

If not growth what then? Re-thinking the strategy process for shrinking cities

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Introduction

The preceding chapters provide a wealth of examples which show how municipalities, citizens and businesses make strategic choices to address their particular urban shrinkage problem. These examples illustrate that the call for targeted action to develop the capacity of municipalities to generate viable forward strategies in a context of continuous socio-economic decline (Bernt. M. *et al.*, 2012; Bontje and Musterd, 2012; Großmann *et al.*, 2012) is urgent and justified. The rapidly growing number of reports and studies on urban shrinkage suggest that those who contribute to strategic debates on the future direction of a city are strangely unfamiliar with the dynamics and impacts associated with long term socio-economic decline. However, there is also evidence that leaders of declining cities ‘recycle’ strategies which might have worked in the past or which reflect the interests and priorities of funders rather than a realistic assessment of existing assets and capabilities (Schlappa and Neill, 2013; Rink *et al.*, 2014). Such responses can be attributed to a number of factors, including denial of the reality of decline as well as EU policy which focuses on locations perceived to be capable of generating ‘growth’. The persistent failure of initiatives that were intended to reverse the decline and pull the city back to a previous development trajectory characterised by prosperity and economic growth are another reason for the difficulties encountered in creating viable forward strategies. A further explanation is that mainstream strategic management thinking and practice are based on assumptions that there are always opportunities to improve the status quo, provided the right strategy is adopted to ‘boost the economy’. But what about strategy in a context where there can be no realistic expectation of ‘economic development’ in its broadest sense? If it’s not growth we are aiming for, what then?

Certainly, we can enhance funding for declining urban areas in the hope that some of the existing socio-economic development models will address the causes and consequences in a coherent way. But the growth of urban shrinkage and the failure of traditional approaches to foster ‘development’ to address decline points to a need for models and analytical tools that are different to those currently in use. This chapter aims to support the development of a new perspective on the strategy process which explicitly addresses the realities local actors face when attempting to arrest or reverse socio-economic decline. The model of the strategy cycle put forward here is based on the argument that strategy rooted in a context of continuous decline must break with dominant assumptions that strategy is about creating a continuous process of increasing prosperity and economic growth. The chapter concludes with arguments

for the need to develop the capacity of leaders from all sectors to develop strategy collaboratively so that locally appropriate and sustainable responses to shrinkage can emerge. This requires the provision of training and development for practitioners as well as educational programmes which promote aims that are not primarily concerned with creating prosperity measured in profit and narrow economic terms.

Barriers to developing strategic responses to shrinkage

Neoliberal criticisms of public agencies as being too big, too inefficient and too expensive have fuelled public sector reforms since the 1980s with the key ambition to increase competition and consumer choice while reducing the state. Strategy was to be market driven and leaders in this era of 'New Public Management' were praised for short term efficiencies, the ability to make deals and a focus on quick results (Pollitt and Bouckaert, 2004; Rhodes, 1994; Hood, 1991). Although the theoretical foundations of this doctrine have been fundamentally challenged in recent years (Osborne, 2010a; Denhardt and Denhardt, 2008; Taylor-Gooby, 2013) and there is broad acceptance that it is New Public Governance which captures contemporary collaborative practice in solving complex societal problems (Osborne, 2010b), we observe that the pre-eminent framework for strategy development in a context of budgetary austerity and ongoing economic crisis remains firmly stuck in old paradigms which promote a reduction of the state and the creation of competitive advantage (Buck *et al.*, 2005; Tomaney, 2009; Bristow, 2010). Neill in chapter 2 of this volume presents Detroit as an iconic example of a city where strategies of public budgetary austerity, deregulation and incentivised private development have left local government bankrupt and local communities devastated. While many shrinking cities may not encounter such extremes, encouraging private investment continues to form a central element of local as well as national strategies aimed at creating a way out of decline (Schindler, 2014; Peck, 2014).

