Why would firms engage in urban regeneration projects?

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Abstract

Urban regeneration that combines integrated and place-based approaches increasingly aims at including public-private partnerships and the active involvement of companies in neighbourhood revitalisation. This is expected to contribute to regeneration in various valuable and sustainable ways including alleviation of public expenditure. As such public planners’ expectations to private companies are considerable and therefore the paper investigates the companies’ attitude towards engagement in neighbourhood regeneration and confronts this with the aspirations of public planners.

The study builds mainly on case studies in selected inner-district urban neighbourhoods. It combines a number of different data sets. Official statistical data and planning documents and analyses are used to get a general profile of businesses in selected neighbourhoods. Primary data are collected by means of individual and group interviews in private and public business firms, observations at local business or neighbourhood meetings, etc.

Findings confirm that there is considerable incongruity between the views of public planners and company managers as regards what is at issue in the neighbourhood. Furthermore, corporate social responsibility is very often a matter of self-interest whereas local engagement is often considered irrelevant or a matter for public authority. Finally, there is a significant gap of knowledge of the other part between planners and local companies respectively.


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Introduction

Previous studies show that public urban renewal investments may trigger private developments and investments up to five times the size of the initial public investment (Jensen 2009). Likewise, it is evident that ongoing business activities in an urban neighbourhood or district may have significant effect on its development in many ways, positively as well as negatively. It appears, however, that it is less evident to urban and urban regeneration planners that companies and organisations, private as well as public, may be of many different kinds and consequently should be expected to interact with the urban environment in quite different ways. Whereas most would agree that more collaboration between firms of an urban district and public authority could be beneficial to the district, it seems less evident that private firms do not see it as their prime objective to take part in public service delivery. Thus, when it comes to corporate social responsibility in the context of urban neighbourhood regeneration, there may be a serious mismatch between what planners and policy makers envision compared to the views of actors from within the business sector. The objective of this paper is to explore this in more detail.

Throughout the past two-three decades urban regeneration planning has increasingly establishes as a matter of fact that there is a need for integrating all sorts of contributions and efforts from public sector as well as local business and the non-profit sector. This is desirable because lower public spending needs to be supplemented but it is also assumed that higher degree of interaction and inter-relationships between local business, residents and public institutions may further a stronger self-reliance and thus result in more sustainable regeneration results.

In recent years, corporate social responsibility, CSR, has emerged as a way for companies to relate to their environment by committing themselves to undertake social challenges that lie beyond the boundaries of the single firm. This may be expressed as a form of active and responsible corporate citizenship. Whereas traditional economists would maintain that the only social obligation that a firm may have is to run its business as efficient and profitable as possible to the benefit of its customers and shareholders, a contemporary view is that firms today are held accountable in a much wider sense. Customers and investors alike do not want to trade with companies that display free-runner behaviour by overturning social and environmental costs on other societal actors. Consequently, corporate social responsibility is as much a matter of self-interest as it is a matter of altruism.

Do jobs follow people or people follow jobs?

The new economy that followed after the decline of the industrial or Fordist era of the 1960s and 1970s is characterised by new industries and markets where turnover time is accelerated, competition intensified and consumer attention diverted against brands, images and experiences (Allingham, 2009). In terms of local economy and urban development it appears that many if not all urban planners imagine that every urban neighbourhood can and should be converted into agglomeration of creative and knowledge-based businesses. These appear attractive first of all because they are not in decline at least until the autumn of 2008. However, whereas growth rates are high the total volume of firms and employees in these industries is quite limited and many disappear almost as fast as they appeared in the first place.
In many European cities it is currently a widespread conviction that if only the local supply of (upscale) amenities is abundant and attractive then the much demanded knowledge and creative workers will move in and knowledge-based and creative companies will follow shortly (Florida 2002). Today very many Danish cities as well as towns expect the knowledge-based and the creative economies to be the answer to almost any question related to city planning and urban regeneration and economic growth (Kreativt Forum, 2009, Mathiasen, Poulsen & Lorenzen, 2006).

Gulman (2005) similarly states that, competition between cities is not about attracting businesses but about attracting citizens. Companies will establish if they find that the city actively strives to attract manpower with the relevant competencies and qualifications. Consequently, one should expect that if a city, or an urban neighbourhood, because of physical and social deprivation following from economic restructuring and immigration, is in need of up-scaling it is a matter of changing the residents with people with better qualified manpower, in other words gentrification. Gulman adds nevertheless, that presence of land suited for business development, clear overall planning and, most importantly, social and economic stability is what in the long run best assists economic growth in both incumbent and start-up companies as well as in cities. In many deprived urban neighbourhoods subject to various regeneration efforts, these are not at all the main characteristics with the possible exception of plenty of (contaminated) land for (re-)development.

