Corporation-led Urban Development

Motives for multinational corporations to engage in Urban Development Projects

Reflections on Research
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Reflection

In this document I reflect on the value of this research on Corporation-led Urban Development, its findings and on the process of conducting it. I reflect on the scientific and societal relevance in retrospect with the experiences of this research process and related to existing literature and expert opinions. I also reflect on the methodology: the validity of the outcomes of this study and the limitations of the methods, tools and analyses.

1.1. Relevance

1.1.1. Scientific relevance

The research proposal elaborated on a fairly new phenomenon that is recognised by academics, media and critics in which multinational corporations start engaging in urban development projects. This phenomenon seemed to be part of the phenomenon of Private Sector-led Urban Development, as studied by Heurkens (2012), who states that in this form of urban development private actors adopt a leading role in and public bodies take on a facilitating role in steering the development of an urban area. Some academics, like De Zeeuw, Franzen and Mensink (2013) consider the phenomenon of Corporation-led Urban Development as an opportunity to alleviate the problems that occur in the (Dutch) urban development market, while some critics are worried about the influence these corporations will have on the living quality in the developed urban area. However, these envisioned opportunities or threats could not be substantiated as theory lacked on the background of this phenomenon. This research provides a first exploration of the field of corporation-led urban development, focussing on the motives and goals of these corporations to engage in urban development projects and the roles they adopt in them. This brings the scientific field of Urban Development a step closer to substantiating potential opportunities and threats offered by Corporation-led Urban Development.

This study shows that there seem to be two ways in which corporations engage in urban development, profiled as Developing Multinationals and Technological Partners. It seems that the developing multinationals can be considered to be Private Sector-led Urban Development, as corporations that obtain this profile take on a leading role in steering the urban development process. The Technological Partners however, only adopt the role of an advisor and do not take on a leading role in steering the urban development process. Therefore, these cannot be classified as Private Sector-led Urban Development. As elaborated in paragraph 8.6, urban development projects led by Developing Multinationals can be valuable. This value adds to the value of Private Sector-led Urban Development as it represents one form of this type of urban development.

Although the time span of this research was too short to thoroughly investigate the relationships and collaboration forms that are established in Corporation-led Urban Development, the results show that these relationships and collaboration forms do not seem to deviate from the Private Realisation-model established in Private Sector-led Urban Development, as described by Heurkens (2012). However, the studied cases were all embedded in an Anglo-Saxon context, which might affect these relations and collaboration forms. This study’s results combined with the recommended further research in a different context, can add to the existing knowledge on the relations and collaboration forms established in Private Sector-led Urban Development.

As the background of this research subject is twofold, because it entails aspects from both the field of Corporate Strategies and Urban Development, this research used theories from both academic fields. These theories were linked in order to create insight in the field of corporation-led urban development. These linkages show that there are there are overlapping characteristics in both academic fields. This might bring these two fields closer together, which can offer mutual benefits for developing knowledge in these fields.

As theory on this specific subject lacked, analytical frameworks needed to be designed alongside the content based research. Designing these frameworks was an iterative process founded on progressive insights provided by the research findings. At the same time, these findings were subjected to the analytical frameworks. This
means that throughout the research there was a strong interaction between the research findings and the analytical methods. This also means that the analytical frameworks have only evolved throughout the time span and input of this research, and therefore there is a possibility that it is not complete nor decisive. However, the analytical frameworks and models provided by this research can help structure and steer further research on this phenomenon, provided that the researcher also uses this interaction between findings and methods to complete and validate the framework.

1.1.2. Societal relevance
As this research is relevant for different types of actors, such as multinational corporations, other actors involved in urban development and the wider societal context, this paragraph is split up in three parts: relevance for multinational corporations, the urban development practice and the society.

Multinational corporations
This study shows that performing Corporation-led Urban Development by adopting the profile of a Developing Multinational, can contribute to the strategic business goals of financially strong and independent multinationals that have incorporated philanthropic values in their corporation. This type of corporations seem to benefit from leading an urban development project as it offers long term return on investment and it contributes to realising philanthropic or socially responsible goals.

