

Demand driven Revitalization of Industrial Parks: the key role of Restructuring Agencies in achieving high private investments and creating employment

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Abstract

Effective revitalization leads to economically vital and future proof industrial parks. This short paper tells how revitalization can be effectively performed. Preliminary results are presented of a four year study of the Restructuring Agency of Overijssel, active in revitalization in the Province of Overijssel in the Netherlands. The study identifies, presents and reflects on the effectiveness of working methods used by the restructuring agency in seven revitalization projects of industrial parks. The value of continuously focusing on willingness to invest is identified as a key working method and success factor. Other working methods illustrate the importance and effectiveness of goal-oriented choices that aim at snowball effects, the use of dynamic opportunity maps, choosing own role based on complementarity, always developing business cases that contribute to value cases, and managing the important relationship between effective working methods and capability of individuals and organizations. Ongoing research aims at further underpinning provisional conclusions about the use and effectiveness of working methods, and the development of a toolbox for practitioners that will contain and integrate capability profiles, working methods, and the related change management approach.

Keywords: revitalization; industrial parks; demand driven; effective working methods;

1. Introduction

Traditional planning approaches to industrial park revitalization in the Netherlands have too often failed. High public investments and disappointingly low private investments, slow and inefficient processes, and marginal positive effects on the quality of locational factors and employment are often mentioned as illustrative of this perceived failure (Van Der Krabben, Pen and De Feijter, 2015).

Recent policy developments in the Netherlands acknowledge and address these challenges. The intention of a new "Spatial Planning Act", expected to be implemented in 2021, is an important example. Local actors are stimulated and expected to accept more own responsibility for the quality of industrial parks. They need to adapt their

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approaches for handling local bottom-up initiatives and interactive decision-making. We will refer to this new approach to planning, which even may be viewed as a new planning paradigm, as "demand driven".

The gradual change toward more demand driven planning has, in particular, made it increasingly clear that a 'gap' exists between what firms need and what local government currently can offer in revitalization of industrial parks. This gap refers to a need for specific knowhow and financial support. Restructuring agencies are expected to fulfill a role in filling this 'gap'.

This paper highlights one such agency, the Restructuring Agency of (the province of) Overijssel, and presents preliminary results of a four-year study into their role in a large number of projects since 2009. These projects illustrate how demand driven planning *can* be performed, and the results that *can* be obtained: high multipliers in public to private investment ratios, positive effects on local employment, and more vital and future proof areas.

The aim of this study is to explore whether the way this restructuring agency works, can fulfil an exemplary role in demand driven planning in restructuring of industrial parks.

No systematic study of how this restructuring agency works and/or why they reach specific outcomes had previously been performed. Although many perspectives could add to our understanding of the role of the restructuring agency, we were particularly interested in how goal-oriented interventions lead to desired outcomes. The chosen main research question was therefore: "What are situation-specific effective demand driven working methods for revitalization of industrial parks?".

The paper begins with brief descriptions of the theoretical framework and applied methodology. After the presentation of the results, we briefly reflect on the outcomes and their importance for future research and for practitioners in real estate and land planning.

2. Theoretical framework

The scope of the study is limited to revitalization of industrial parks in the Netherlands. The first question is therefore: What is already known about revitalization of industrial parks in the Netherlands?

Contributions in a recent book edited by Van Der Krabben, Pen and De Feijter (2015) gives a useful overview (although no claim to completeness is stated) of developments in research and policy. The authors analyze industrial park development from different market perspectives, explore the impacts, and suggest solutions to improve land planning. However, only limited attention is given to the specific focus of this study. Pasmans and Pen (2015) review policy developments the past fifteen years toward "more business-like" approaches to industrial park development. Government should, whenever possible, withdraw from development of greenfields (VROM-raad, 2006), and more responsibility and a more active role should be taken by market actors for revitalization and maintenance of industrial parks (THB, 2008; VROM et al, 2010). Government should fulfill a facilitating role. The change toward more business-like working methods means that local knowhow and organization of industrial parks should be improved, and therefore highly skilled individuals are needed (Pen et al, 2013). Professionalizing is increasingly viewed as a culture-change (Van Der Krabben, Pen and De Feijter, 2015) toward demand driven planning (Pen et al, 2013; Bugge and Sloot, forthcoming 2018) where choices are based on ambitions and bottlenecks experienced by entrepreneurs (Ploegmakers, 2015).