Rink *et al.* (2014) argue that it is the sheer dominance of policy and investment models that are based on a logic of growth and profit which drives most shrinking cities to opt for strategies inspired by neoliberal thinking, rather than a fundamental questioning of the rationale and appropriateness of such neoliberal paradigms. Peck's arguments about the nature of 'Austerity Urbanism' (Peck, 2012) illuminate how the neoliberal discourse permeates strategic responses to urban shrinkage. The preferred solutions to shrinkage revolve around a reduction of social welfare and public services, improving competitiveness and putting responsibility for wellbeing and opportunity on the individual. Ongoing decline is seen to be a consequence of inadequate strategy and leadership and as such largely self-inflicted.

Since 2007 leading researchers and practitioners such as the International Research Network on Shrinking Cities (<http://www.shrinkingcities.com>) have called for a 'paradigm shift' in urban planning and development. Their arguments that markets as well as traditional interventions through financial and planning instruments are no longer appropriate to deal with urban shrinkage echo the current debate which points to the need for a departure from

traditional models of urban development. It seems that many decision-makers and practitioners continue to focus on 'linear' trajectories of urban development, which have their roots in confidence that successful local leaders can attract investment and create ongoing economic growth. The fallacy of such thinking is illustrated by the example of Altena in chapter 6 but also by other case studies which show that cities invest in the conservation of 'assets' which are more a testimony to the city's prosperous past than a resource for the future. Yet leaders of shrinking cities seem remarkably resistant to the adoption of strategies which tackle the causes and consequences of shrinkage head on. Rink *et al.* (2014) summarise their findings from case study cities in central and eastern Europe as follows:

It is striking that in the case of these four post-socialist cities from different national backgrounds, the main responses from urban governance towards urban shrinkage are, first, the non-acceptance or ignorance of this fact and, second, the attempt to reverse shrinkage into regrowth. Shrinkage is not seen as a reality that one has to accept and adapt to or that one has at least to consider seriously when planning for the future. It is, by contrast, seen as a temporary exception that has to be overcome as quickly as possible.

(*ibid.*: 274)

This inability to accept and respond to shrinkage can be attributed, at least in part, to the fairly consistent failure of past initiatives that were intended to reverse the decline and pull the city back to a previous development trajectory characterised by prosperity and economic growth. But there is another reason why cities struggle to develop forward strategies that are not based on notions of economic growth, namely the lack of strategic development models where decline is integral to and the baseline of any new vision for the future. Recognising that strategy is not about a continuous process of generating increases in prosperity and economic growth and that it must take into account the decline and demise of structures, processes and entire institutions provides the basis from which realistic plans for the future can be developed.

New perspectives on the strategy process

A model of the strategy cycle developed by Mintzberg *et al.* (2009) to explain the organisational eco-cycle provides a useful starting point to explore the strategy process in shrinking cities. Mintzberg *et al.* adopted Hurst's model of the organisational eco-cycle (Hurst, 1995) to show that the strategy process cannot solely be focused on continuous 'development' in terms of economic growth and increasing prosperity, but that decline and the demise of certain functions, processes and institutional structures must form part and parcel of the development and implementation of strategy. Even considering the 'death' of an organisation in its entirety must form part and parcel of the strategic management cycle which renews itself by working through crisis and constraint to create new choices. The idea of organisations being in an ongoing cycle between crisis and renewal reflects arguments of 'creative destruction' (Schumpeter, 1934) which stress the need for accepting that strategic

capabilities which generated prosperity in the past must at some point be replaced with new ways of doing things. Mintzberg *et al.* argue that strategic management must embrace decline and destruction as much as development and innovation if the organisation intends to stay aligned to its ever changing environment – which is, after all, the prerequisite for success and the core purpose of strategic management actions. The diagram below illustrates these ideas.

[[Insert Figure 13.1 here]]

The solid line in the model above represents the conventional ‘performance’ part of the cycle on which much contemporary management education and practice as well as public policy is focused. The dotted line represents the ‘learning’ part of the cycle, which is characterised by uncertainty and tension between the status quo and possible alternatives. Dividing the process into three sequences allows us to distinguish between predictable, intentional and goal oriented ‘development’ processes that can be expected to deliver desired outcomes. The ‘emergence’ and ‘constraint’ sequences, in contrast, present a departure from notions of continuity and suggest that the development of predictable forward plans is problematic at times of decline and also at times of innovative development.