This type of development seems to be valuable for public bodies, as stressed in paragraph 8.6. When interviewing Siemens and Inter IKEA, both corporations denied to pursue the objective of Corporate Social Responsibility. However, this objective seems to offer valuable aspects for the urban development projects, such as, in the case of Inter IKEA, developing in an affordable way so many people can afford it and creating a sustainable community. In the case of Siemens, it ensures the advice and applications they provide are highly sustainable and future proof. These aspects were considered to be very valuable to involved public body (Dutton, 2014). When addressing the public bodies involved in potential urban development projects, it seems fruitful to stress out these objectives and the value that it can offer urban development projects. This might help aligning the interests of the corporation and the public bodies, which speeds up the negotiation and development process.

Urban Development Practice
As mentioned above, in the research proposal it was stressed that there are (financial) problems currently occurring in the Dutch urban development market. As large multinational corporations pre-eminently have a large financial capital at their disposal, they are capable of making large (scale) investments that only provide a return after a while, such as acquiring a large strategic land position. In this they differ from traditional developers and investors as these actors depend more on a quick return on their investments. When looking at the Dutch practice, considering the decrease of financial means on the public side, these corporations with a large investment capital and a long term (strategic and philanthropic) vision on the urban development project might be of great value for the urban development practice.

However, two issues might arise when trying to perform Corporation-led Urban Development in the Dutch urban development practice. The first issue is the fact that public bodies might fear that safeguarding the public interests in Corporation-led Urban Development projects might come under pressure once the multinational takes over several tasks and responsibilities that are normally performed by local authorities (Heurkens, 2012).
Heurkens (2012) provides an overview of several (already existing) instruments that make it possible for public bodies to safeguard public interests when a private actor is leading an urban development project. These instruments are depicted in Figure 62. These instruments and the above mentioned values should be kept in mind by public bodies when they are approached by a potential Developing Multinational.

The second issue is the fact that large multinational corporations are not popular because they are considered to be the cause of substantial social problems instead of drivers for societal wealth and well-being. Politicians and many other people think that they should not engage in solving social problems (Joe Zammit-Lucia and Lee, 2014). However, large multinational corporations cannot afford to neglect important cultural, social and moral issues. Therefore, as witnessed in the case studies, these multinationals incorporate corporate social responsible and philanthropic aspects in their corporate strategies. This study provides insight in the goals of multinational corporations to engage in urban development. The Developing Multinational seems to strive for long term return on investment and acting on its philanthropic values. These goals might appear contradictory, and therefore they might be perceived as negative or insincere. However, this study attempts to show why and how they act on these goals through engaging in urban development projects. When public bodies take notion of these goals they might have a better understanding of why these corporations want to develop urban areas and are able to judge whether these goals can be aligned with their own goals.

Society

It has been stated several times in this report that some people see the phenomenon of Corporation-led Urban Development as a threat, because they fear that the multinational corporation will have a decisive and overruling influence on the urban development project. However, this research indicates that the multinational corporations themselves benefit from a well-functioning, sustainable and qualitative urban development project development as it safeguards their returns and their names. This will most likely not be attained by trying to dominate the development and its community. Therefore, it is expected that this fear is unnecessary. However, examples of realised and fully developed Corporation-led Urban Development projects are lacking. Therefore the actual effects cannot measured at this point in time. The recommended further research (to be performed in 10 to 15 years) should indicate whether the Corporation-led Urban Development projects are actually sustainable and vital urban areas to live in.

1.1.3. Relation between research and design

This graduation research is performed within the Faculty of Architecture, in which design is an important means in which research results are brought together. It is the end product of research and analyses conducted to solve a problem. In the field of Architecture this definition is often used indicating physical design solutions. Within the master of Real Estate and Housing, and specifically the discipline of Urban Development, the definition of design is more focussed on conceptualising and modelling research outcomes.