The second question is: How can the effectiveness of working methods be understood and studied?

We use the IAD-framework of Ostrom (2005) as a baseline explanation for understanding the complexity of revitalization processes. This framework focuses on the so-called "action arena", which contains and links actors and

an action situation. Actors are characterized by their preferences, criteria for selections, information, and resources. The action situation is characterized by participants in specific positions possessing specific control, available information about potential outcomes and their costs and benefits, and links between actions and outcomes. Interaction takes place outside the arena, and leads to outcomes. If the involved actors are not satisfied with the outcomes, then changes to the arena will take place in a new complex decision-making “round” (Teisman, 1992). The actions of the individual actors involved can be explained by their motivation, information and resources (Bressers, 2004; 2009). Working methods therefore will be aimed at influencing willingness to invest (motivation) through appropriate use of resources and access to information. The goal is always to identify and implement good solutions. A good solution is technically and financially feasible, and each individual actor is sufficiently satisfied with own costs, benefits, and risks (Bugge, 2015; 2018). Effectiveness accordingly reflects to which degree a specific working method positively influences progress toward such solutions.

3. Methodology

The aim is to develop an increased understanding of the effectiveness of interventions under complex real-life conditions. It is pragmatic, applied research. The first phase of the study therefore focused on describing the way the restructuring agency works. The following research question was addressed:

1. How do revitalization projects develop in time?

Desk research of the complete documentation (10 GB of data) of the restructuring agency on more than sixty projects in the period 2009 – 2017 was performed. The chronological development was used as structuring principle for descriptions of all projects. Key phases and (intermediary) outcomes were identified through interviews with the director of the restructuring agency and desk research of documents. The information was integrated in a descriptive process model.

The next step was to design and perform a multiple-case study (Yin, 2013). The following research questions were addressed:

2. What are suitable representative cases?
3. How can the cases best be described?
4. How can “lessons learned” about effectiveness of working methods be identified?

Diversity of projects, availability of data and time constraints were used as criteria for selecting seven cases. Interviews with mayors and/or aldermen of the involved local governments provided reflections on each case, and, in particular, on the role of the restructuring agency. Thematic text analysis (Boyatzis, 1998) was used for identifying provisional lessons learned about effective working methods. All case-descriptions and analyses were cross-checked by independently working researchers, and fact-checks of each case-description was performed independently by the restructuring agency and the involved local government.

4. Results

4.1. Descriptive process model

The restructuring agency describes phases as “starting an initiative”, “searching for opportunities”, and “building business cases”. All phases have a strong goal-orientation: aimed at reaching sufficient “willingness to invest” and “business cases”. The policy context means that each business case needs to contribute to a “value case” for society:

reaching the specific revitalization objectives. Combining initial and final situations, phases and (intermediary) outcomes led to a process model (fig. 1) that was recognizable and meaningful to the restructuring agency.

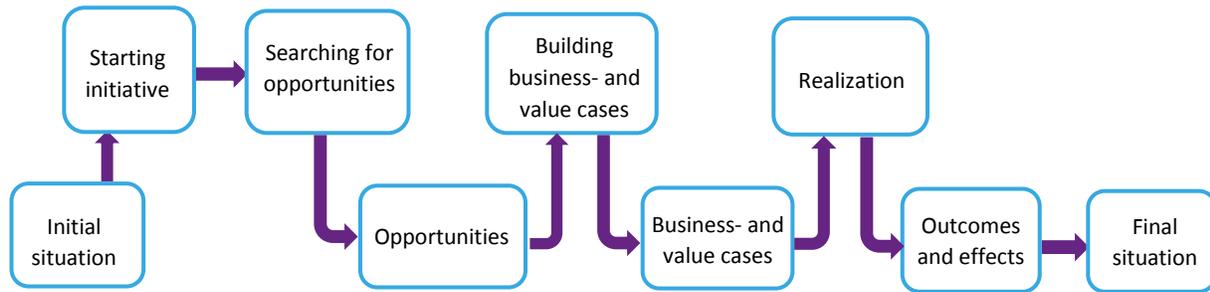


Figure 1. A simplified process model for revitalization of industrial parks.

