

## **Re-thinking the strategy process for shrinking towns**

Excerpt from Neill and Schlappa (2016) *Future directions for the European shrinking city*, Routledge

### **Introduction**

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. 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). The increase of settlements that are stagnating or shrinking and the failure of traditional approaches to foster ‘development’ points to a need for models and analytical tools that are different to those currently in use. This paper puts forward 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 a continuous increase in prosperity and economic growth.

### **Barriers to developing strategic responses to shrinkage**

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). 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. 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 (Peck, 2012).

Since 2007 leading researchers 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. Yet

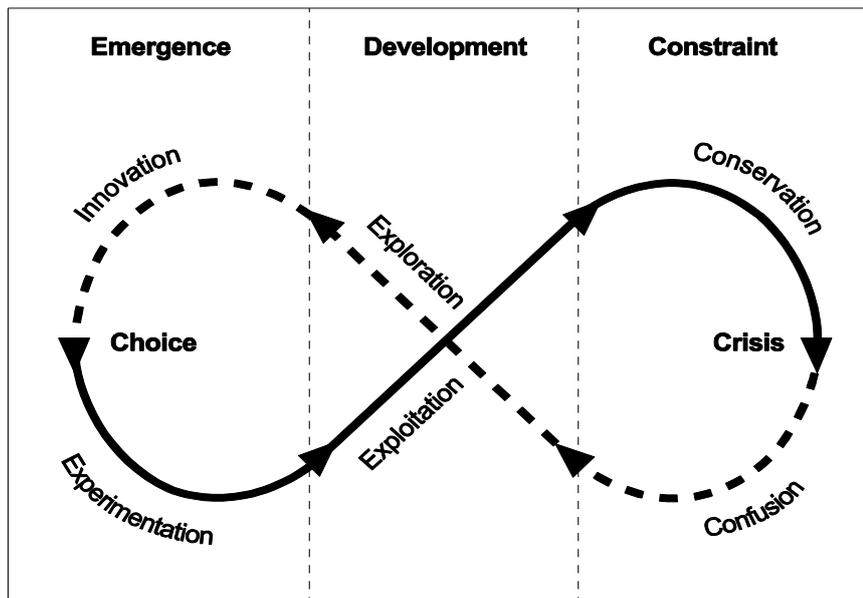
leaders of shrinking cities seem remarkably resistant to the adoption of strategies which tackle the causes and consequences of shrinkage head on. Rink *et al.* (2014) summarise their findings from case study cities in central and eastern Europe as follows:

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 urban strategy is not about a continuous process of generating increases in prosperity 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.



Model of the strategic management cycle in shrinking cities based on Mintzberg et al (2009)

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.

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 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 competitive advantage.

## **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. Instead of adopting the latest ideas on generating economic growth and prosperity which might work overcoming the denial of stagnation, decline and shrinkage is the starting point for stopping the process. However, 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 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).

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 and state-level fiscal, regulatory and economic policies, are not designed for shrinking but for growing urban settlements. 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 and elsewhere.

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