As elaborated throughout this report, this research is aimed to be a first exploration within the field of corporation-led urban development. As stated in paragraph 1.1.1, analytical frameworks and models were designed alongside studying the content of this research. Designing these models was an iterative process in which content and modelling strongly interrelated and influenced each other. These designs helped visualising
and conceptualising the research findings at all points in the time of this process, which gave direction and structure for the further process. On the other hand, the research findings steered the development of the models during the whole process. Therefore, their designs are not conclusive nor decisive. However, they do contribute to shaping the scientific field of the phenomenon of corporation-led urban development and further research on this and related subjects. When using these models, the researcher should adopt this iterative process in order to further develop the design of these analytical models.

1.2. Methodology: validity and limitations
As this research has been an explorative one from the beginning, changes of the research design occurred throughout the process. In this paragraph I reflect on the used methods, their validity and their limitations.

1.2.1. Methodology in relation to corporation-led urban development
Urban Development is a field of study in which several disciplines are integrated. As this field of study is a relatively new one, knowledge on the relations between these disciplines is sometimes lacking. To expand this knowledge, in this field of study the research method of the qualitative case study is often applied. As in this research theme a new discipline is added, that of Corporate Strategies, this method seemed appropriate for studying this phenomenon. However, as both fields of study are very broad, conducting two in-depth cases studies resulted in very differing findings. With the use of these findings, the sub and main questions could not be answered. Therefore, there was a need to gather more insight, preferably with a broader scope. Additional quick scan cases were performed to provide this broader scope.

In hindsight, as so little research has been done on this subject, an exploration of the phenomenon of Corporation-led Urban Development required both scope and depth. The first chosen method focussing on depth, did not provide the answers to the questions posed in the research proposal. Therefore, in the final phase of this research, I attempted to add scope to the findings by performing several quick scan studies. As limited time was left in this phase of the graduation process, limited research could be done to set up clear selection criteria for these additional cases. The availability of information and possibility to conduct telephone interviews were prevailing this selection. In spite of this rather pragmatic selection, the additional quick scan cases provided useful information that allowed me to answer the sub- and main question and draw conclusions. If initially scope was chosen over depth in the research methodology, for example through sending out surveys to actors involved in presumed Corporation-led Urban Development projects, these would probably lack a clear structure and orientation, as this was provided by the in-depth cases.

1.2.2. Validity
Paragraph Error! Reference source not found. discussed the validity of qualitative case studies in general. It is elaborated that Flyvbjerg (2006) indicates a bias toward falsification of preconceived notions, because as a researcher you are able to adjust hypotheses by studying and reflecting on the object of study (Heurkens, 2012). Indeed, the assumed motives were expanded by additional ones and the analytical framework was adjusted throughout the research. This paragraph also elaborated that triangulation is a very important aspect in validating case study results, which entails that multiple research techniques are used to study a subject. The in-depth cases were all studied through multiple interviews (although few), a document and a literature review. Therefore, the validity of these cases studies is safeguarded. As mentioned several times, the additional quick scan cases are of very different backgrounds. Also the studied documents are of different backgrounds. In the cases of Tata and Cisco, mostly corporate documents were studied, and there were no telephone interviews conducted that could provide triangulation. This causes the validity of these quick scan cases to be questionable. However, no decisive statements are made based on these case studies.

1.2.3. Limitations
During the process of conducting this research, some limitations of the techniques were encountered. These are elaborated below per technique.
Assumptions resulting from literature review and exploratory expert interviews
The assumptions that resulted from the literature review was limited by the amount and quality of available literature on this specific research subject. Therefore, besides the literature review, exploratory expert interviews and quick scan cases were conducted. In the conclusion, the assumed motives only seem to correspond to one of the indicative profiles of corporations engaging in urban development (Technological Partners, as elaborated in Error! Reference source not found.). This might be caused by the fact that an exploratory interview was held with someone from within Siemens, and someone who has studied the case of Siemens, which is assigned to that profile. This might have caused a bias towards this profile regarding the assumed motives.