This model is well suited to guide the strategy process in shrinking cities because they find themselves beyond a point where growth-oriented forms of economic and social development are effective. Investments seem to preserve strategic capabilities rather than create new ones. Choice is limited and strategic options are constrained. Leaders and citizens are confused, struggling to make sense of the failure of their attempts to improve the current situation while at the same time they lack a vision of what a more prosperous future might look like. Cities which find themselves at this point in the cycle need to set in motion a process of exploration through which new initiatives can emerge from the institutional, social and environmental resources that years of decline have left behind. Exploration is about searching, risk-taking, seeking variation, discovery and flexibility, and as part of strategic analysis it is about reconceptualising the purpose and functions of the city in its current context. Hence we need to conceive of this stage as being a learning process that is collective in nature, and one that draws heavily on the contribution of citizens, businesses and public agencies. The chapters in this volume illustrate very well the many ways in which local stakeholders can become engaged in strategic planning processes, ranging from social enterprise to the downsizing of utility service infrastructures. There are also many techniques which specifically facilitate collaborative strategic thinking, such as Charrette workshops for example (Parham, 2011; Anderson *et al.*, 2010), which help stakeholders to re-envision the future of a city in ways that are not predetermined. This means that public, civic and business leaders need to be seeking variation, discovery and risk, accepting that the outcomes of such explorations will most likely lead to strategic choices which are different to those which were pursued in the past. A good example is the case of Altena, described in chapter 6, which went through such a process, creating a collaborative exploration to re-envision its future and generate a coherent strategy to counteract the dynamics of 30 years of decline.

Innovation and experimentation are primarily emergent actions and similar to the discontinuous and unpredictable changes taking place at times of crisis. But unlike the right hand of the cycle, emergent actions create strategic choices. There are multiple types of innovations possible, and social innovation is seen to be of critical importance (Centre for Social Innovation, 2010; Pol and Ville, 2009). Given the limited resources available to those who are leading public, civic and commercial institutions in shrinking cities, their ability to mobilise their stakeholders to facilitate social innovation would seem crucially important to attempts to generate new solutions to the protracted problems they face.

Part and parcel of innovation are entrepreneurs who experiment with new business or service models, such as social enterprise (Defourny and Nyssens, 2008) or who work from within established organisations to alter bureaucratic structures and create new collaborative alliances (Radnor *et al.*, 2013). Given that conventional approaches towards regeneration have largely failed in shrinking cities they can be expected to provide fertile ground for all manner of innovation and entrepreneurship and there are many examples of how this can be achieved. What is lacking, however, is an explicit connection between strategic analysis focused on re-envisioning the future of the city and the resulting emergence of innovation and experimentation. The adoption of the model of the strategy cycle put forward here would support the analysis and exploration of such connections.

The innovation and experimentation stage of the strategy cycle is characterised by trial and error, hence it is unlikely that all innovations will succeed. Over time competition and available resources will lead to a selection of locally appropriate products, services and the organisational or governance processes most suitable for them. It is at this point that a switch to conventional strategic management tools is required which are based on goal oriented, purposive intentional and rational actions. The distinct theoretical perspectives that underpin such traditional strategy actions are well understood (Mintzberg *et al.*, 2009; Shafritz, 2001) and it can be expected that many actors involved in local strategy have some notion of the tasks associated with strategy development and implementation. However, the challenges associated with the development of innovative, locally appropriate strategic responses to shrinkage should not be underestimated, in part because individuals who lead local institutions have most likely not received much training to define outcomes, time frames, resources and targets for interventions that are not aimed at economic growth and enhanced competition. But there is also a danger that the exploration of new options is dominated by actors experienced in the rational, purposeful and goal oriented implementation of strategic choices that have already been made, posing a potential barrier to the creation of new choices which are fundamentally different to those that have failed to address shrinkage so far.