Recently it has been questioned, though, whether jobs actually do follow people or people follow jobs (Storper and Scott, 2009). They criticise the currently very popular idea that urban economic growth and change is driven by amenities for being much too simplistic and that strategies for urban regeneration with such a point of departure are likely to be ineffective if not counterproductive. For example, the existence of highly qualified technical and scientific professionals alongside a mass of low wage non-qualified and often immigrant workers is not an accidental outcome of the new urban economy. On the contrary these two are most likely complimentary segments where one would not exist without the other. Unfortunately, this is also to a great extent the source of many conflicts in urban life and governance over social issues, crime, schools, and the very development in urban neighbourhoods (Storper and Scott, 2009:164).

As to whether people or jobs come first there is ample evidence that some sort of economic structure has to be in place before opportunities exist and an inflow of people commences causing, in turn, new firms to establish which in turn attracts more people. This was the case in Silicon Valley, Hollywood, London's financial district and most other places, not the opposite. Likewise, crises in a region, city or neighbourhood occur when jobs disappear, not because inflows of people cease (Storper and Scott, 2009:162). This is not to say that the one answer is more correct than the other but rather to underline that abundant supply of (qualified) labour may be a necessary prerequisite but it is not sufficient to spur economic and social development in a neighbourhood. Industrial agglomeration develops gradually through complex and interactive processes involving investment cycles, network creation, labour market dynamics, infrastructure, public regulation and a host of other factors.
If a city, or an urban neighbourhood, is less favoured as regards the quality of labour supply other factors may become relatively more important as to stimulation of economic growth, local employment, and cohesion building (social capital, trust, etc.). In order to examine the potential for collaboration, the ability and motivation of private (and public) companies to engage in corporate social responsible activity in relation to their own urban neighbourhood we need first to go a step further in the theoretical explorations.

**How local are local businesses? How do they relate to the local environment?**

Relational approaches have grown in popularity in economic geography as well as in a range of other disciplines such as management science, organisational sociology and innovation studies. This obviously has to do with that no firms any longer, if ever, can be viewed as independent entities, 'black boxes', producing outputs from inputs. Literally every step in the production process – be it in manufacturing industry or services, knowledge-based and creative or routine manual or automatic processes – are more or less related to or inter-linked with external collaborators, suppliers, vendors, authorities, competitors, etc. through networks and both formalised and informal collaborative relations. Many of these relations develop independently of place and space at national or global scale. The question to be examined now is whether these external links or networks of the individual firm also have a significant local (neighbourhood) dimension and whether this implies that firms would consider engaging in urban regeneration activity.

The nature of the relationship between a city or a city neighbourhood and its business, between companies and their place, naturally has a number of dimensions. No matter how trivial it may seem, it is core to acknowledge that business at the local level is set within a context of national and international forces that influence local opportunities. Whereas the possibilities at the local level of influencing the market's development obviously are very limited it does however not imply that "local economies are simply victims of unknown forces" (Blakely and Bradshaw, 2002:49).

Previously it was commonly held that a local economy is a local economy is a local economy. This might have been true to the extent that some products and particular some services traditionally were produced locally with local manpower and inputs. However, neither national markets nor globalisation are new phenomena and there may be much romanticism associated with the role of business in local neighbourhoods. Even the most locally oriented and smallest convenience store, kiosk or pizza outlet, of which most today are owned by immigrants, belongs to clans or families that are associated with social or economic networks that span far beyond the neighbourhood.

Even the local labour force is compartmentalised between segments of different skill levels. (Blakely and Bradshaw, 2002:49). That there is no such thing as a local labour market and a local economy, makes the challenges confronting the neighbourhood regeneration process more complex than before. Naturally parts of the local economy do relate to a local labour market, especially within services such as fast food restaurants and shops, certain kinds of repair workshops, bakeries, groceries and supermarkets as well as some kinds of public services such as kinder gardens. This labour market does not, however, share many if any features with other segments of the local labour market that is oriented towards various specialised industries.
Therefore there is a need to be specific and concrete when analysing and planning for local business development in conjunction with other efforts to improve economic and social conditions in an urban neighbourhood. It is necessary to exert a differentiated view of the enterprises in a district, to distinguish between different categories of firms, as not all company types are well-suited for, or interested in, extended relations with the local environment. It is often seen that, both in the case of the relationship between citizens and city and between companies and the city, both in the literature and in policy making all citizens and business types are seen as homogeneous groups with uniform needs and wishes. We propose a categorisation of business firms in urban neighbourhoods that separate between different categories of firms according to the character of their connections to the local environment and the nature of the business firm itself.