In-depth case studies
The amount of in-depth case studies was limited due to the fact that entry to the corporations through the right contacts proved to be very difficult. After multiple attempts through email and phone calls, it was not possible to establish fruitful contact within the corporation of ThyssenKrupp, which was selected as a suitable case study. Establishing contact with Inter IKEA proved to be difficult as well, but was successful in the end. This might be explained by the fact that these corporations both are quite non-transparent regarding their organisational structure. Moreover, they were located in foreign countries, therefore a language barrier might have played a role as well. These difficulties narrowed the studies in-depth cases down to two. These difficulties were also the cause that only one person within the corporations and one person of the involved public body. Moreover, the person within the public body was the same person for both cases, limiting the objectiveness of the retrieved information.

Selection criteria
Setting up selection criteria for these in-depth case studies proved to be difficult as well. They had to be set up while still very little was known about the research subject. The criterion of not having urban development as a core business seems to be dependent on the chosen perspective of either the multinational corporation itself or the subsidiary performing the urban development project. This can also be linked to the limitation of the assumptions. As the Inter IKEA case (and later several additional cases) showed that urban development was the core business of its subsidiary, questions raised if Inter IKEA met the selection criteria. Moreover, it is an explanation of the fact that its motives did not correspond to the assumed motives. The identified motives in this (and several additional cases) corresponded to the motives and strategic business goals in which urban development ís the core business, which were initially excluded from this study.

On the other hand, Siemens did not seem to meet the requirement of engaging in an actual urban development project, as the project of The Crystal does not correspond to this definition. Moreover, its performed activities in actual urban development projects seem differ from activities of the urban development process. Rather they are activities that are only a small step away from their core business, which brings us back to the previous point. In hindsight, it is fairly logical that a corporation does not engage in activities that diverge too much from its core business, as in order for a corporation to be efficient and profitable, focus on its core business is required. These findings insinuated adjustments to the analytical framework and definition of corporation-led urban development were needed.

Additional Quick Scan Cases
As mentioned before, the decision of performing additional case studies was only made in the final phase of this graduation process, which limited the time to select, conduct and analyse them. Therefore, the selection criteria can be considered somewhat pragmatic. As a result, it is debatable whether for example the case of Ahold can be considered as ‘engaging in an urban development project’, as it is only involved in the project to a very little degree. These difficulties are inherent to the explorative degree of this research. The additional cases studied very valuable in the progression of the insight on the two in-depth cases and the phenomenon of corporation-led urban development as a whole, though. It indicated that the two in-depth cases could actually be assigned
to the two different profiles identified in the conclusion of this research, explaining the diverging results of the in-depth case studies.

**Expected end-products**

Initially this research was aimed at providing a clear set of motives, of corporate strategies and of collaboration forms. However, considering the explorative nature of this research, during the process it proved very difficult to provide these clear and complete sets. Especially regarding the collaboration forms, the outcomes were of a very indicative and indecisive nature. In setting up these expected end-products, the breadth of the subject seems to be slightly underestimated. However, the research results do provide collections or indications of all aspects initially set up, though they are less decisive than expected.

It was also expected that clear statements could be made on incentives and barriers for corporations to engage in urban development projects. However, considering the amount of studied aspects and the linkage of the term ‘incentive’ with the term ‘motive’ these aspects gradually disappeared from the focus of this research. Instead of statements on incentive and barriers, statements on strategic business goals and the degree of involvement in the urban development process were made.

1.3. **Epilogue**

Conducting this graduation research has been an intense process. For a full year I have dedicated the majority of my time to it, and especially after the P2 phase, when I started my graduation internship at Deloitte, the process became more intense. This was due to the fact that I combined working on Deloitte projects with conducting my research. However, it was mostly due to the fact that I’ve only in November decided to perform the additional quick-scan cases. Therefore the time pressure on analysing and drawing conclusions was very high. Because of this pressure I was very much focussed which allowed me to recognise linkages between the case and research themes that I could depict in visual models and concepts. Although putting pressure on my personal time management, I very much enjoyed this process and I think it has helped me a lot to further develop my analytical, professional and writing skills. At all times I was surrounded by or able to contact the right people to discuss my findings and reflect on them. Therefore I would like to thank Erwin Heurkens, Herman Vande Putte, Paul Rutten and Carlo Sturm, who were always open to (and made time for) these discussions.


