. Reden van onderzoek
   b. Achtergrondinformatie over onderwerp (kort houden)
   c. Doel van het onderzoek

2. Transparantie & openheid onderzoek
   a. Publiek onderzoek
   b. Alle deelnemers geanonimiseerd
   c. Inform consent

<u>Deel 2 – Algemene vragen (15 minuten)</u>

1. De rol van de geïnterviewde persoon binnen de organisatie
   a. Wat houdt je functie in en wat zijn jouw verantwoordelijkheden?

2. Onderhoudspartner van woningcorporatie
   a. Welke services en werkzaamheden doen de planmatig onderhoudspartners voor het exterieur voor jullie?
      - Is dit veranderd t.o.v. een aantal jaar geleden?
   b. Met hoeveel verschillende onderhoudspartners werken jullie samen?
      - Is dit aantal gekrompen/gestegen de laatste jaren?
      - Hoe verwacht je dat zich dit ontwikkeld richting de toekomst?
   c. Op welke manier zijn de partners verschillend van elkaar?
   d. Welke criteria vind je het belangrijkst aan de onderhoudspartners?
      - Lijst opstellen met hun belangrijkste pijlers: wat als ze nu opnieuw partners zouden kiezen?

❖ Schaal 1 invullen

1.

Lijst met de criteria waarop onderhoudspartners worden gekozen	**Aantal punten per criteria (in totaal 100 punten te verdelen)**

3. Weet je hoe jullie onderhoudspartners zijn gefinancierd (familiebedrijf of (private)investeerders)?

❖ Likertschaal 2 invullen

2.	Ik ben geïnteresseerd om te weten hoe onze onderhoudspartners gefinancierd zijn (eigenvermogend familiebedrijf of (private)investeerders).	
Oneens	**Neutraal**	**Eens**
Ik ben niet geïnteresseerd om te weten hoe onze onderhoudspartners zijn gefinancierd. Het maakt mij daarom ook niet uit of een bedrijf een eigen vermogend familiebedrijf is of dat er investeerders achter zitten.	Ik ben geïnteresseerd om te weten hoe onze onderhoudspartners zijn gefinancierd. Het komt wel eens ter sprake, maar verder heb ik er geen mening over en beoordeel in de onderhoudspartners er niet op.	Ik vind het belangrijk om te weten hoe onze onderhoudspartners zijn gefinancierd. Voordat we een samenwerking aangaan ben ik er bewust van en neem ik het mee in onze overweging om een partnerschap aan te gaan.

- Toelichten van likertschaal

a. Hoeveel van jullie onderhoudspartners zijn er op welke manier gefinancierd?
   - Zijn er ook onderhoudspartners tijdens jullie samenwerking overgenomen?
b. In hoeverre ben je bewust van de overname trend in de vastgoed onderhoudssector?
   - Toelichten vraag

<u>Deel 3 – Invloed punten (30 minuten)</u>

A. Schaal & aangeboden diensten onderhoudspartners

Verticale integratie

3.	De rol en de aard van het werk wat de onderhoudspartners voor woningcorporaties doen gaat veranderen in de komende 15 jaar.	
Oneens	**Neutraal**	**Eens**
Het werk dat de onderhoudspartners voor ons doen gaat niet veranderen, we zullen dezelfde soort diensten en mogelijkheden van hen verwachten.	Wij als woningcorporaties zullen meer diensten en mogelijkheden van de onderhoudspartners verwachten. Wij zullen meer projecten en aanbestedingen uitdoen omtrent het verduurzamen en innoveren van huizen, wat een aanvulling is op de huidige diensten.	Wij als woningcorporaties verwachten van de onderhoudspartners dat ze meer diensten gaan aanbieden omtrent het verduurzamen en innoveren van huizen. Ook verwachten we van hen dat ze zelf initiatief nemen om met oplossingen te komen, om op deze manier ook een onderhoudspartner te worden die ook op tactisch en strategisch gebied advies geeft.

❖ Likertschaal 3 laten invullen

- Toelichten van likertschaal

a. Hoe denk je dat de verwachtingen van de woningcorporaties op dit gebied gaan veranderen naar de vastgoedonderhoudsbedrijven toe?

Horizontale integratie

a. In hoeverre speelt de capaciteit van een vastgoedonderhoudsbedrijf mee met jullie keuze om een partner aan te stellen en hebben jullie een ondergrens?
   - Toelichten vraag
   - Consolidatie van woningcorporaties aanstippen

B. Financieel

❖ Likertschaal 4 laten invullen

4.	Bij het aangaan van een nieuw onderhoudspartnerschap controleren wij de financiële stabiliteit van het bedrijf.
Oneens	**Eens**
Wij scannen en ondervragen de financiële status van onze partners niet.	Wij scannen de financiële status van onze partners uitvoerig. We vragen bewijs op zwart-wit om de stabiliteit te controleren.