Categorisation of firms' local linkages and potentials for augmentation

We need to develop a categorisation that combines the character of the individual enterprises in the local urban area with a systematic account of its relations to the local environment.

As regards the character of firms Malecki (2009) proposes, in a paper on geographical environments for entrepreneurship, to make a distinction between two main types of firms: Firstly, survival firms that exist out of necessity; the owner needs the firm to generate an income and he/she is often closely connected to and committed to a location. Second, growth firms or growth entrepreneurs contribute greatly to economic growth and job creation. These are also known as gazelles, rapidly growing firms, but they are not necessarily closely connected to their locality, whereas they often address national and global markets.

We should add a third category of firms as not only start-ups and new firms are interesting from a neighbourhood relations point of view. Also large, incumbent firms may still be able to grow and, more importantly, trigger economic demand effects in the local economic environment. This demand may be 'hard' in the sense that it originates directly or indirectly from the value chain of the firm or 'soft' in the sense that it is primarily the employees of the company that demand certain services in the local economy, e.g. visit local cafés for lunch or business meetings, before going home in the afternoon they shop in local supermarkets, use local hairdressers, have car fixed, etc.

When it comes to local firms' relations to their local environment if might similarly be useful to distinguish between a 'hard' and a 'soft' dimension. The hard, or tangible and objective type of relation includes exchange of services and products including public services such as cleaning of streets and other public spaces, crime prevention, etc. They also include non-traded assets such as ample parking space, accessibility by public transport and car and property-related issues such as sufficient space in buildings and properties to accommodate company growth.
What we want to explore in the empirical study is to identify and describe the characteristics of different categories of links between private and public firms and their place according to the above taxonomy. As a consequent we expect certain firm relation types to be more common than others. Subsequently, with departure in the most predominant categories and the intrinsic interests of firms in these categories, we aim at identifying potentials for extended collaboration and connections between firms and neighbourhood.

Corporate citizenship and corporate social responsibility
In a more normative or prescriptive effort where a place-based neighbourhood regeneration initiative aims at increased interaction with local businesses, it involves defining new local activities that firms may see a self-interest in embarking upon. This requires that public regeneration planners listen to the needs and wishes of local businesses, just as citizens and voluntary associations are listened to when participatory planning approaches are employed. Such inquiries addressing individual businesses could include issues such as (Puntenney, Kretzmann & McKnight, 1996):

- Is there a potential for a link between the business and a local supplier?
- Could the business be linked with a local upper secondary school so that young people could learn about jobs and labour market?
- Could the business encourage its workers to participate in a local community project?
- Could the business be linked with local police to promote a safer community?
- Could the business be convinced to sponsor a local children’s football team or similar activities for children and youth?

Methodology and data
We have employed multiple methods when gathering data in order to have quantitative and qualitative methods supplement each other. These encompass statistical, review of planning documents and analytical and evaluation studies, field observations and observations at local meetings between businesses and planners in addition to interviews with public regeneration planners as well as individual business firms of different kinds.

Analysis focus on two selected urban neighbourhoods both subject to publicly subsidised, place-based, integrated regeneration projects. Thus the case studies include an inner city district in Copenhagen, previously a major industrial district within car assembly, electrical equipment manufacturing etc. Today several previous industrial properties have been converted into sites for social housing estates which add to the existing stock of social and cooperatively owned housing properties. As regards business most is now small and medium sized firms within industries such as automobile distributors, various kinds of repair workshops, printing workshops together with
public education institutions (colleges, university departments) and a number of start-ups within the so-called new economy industries.

The other originally selected case study neighbourhood, located in a provincial town, has a slightly similar profile, however with a much lower number of work places. Unfortunately the regeneration project in the area was postponed for two years and consequently we are currently in the process of identifying another case study area.

As yet, data collection is thus not fully completed. Consequently, presentation of results, analysis and conclusions in the following is still preliminary. Therefore comments, criticism and suggestions are much welcomed.