Discussion

In a context where there is very limited scope for ‘growth’ in its traditional economic form, new models are needed for economic and service strategy as well as institutional development. But shrinking cities cannot simply jump from crisis to choice. In order to create

realistic choices it is essential that local capabilities, institutional frameworks, cultures and assets form the foundations of strategy in shrinking cities. This volume contains a rich source of examples where cities have accepted decline and adapted to it in positive ways, and by departing from standard perspectives on 'growth' they are beginning to demonstrate that essential issues such as work, services and the environment can be tackled differently. Instead of adopting the latest ideas on generating economic growth and prosperity which might work effectively in places that are not in decline, thus adding to the suite of initiatives that require resource inputs, the example in this volume show that shrinking cities have the capacity to use their resources and capabilities differently. Overcoming the denial of stagnation, decline and shrinkage is the starting point for stopping the process of putting resources into the conservation of capabilities that brought prosperity in the past and for starting the development of a vision that presents decline as part of a process that leads to a sustainable future. But as long as the management of 'crisis' is perceived as separate and second best to the management of 'growth' the leaders of shrinking cities will struggle to rally the resources of their stakeholders to make their city a better place to live.

Changing the way leadership is perceived and practised would go some way towards assisting those involved in the governance of shrinking cities to create a strategy process that progresses from crisis to choice. Gibney (2013) points to the importance of exchanging competitive prescriptions of winning, out-performing rivals and 'us versus them' for a concern for a more socially responsible and inclusive view of leadership:

In summary, this 'new' leadership of place is concerned with: facilitating interdisciplinary working across institutional boundaries, technology themes, sub-territories and professional cultures to promote the development of sustainable local economies; and ensuring the comprehensive engagement of local communities so that they can both contribute to, and benefit more fully from, the outcomes (avoiding the danger of exacerbating social polarization).

(ibid.: 25)

Yet the practice of dealing with socio-economic decline in shrinking cities does not seem to draw on such ideas, despite compelling arguments that strategies aimed at arresting and mitigating the socio-economic impacts of decline need to focus on local resources as well as institutions and networks that facilitate reciprocity rather than pursuing individual gain (Peck and Tickell, 2012).

Successful leaders have learned how to deal with the left hand part of the strategy cycle shown here and it would seem that much strategic management thinking is focused on the creation and exploitation of opportunities that lead to growth and prosperity. The management of decline, in contrast, seems to be seen as an exceptional situation that needs to be avoided and if that is no longer possible the situation requires a 'turnaround' towards growth. A cursory review of contemporary textbooks concerned with strategic management shows that the tool kit associated with the management of decline consists of concepts such

as ‘downsizing’, ‘consolidation’, ‘de-layering’ and ‘re-engineering’ – all intended to cut unnecessary functions, structures and processes in order to return to growth. Translated into current ‘New Public Management’ practice this means reducing the capacity and capabilities of public agencies, deregulation and incentives for private investment, which then result in incoherent strategies that are not addressing the causes and consequences of decline – Detroit is one such example (see chapter 2 in this volume) but there are others (Rink *et al.*, 2014).

While it is important to recognise that shrinking cities struggle with making a connection to the part of the cycle which engenders innovation, experimentation and the exploitation of new opportunities which might lead to some regrowth or at least assist the city in proactively steering the shrinkage process, there is a danger in seeing the management of crisis as being separate from the management of growth. If strategies that create choice, innovation and entrepreneurship are for growing or ‘successful’ cities, it follows that cities without growth potential are doomed to manage perpetual crisis and ultimately the death and abandonment of the city. Such a stance is clearly not tenable but, most likely unintentionally, much of the current 2020 European Union policy on economic growth seems to support the notion that investments need to go to areas that have growth potential. Instead of relegating strategic management in shrinking cities to processes which aim to control and contain ‘crisis’ we must encourage and support local leaders to embrace crisis as part of a process of renewal. Renewal not in terms of attempting to copy what successfully growing cities are doing, but renewal of ideas about how we can collaboratively search for new questions and also new answers on dealing with shrinkage and decline. Thinking about and debating new ways of doing things is inevitable, emergent and full of uncertainty. It requires the most highly developed leadership skills to turn a discourse rooted in generations who have encountered socio-economic crisis and ongoing constraint into a vision for the city’s future that captures the imagination and energies of the people.