- Toelichten van likertschaal

C. Innovatie

❖ Likertschaal 5 laten invullen

5.	Ik denk dat de onderhoudspartner die met geschikte innovatieve oplossingen komt het best de woningcorporaties en bewoners kan bedienen en daarom zich competitief kan onderscheiden van ten opzichte van andere partners. Denk hierbij aan data gedreven onderhoud, dashboarding/monitoring systemen en communicatiesystemen.								
Helemaal oneens				**Neutraal**			**Helemaal eens**		
1	2	3	4	5	6	7	8	9	10

- Toelichten van likertschaal

a. Hoe belangrijk is de innovatieve bekwaamheid van een onderhoudspartner voor jullie?
   - Toelichten vraag

D. Samenwerking

a. Wat zijn de grootste uitdagingen op het gebied van samenwerking tussen jullie en de onderhoud partners?
   - Welke aspecten maken of breken een samenwerking?

b. Merk je verschillen tussen de samenwerking met bedrijven die wel en niet zijn overgenomen?

E. Prijs & kwaliteit

In hoeverre is de prijs waarvoor de onderhoudspartners hun projecten aanbieden een bepalend criteria voor het aangaan van een samenwerking?

- Toelichten vraag

- Is dit de laatste jaren veranderd?
- Verwacht je dat het gaat veranderen in de toekomst?

❖ Likertschaal 6 laten invullen

6.	De technische kwaliteit van de uitgevoerde werkzaamheden is één van de belangrijkste aspecten van een onderhoudspartner, een partij kan zich met de kwaliteit ook competitief onderscheiden.	
Oneens	**Neutraal**	**Eens**
Een onderhoudspartner kan zich niet competitief onderscheiden met de kwaliteit van het onderhoud zelf. Wij zien de kwaliteit van het onderhoud als basis en alle partijen kunnen het gewenste niveau van kwaliteit met gemak halen.	Een onderhoudspartner kan zich niet competitief onderscheiden met de kwaliteit van de uitvoering. Echter vinden wij dat de kwaliteit van de uitvoering een belangrijk aspect is in de samenwerking, wij merken dat hier verschil in zit tussen de verschillende partijen.	Een onderhoudspartner kan zich met kwaliteit van de uitvoering significant onderscheiden van de rest. In de praktijk merken wij dat het halen van het gewenst kwaliteitsniveau niet altijd wordt gehaald. Als een partij zich bewijst dat die dit wel kan, kan die zich onderscheiden van de rest.

- Toelichten likertschaal

<u>Deel 4 – Slot vragen (10 minuten)</u>

a. Naast de al besproken punten, zijn er nog andere aspecten die woningcorporaties belangrijk vinden aan de vastgoedonderhoud partners?
    - Wat zie je als de grootste kansen voor de vastgoed onderhoudsbedrijven om de klant beter te bedienen? (klant = bewoner & woningcorporatie)
    - En wat als bedreiging?

b. Naast de besproken punten, merk je nog andere verschillen tussen de onderhoudspartners waar wel/niet een private equity partij achter zit?
    - Wat vind je zelf van de trend?
    - Zie je het als kans of bedreiging?

B. The Housing Corporation's Assessment Criteria

Criteria	Weight
(Vision on RGS) collaboration, human relationship and cultural fit	30%
Price	19%
Technical quality of work	13%
Experiences and references	13%
Capacity and scope of work	12%
Innovation, sustainability and circularity	11%
Financial health	2%

Table 10: The housing corporation's assessment criteria comparison between the three housing corporations having the most left- and right-oriented partner structure.

(Vision on RGS) collaboration, human relationship and cultural fit
Housing corporations use these criteria to assess the vision maintenance companies have regarding long-term collaboration. They also evaluate how partners invest in relationships within the partnership and whether their visions align with the set objectives. Additionally, housing corporations visit potential partners before entering into a collaboration to ensure there is a cultural fit between the parties, since they will be working together closely for a long period.

Price
In addition to the price offered by the partners, their vision and plans regarding TCO and the MJOP are also considered and included in these criteria.

Technical quality of work
The technical quality of work reflects the quality of the maintenance performed on the properties themselves. It includes the partner's ability to develop proper asset management plans and effectively execute the work on-site.

Experiences and references
Housing corporations ask partners to provide references for projects they have completed previously. These references help determine whether the maintenance partners are suitable for the questioned work. Think about working on different building architypes and being able to work regarding specific methods.

Capacity and scope of work
A long-term contract provides the partner with continuity in work, but the housing corporation requires sufficient capacity and sustainable employability in return. This criterion assesses whether the partner has adequate resources to execute the work and evaluates the scope of their service portfolio.

Innovation, sustainability and circularity
This criterion encompasses the ambition and capability of the partner to implement innovative solutions in their work. This includes both technological innovations and solutions for making buildings more sustainable and circular.

Financial health
Financial health is assessed to ensure that the partner is sufficiently solvent and liquid.

C. Declaration of Artificial Intelligence

“During the preparation and execution of this work, the chatbot ChatGPT from OpenAI is used, mainly for translation and inspirational purposes. After the usage of the service, I thoroughly reviewed and edited the content as needed, in which I take the full responsibility for the final outcome.”

~ Alex Kijk in de Vegte, February 24, 2025

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uw onderhoudspartner Lenferink