A revitalization initiative starts when a firm or a local government asks the restructuring agency for assistance, or the restructuring agency takes the first step. During the search for opportunities information is collected about actors and their interests and ambitions, and it is matched in opportunities. Opportunities include the ingredients of a business case. Individual actors are willing to participate in a transaction, but no agreement about the detailed solution has yet been made. Building business- and value cases therefore means to develop opportunities into agreements about distribution of costs, benefits and risks.

The process model represents a simplification of reality, because in real-life all processes include complex decision-making rounds.

4.2. Choice and description of cases

Next, the selection of cases was performed. Eight key activities were identified as characteristics of case diversity, and sufficient data was available about sixteen revitalization processes. Taking time constraints into account, seven cases were selected (table 1). The restructuring agency was actively involved in all key activities in each case.

Table 1. Characteristics of diversity of the seven selected cases

Characteristic	Case	Logistic Center Zwartewater	Former location Wehkamp	MBI-location	Business Park Zwolle	De Enk	Hogelucht	High Tech Systems Park
Redevelopment of one large vacant area		X	X	X				X
Firm expansion on neighbor plot			X				X	

New business development	X	X		X	X	X	X
Relocation within industrial park				X	X		
Relocation to other industrial park	X	X	X			X	X
Redevelopment of buildings		X		X			X
Demolition of buildings and soil remediation	X	X	X		X		
Improving infrastructure	X	X					

A brief summary of one case, the logistic center “Zwartewater”, illustrates key activities, the role of the restructuring agency and outcomes. The starting point of the revitalization was a 14 ha polluted brownfield location situated next to a river. The restructuring agency bought the location, and organized soil remediation and construction of a new access road. It also played an important role in finding potential customers. Two large companies, Scania and Westerman Logistics, established new business. The restructuring agency then sold the area to an investor. Total investments amounted to 30 mln. euro and the employment effect is circa 250 new jobs.

4.3. *Effective working methods*

The restructuring agency initially faced a considerable challenge. It should contribute to revitalizing 1300 ha land on a large number of industrial parks situated within 25 different municipalities, and preferably function as a revolving fund. It had a limited working capital and a small team to do the job. Not surprisingly, the choice of working methods was strongly influenced by these goals and constraints.

In total 64 (partly identical) working methods used in specific cases and/or phases were identified. A description of all methods in this short paper is not feasible. We highlight six working methods that were identified as key themes in all seven cases.

1. *Focus continuously on interests, motives and willingness to invest, especially of private parties*

Both local government and firms may invest if they have sufficient resources, and they make investment-decisions based on respectively added-value to the local society and continuity of the firm. The restructuring agency therefore collects and share information that can support decision-making about solutions that will contribute to the revitalization. The information focuses on specific motives, such as ambitions and bottlenecks related to locational factors. The restructuring agency knew in advance that none of the revitalization cases would be successful without private investments. It therefore specifically focused on individual private parties. Their willingness to invest was used a building blocks and leverage for developing opportunities, business cases and value cases.

2. *Make choices, start small, and work towards goals*

Local governments often try to reach commitment of all stakeholders for plans for integral area development. Building commitment can be a very slow process, and decay can worsen during the planning. The restructuring agency therefore focuses on identifying small-scale opportunities that stimulate positive snowball effects on the quality of the industrial park. Local governments are involved in pre-selections of firms that are likely candidates for creating an opportunity and/or expected to have relevant information or influence. The outputs of a first round of interviews with firms are used for follow-up actions, and all actions are designed for maximum impact on progress and desired results.

3. Use dynamic “opportunity maps”

Opportunities always contain elements of interdependency. For example, a relocation of a firm means selling and buying land, and each individual transaction involves at least two parties. Furthermore, usually several suitable lots are available and several potential buyers may be interested in a specific lot. The restructuring agency uses dynamic “opportunity maps” to handle this challenge. Regular talks with firms and local government provide updates about changes in the area and willingness to invest. This enables flexibility, and new opportunities and follow-up actions toward business cases can be identified.