Case study: A metropolitan neighbourhood under restructuring and regeneration

The change from an industrial to a post-industrial (or post-Fordist) economy – whether one prefers service, information, network, knowledge or creative economy as label for the current predominant characteristic of the economy– during the last two-three decades has dramatically changed the urban situation of cities globally as well as single neighbourhoods of Danish cities. Those urban areas that were most profoundly integrated in the industrial economy obviously felt the impact of change the most. As such one of the case study areas, Haraldsgade situated three kilometres from the city centre of Copenhagen, illustrates clearly the decline from major site of prominent manufacturing hotspots such as the last car assembly factory in Denmark (GM), a major machine factory (Titan) and the biggest Danish electrical equipment factory (Laurids Knudsen, 4000 employees) to present day inner city district with emptied factories, many small and medium-sized companies and big public institutions within education and administration in addition to housing estates from 1980s and 1990s, now already in relative social decline.

In its industrial heyday from 1950 to late 1970s the big factories influenced the neighbourhood substantially as the number of employees was very large and many of them lived nearby thereby keeping numerous small and specialised retail and repair businesses alive. Whereas the railroad at the northern edge of the district was the major localisation factor in the post-war economic growth era well-functioning infrastructure, now in the form of accessibility by car and public transport, is even today the major factor in business localisation - in combination with relatively low property rents compared to more centrally located city districts.

Traditionally the Copenhagen inner city district Haraldsgade hosted lots of businesses including both large manufacturing industries and small scale workshops of almost all kinds in combination with different forms of housing condominiums, student dorms, social housing, etc. The development of the area started in late 19th Century after the military allowed construction of permanent building outside the fortifications of Copenhagen. Whereas some parts of the district were relatively well planned other parts developed much more haphazardly, partly due to the fact that a few large and very profit-oriented landowners controlled major properties. The area was not fully developed until mid 20th Century. The nearby railroad and general very good accessibility was, and is, a major attraction parameter for business location. Even today a few big landowners own important and large properties in the district. Thus, the University of Copenhagen and the City of Copenhagen
own major and centrally located properties of which a significant share is still occupied by a range of different types of small-scale factories and workshops. These small and medium sized businesses are favoured by the relatively low rent level which, on the other hand, is caused by short-term contracts ranging between from a few months to eight-ten years.

The neighbourhood is atypical in the sense that it is an inner city district with relatively many workplaces compared to the number of inhabitants. These encompass a range of firm sizes, industry types, private and public companies, etc. and range from firms with very local markets to the national headquarters of an international auditing corporation (now having decided to move out due to lack of space for extension of the firm).

A significant share of companies in the area is automobile dealers, automobile repair workshops and various other repair workshops, specialised printers and similar specialised, small-scale manufacturing firms addressing specialised markets far beyond the neighbourhood.

Services and retail for consumers include supermarkets all owned by major supermarket chains. In addition to these there is ample supply of small-scale businesses within personal services such as hairdressers and sun centres together with petrol filling stations/kiosks combined, downmarket retail shops in various branches, tobacconists, pizza bars, sun centres, gaming cafés/internet cafés, kiosks, convenience stores, bakeries, etc. There is a visible lack of cafés and restaurants but quite a few traditional pubs. Very many of these are survival enterprises even if they have existed for decades. They do not grow, some of them change owner regularly and some disappear for good.

In some of the abandoned manufacturing buildings several growth-oriented firms have established during the last decade within innovative, creative industries like film making, fashion industry, computer services and related areas. Some of these are clearly specialised upmarket firms while others rather have character of garage firms.

Finally there are a number of big office workplaces in public companies, particularly within higher education and government administration as well as a few within private accountancy services and similar.

**Objective of public regeneration project as regards business**

One of the core values of the neighbourhood, according to the visions and aims of urban regeneration project plan (Haraldsgadekvarteret 2007), is the mix of urban activity types and functions, i.e. large amount of housing in combination with, for an inner city district, relatively many workplaces in relatively many industrial sectors. This is viewed as potentially asset, provided that stronger linkages between private and public enterprises and the neighbourhood can be established.

Områdeløft vil gerne, lige som enhver kommune i landet, tiltrække flere arbejdspladser og naturligvis hellere den ny økonomis ‘kreative’ arbejdspladser end industri- og servicearbejdspladser med fremtiden bag sig. Den type arbejdspladser vil imidlertid ikke kunne tilbyde beskæftigelse af lokale, for når den lokale beskæftigelsesgrad er lavere end gennemsnittet i byen, skyldes det, at indbyggerne har færre kvalifikationer. Områdeløftet håber dog på
at virksomheder med høje kvalifikationskrav kan medføre øget efterspørgsel efter manuel service for personer uden kvalifikationer, f.eks. i caféer o.lign.