Implications for research, teaching, policy and practice

Shrinking cities are cities in transition. Current economic and demographic forces have a transformational impact on most urban places and there is no rational argument as to why these forces cannot be turned into constructive ones in places of decline. The results of the URBACT II capitalisation process reflect findings from other research projects which acknowledge that urban shrinkage will become a reality for many places in Europe and argue that urban shrinkage demands new approaches to urban planning, design and management. In particular it would seem imperative to activate and engage citizens to contribute to governance, place-making, service co-production and the social economy given that public agencies are progressively less able to provide the levels of service required.

It is of course profoundly difficult to find a strategic ‘fit’ when the trajectory is one of continuous decline, particularly when there seems no way of achieving a position where there is choice, innovation and entrepreneurship. In a context where there is very limited scope for ‘growth’ of any kind, different models are needed for economic and service strategy as well

as institutional development. This volume contains a rich source of examples where cities have accepted decline and adapted to it in positive ways; by departing from standard perspectives on 'growth' they are beginning to demonstrate that things can be done differently. Overcoming the denial of stagnation, decline and shrinkage marks the beginning where limited resources are no longer invested into the conservation of capabilities that brought prosperity in the past. But as long as the management of 'crisis' is perceived as separate and second best to the management of 'growth' the leaders of shrinking cities will struggle to make urban shrinkage acceptable and to rally the resources of their stakeholders to make their city a better place to live.

The strategy cycle presented here provides a useful heuristic tool to help those involved in leading and governing a city to reflect on the position a particular issue occupies in the cycle and what the next step might be in order to move matters towards a stage where choices can be developed and then exploited. What is needed now is the provision of training in strategic management concepts that are not rooted in the primacy of growth and gaining advantage over others, but exploring collaboratively options for locally appropriate 'development'. The recently approved URBACT III programme would provide an excellent opportunity for such 'capacity building', among practitioners currently fighting decline in shrinking cities, but also those who are not yet facing or admitting that decline rather than growth is the most likely future development trajectory. We cannot stop there, however. The next generation of chief executives, council leaders, mayors and social entrepreneurs need to be equipped with conceptual and practical tools that allow them to explore and exploit non-growth developments which bring benefits to local populations. This means bringing topics such as social capital, social entrepreneurship, collaborative practice into the mainstream of strategic management teaching while integrating current debates around sustainable growth (Jackson, 2009) and the post-growth economy (Paech, 2012) into our research and, perhaps more importantly, the curricula for the next generation of managers, planners and politicians. Undertaking more research on how to move from crisis to choice in contexts of severe constraint would be a priority. Exploring innovative leadership approaches towards engaging local stakeholders in analysis, formation and implementation of strategy should equally be pressed for. As should a change in our curricula to help us create reflective leaders of the future who can see the value of exploiting developments that do not lead to growth and prosperity in purely profit and narrowly economic terms.

Shrinking cities are not just places of intractable problems, they are places of opportunity as well. The examples in this volume show that we do have an opportunity to restructure many of our towns and cities in ways which enhance urban landscapes, buildings and services. But our findings, and those of other experts concerned with urban shrinkage, suggest that the development of a realistic vision and a set of sustainable strategic choices poses serious challenges for the leaders of shrinking cities. It would seem that we are moving towards a paradigm shift away from a growth-oriented view of urban development to an acceptance that strategy concerned with 'non-growth' offers viable and realistic options. However, most EU policies, such as Europe 2020, and state-level fiscal, regulatory and economic policies, are not designed for shrinking but for growing cities. We join other authors who have argued for

the need to adapt policy instruments in ways which reflect the realities of shrinkage. Without a paradigm shift on these higher policy levels, shrinking cities will continue to swim against the tide of mainstream socio-economic policy in Europe.

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