4. Make interests and roles transparent, and base own contributions on complementarity

Industrial park revitalization is a joint responsibility. However, both local government and firms will focus on their own interests and perceived roles. In practice, tasks may therefore be delayed and opportunities can be missed. The restructuring agency ‘bridges the gap’ by fulfilling an important complementary role. It collects decision-support information about solvency and perspectives of firms that can strengthen business cases, and it functions as ‘match-maker’ in connecting potential buyers and sellers and facilitating transactions. Furthermore, soil remediation and construction of new access roads are organized, and financial contributions are delivered to business- and value cases through loans or guarantees. Sometimes the restructuring agency even takes the full responsibility for revitalization by buying, redeveloping and finally selling land or buildings.

5. Building win-win combinations of business- and value cases.

The restructuring agency always focuses on the relationship between business- and value cases. Each individual business case should contribute to a value case and the overall revitalization objective and accordingly to the growth-model for the area. Integral assessments are therefore performed for each decision. This approach can underpin the need for radical change. If, for example, a bottom-up approach fails, then it can be helpful to introduce a vision that gives more certainty about future developments. Such a vision influences trust and risks, and provides a basis for alternative business cases.

6. Capability

The way the restructuring agency operates, shows that fulfilling an effective role in revitalization necessitates thorough knowledge, mastering a wide range of skills and possessing a certain attitude. Knowledge needs to be relevant and practical, and it should include new and broader ways of thinking. Mediation, negotiation and the ability to function as a ‘bridge’ between firms and other actors are all important skills. An effective attitude is characterized by terms such as pro-active, collaborative, flexible, committed, and result- and solution-driven. The restructuring agency views capability as something that can and should be activated in a network according to need. Working methods therefore address where, when and how appropriate expertise can be found and used for influencing willingness to invest.

5. Discussion

The starting point of our research was curiosity. What makes this restructuring agency so effective? Which working methods can be used by other actors in other situations? Are their working methods “demand driven”?

The results provide at least ingredients of the answers. Always focusing on the willingness to invest clearly seems to be a key success factor, and the working methods use access to information and resources effectively for influencing motivation of individual actors and for building commitment of sets of actors to specific opportunities, business cases and value cases (Bressers, 2004; 2009, Bugge 2015; 2018). It is also helpful that the policy constraints are well-known: public and private parties know what they can expect from the restructuring agency.

However, are there other reasons for the effectiveness of the working methods? The restructuring agency is a private sector organization, but it is fully owned by a public entity. It can contribute both know-how and financially to a revitalization process, and it operates according to market principles to reach public policy goals. These are characteristics of a hybrid organization. The effects of these characteristics on the effectiveness of working methods have not yet been studied in detail. Knowing these effects makes it possible to identify working methods that can be used by other actors in other situations.

Actually, effectiveness in itself is a topic for discussion. There is a widespread satisfaction with the obtained results and role of the restructuring agency (Bugge and Sloot, forthcoming 2018). However, the satisfaction is expressed by stakeholders that profited from the involvement of the restructuring agency. Furthermore, the restructuring agency focuses on reaching outcomes. It does (at least explicitly) not include the distribution of all costs, benefits and risks in assessments. For example, the balance between regional and local effects and efficiency and duration of processes are not included. Including these effects may lead to different conclusions regarding effectiveness of working methods.

Finally, we were interested in the concept of “demand driven” working methods. The results do indicate that the restructuring agency, within constraints, operates highly demand driven. Again, the focus on willingness to invest is the key factor. A demand driven approach to revitalization means that, ideally, private parties should first be willing to invest. The restructuring agency then uses this willingness as a guiding principle for co-creation and choice of own role. All used working methods fit within this coherent view on demand driven processes.

7. Concluding remarks

So far this study has given an improved understanding. However, during the rest of the study we need to improve the robustness of our provisional conclusions about the effectiveness of the identified demand driven working methods. We will focus on the experiences of experts working in (at least) other restructuring agencies. Do they use the same working methods? Are the methods equally effective elsewhere? How important are institutional characteristics? Because capability is crucial to the effective use of working methods all cases will be reanalyzed. The objective will be to identify capability profiles. Our ambition is to develop a “Toolbox” for practitioners that includes and integrates effective demand driven working methods, capability profiles, and a change management approach to individual skills and organizational and network cultures.

The aim of this study was to develop an improved understanding of effective working methods. However, we also, in particular, hope the outcomes will provide valuable guidelines to practitioners for addressing the considerable challenges of having too limited know-how and financial resources for effectively revitalizing decayed industrial parks.

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