Desuden ønske områdeløft beskæftigelse af lokale unge i ’lommepegejob’ i lokale virksomheder ud fra en ide om, at et bedre gensidigt kendskab kan bidrage til at reducere kriminalitet og desuden beskæftige unge løsgængere. Indtil videre er erfaringen ofte, at den slags deltidsjobs formidles gennem virksomhedernes ansattes personlige netværk, som ikke er lokale, fordi de ansatte ikke er lokale.

Disconnected policy domains
Whereas there is some success with the integration of public policies on social issues, crime prevention, youth and labour market issues in many place-based urban regeneration programs, it appears to be much more challenging to integrate these with extended collaboration with local business. Public-private partnerships have been on the policy agenda for quite a few years now, but in a more formalised form these are still rare when one moves beyond the spheres of facility management and certain types of public service provision.

From the interviews we have detected some reasons for this: In the city administration policies for business development are almost completely separated from the central unit for area-based initiatives as well as from social policy units etc. Although business development, support to local entrepreneurship, attraction of business investments and start-ups are all recognised as both strategic planning tools and core ingredients in integrated place-based projects, these activities are not related to urban regeneration. At best, it is recognised that there is a link between local supply of housing, shopping opportunities and cultural and leisure products and events on the one hand and the potential for attracting manpower to the labour market.

**Relationer mellem virksomheder og kommune**

Eventuelle netværk mellem kommunen og kommunens virksomheder drejer sig sjældent om byfornyelse, områdeløft og sociale opgaver, men mere om, på den ene side, muligheder og rammer for erhvervsoekonomisk udvikling og vækst herunder adgang til kvalificeret arbejdskraft eller, på den anden side, skattespørgsmål, byggesagsbehandling, miljøproblemer og (manglende) kommunal service. Hvis der skal etableres et samarbejde mellem et kommunalt byfornyelses-områdeløft og virksomhederne i et byområde skal der ofte startes på bar bund, for kommunens byfornyelsesmedarbejdere har ikke forudgående kendskab til kommunens erhvervsliv endslige de konkrete brancher og virksomheder. Også internt i kommunen vil områdeløftets medarbejdere ofte mangle relationer og kontakter til relevante afdelinger og medarbejdere inden for erhvervsudvikling og – service. Et eksempel på det modsatte, og en illustration af betydningen af at have et netværk i forvaltningen, er fra Haraldsgadekvarteret, hvor en trivial sag om flytning af en mindre forsyningssnet-installation af hensyn til en virksomheds adgangsforhold havde afventet kommunalt svar i flere år. I kraft af tidligere personkontakter i forvaltningen, fik områdeløftet kommunen til at foretage flytningen i løbet af et par uger.


**Virksomhedernes eksterne relationer til andre virksomheder og til omverdenen generelt**

Virksomhedernes netværk omfatter typisk leverandører og kunder samt eventuelt horisontale relationer til virksomheder af samme type. Selv om mange virksomheder kan have haft adresse i området i mange år, række deres relationer til omverdenen typisk uover området, medmindre de har et meget lokalt marked (fastfood, kiosker, spillehal, solcenter, bodega, dagligvarer) og selv i de tilfælde er leverandørerne typisk ikke lokale. I Haraldsgadekvarteret handler en del virksomheder med store eller dyre produkter, f.eks. biler, hvor kunderne er spredt over et opland, som er meget større end Haraldsgadekvarteret. Området er veleget til den type virksomheder, i kraft af beliggenheden ved flere indfaldsveje, som giver en god tilgængelighed for biltrafik, den relativt gode plads med store grunde til en rimelig husleje, osv. I Hobro talte vi med virksomhed, som har et stort regionalt marked (og endda kunder helt fra Aarhus, fordi man fører nogle bestemte mærkevarer) men som i øvrigt ikke har et egentligt lokalt netværk. Virksomhedens netværk er med leverandører og kunder. Leverandører kan være nationale eller internationale. Ikke engang relationer til finansieringsvirksomheder er lokale, angiveligt fordi lokale banker er tæt engageret med konkurrenter. Relationer til kunde-
Inter-firm connections

In the neighbourhood there may be many sorts of economically important relations, links, and contacts in-between different private firms without them.
necessarily being formalised as buyer-supplier relations or other contractual means.

- supply for support services (cleaning, cantina, business gifts …)
- employees shopping in local supermarkets
- employees using local cafes, personal services, repair workshops
- ...
- ...

Conclusion

- Private firms’ interests in closer connections and relations between firms and neighbourhood/city
- Categorisation of firms
- Categorisation of relations
- City's interests in the same
- Enabling factors for a better collaboration between city (neighbourhood) and companies
- Neighbourhood projects as Catalyst, disseminator, promoter, enabling organisation?
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