Mapping the market: a portfolio approach for informed deliberation of urban development strategies

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2 Strategic planning and the urban portfolio

Good fortune is what happens when opportunity meets with planning  
Thomas Alva Edison

2.1 Introduction
The preceding chapter presented the general starting point for this research. In this chapter, I will discuss more extensively the societal changes that have been creating a new landscape and thus the need for new strategic spatial planning. I will argue that the portfolio approach is the product of this context. The chapter will start with a short overview of the structural changes that provide the background against which strategic spatial planning takes place. It will be argued that this background and the changes in cities have implications for strategic spatial planning. One of the most influential criteria that strategic spatial planning has to address is the increasing influence of the private sector. This is taken as a starting point for the introduction of the portfolio approach. This approach is inspired by a strategic planning tool from business (the Growth-share matrix). I will discuss why this tool is considered a useful source of inspiration and how the tool is translated into the world of urban planning. The chapter will end with some general ideas about possible strategies for intervening in the urban portfolio, which will be discussed in more detail in further chapters.

2.2 The altered landscape of urban planning
Urban planning takes place in a context that is shaped by fierce changes in the scale and scope of all sorts of economic and social activities. There are a large number of interrelated processes that can be distinguished. It is beyond the aim of this chapter and research to provide a comprehensive elaboration of the mechanisms that produce these changes. Instead, I will give a relatively short description of the technical, socio-economic and political changes and describe how they shape the context for strategic planning in cities. Often, these changes are referred to as (processes of) globalisation. I am aware that this single word cannot grasp the complexities of all of these changes, particularly in the light of the simultaneous processes of localisation and regionalisation. However, for the sake of concision, I will use the term globalisation as an embodiment of the processes that shape a changing context of urban strategic planning.

The primary driving forces behind the processes of globalisation are the technological innovations that descended from the Industrial Revolution. With the development, sophistication, and above all the mass use of the automobile, aviation and large-scale cargo shipping, the mobility of people, businesses and goods in-
creased manifold. Consequently, the reduction in time and cost of travel and shipping enabled social and economic activities to take place on wider scales. Mobility enabled people to move to suburbs. It also transformed the workplace allowing businesses to leave city centres and to outsource manufacturing industries. Already in the 1960s, Webber (1964) observed that social and economic interactions were no longer necessarily territorially bounded. In addition to territorial urban places, Webber identified a growing number of ‘interest communities’, i.e. groups of people who share multiple interests, such as business, hobbies, or political beliefs. These activities took place in what he called ‘Non-place urban realms’. After Webber’s introduction of the Non-place urban realm, their scale and scope have increased tremendously; in particular since the high mobility of people and goods was joined by exponentially increasing mobility of information, as a result of rapid developments in ICT. This ICT infrastructure allows for consumption, trade, education, payments, entertainment and other activities to take place in virtual worlds (see for instance Castells, 1996; Graham and Marvin, 1999; Rifkin, 2000; Albrechts and Mandelbaum, 2005).

Technical innovations allowed for all sorts of activities to take place on a larger scale and this set the scene for socio-economical, political and cultural changes, in particular the shift towards a post-industrial economy. After WWII, a relatively stable, Keynesian economic growth was based on a ‘social contract’ between corporations and labour: ‘what was good for corporations was good for labour’ (Harvey, 1989a; Jessop, 1997). The late 1960s saw the first cracks in this ‘Fordist harmony’, which was shattered in the 1970s: by fiscal crises, by increased international competition and by increased geographical and cultural fragmentation of producer and consumer markets. The latter two in particular compelled business to become more flexible regarding the where (e.g. by outsourcing) and the how of production, both domestically and abroad.

The flexibility of the emerging ‘post-industrial’ economy is reflected by the fact that knowledge became a much more important factor of production, mirrored by the global shift in expanding economic activity away from manufacturing industries and towards the service sector (Thrift, 1994). Such an economy both required and caused a higher volatility of capital investment. The mobility of information and knowledge provided the technical infrastructure, but also crucial were the institutional shifts, especially with respect to the internationalisation of (financial) markets. A particular important change was the (selective) removal of trade barriers, to a large degree attributed to the increased influence of the World Bank, WTO, IMF and G8 (see for instance Scholte, 1997).

Several geopolitical changes (some more important than others) also contributed to these processes of globalisation. The end of the Cold War generated new opportunities for capitalist production and consumption in Eastern Europe and the former Soviet states, while economic reforms created opportunities in China. In Europe, the political and economic integration of the European Union further streamlined internal and external trading possibilities.

In a more general sense, the institutional changes that fuelled globalisation processes are often characterised as shifts towards more neoliberal policies (Harvey, 1989b; Sassen, 1991; Brenner and Theodore 2002b). The processes discussed here (particularly in this compact manner), may seem like general and universal processes;
yet there is an ongoing lively debate about the extent to which this is the case. For instance Hirst and Thompson (1996) argued that the bulk of socio-economic and cultural activities did not yet become fully globalised, while Swyngedouw (1992) demonstrated how local outcomes are a combined result of global/international forces, as well as of specific local responses and configurations. Second, there are important differences in the way internationalisation/globalisation is manifested and the way that it is anticipated politically and culturally, for instance between Anglo-Saxon, Western-European or Asian states, as well as within the states themselves (Marcuse and Van Kempen, 2000; Hall and Soscice, 2001). According to Brenner and Theodore however, these differences, notably between more welfare types of states and market-oriented states, are still part of a dominant neoliberal shift (2000a).

As noted by Harvey,

As soon as political choices were seen as a trade-off between growth or equity, there was no question which way the wind would blow for even the most dedicated of reformist governments. (...) To the degree that heightened international competition under conditions of flagging growth forced all states to become more ‘entrepreneurial’ and concerned to maintain a favourable business climate, so the power of organized labour and of other social movements had to be curbed. (Harvey, 1989a, p. 167-168)

Apart from the debates about how different economic and cultural forms of globalisation are taking place, many scholars are occupied with debates about the changed/changing role of the state. Often, globalisation processes are said to go together with a ‘hollowing out’ of the (national) state. But just as globalisation comes in different forms, so too is the role of the state contingent upon different contexts (Jessop, 1997b; McLeod and Goodwin, 1999; Marcuse and Van Kempen, 2000; Sanyal, 2005). Countries have diverse systems of distributing power and resources among local, regional, national or supranational levels of the state. Still there are some discernable general patterns, which Jessop (1997a) summarised as processes of denationalisation, destatisation and internationalisation. First, it is argued that both subnational and supranational levels of government have gained powers at the cost of the national state. Clear examples are the advance of urban regions and the European Union respectively. Second, destatisation takes place through the growing interference of all kinds of non-government and quasi-governmental organisations in political and policy processes. Private actors increasingly take part in public processes and governments increasingly act as private agents; this joint development is usually referred to as the shift from government to governance (for a detailed, theoretical overview see for instance Stoker, 1998). Third, policy regimes have become increasingly internationalised: local, regional and national governments have to operate in an international context of private and other (semi) public interests.

Cities
In particular cities are affected by the international changes discussed above. Initially, many cities were hit hard by the structural economic and socio-cultural changes in the 1960s and 1970s, in particular mass suburbanisation and the completely altered relationship between cities and their surroundings (see for instance
Friedmann and Miller, 1965; Garreau, 1994; Sieverts, 2003). For many cities, this meant the departure of many affluent residents, often resulting in declining populations. This contributed to the decline of many older urban neighbourhoods and, depending on the fiscal system, it also implied a reduction of the local tax base. Next to residential suburbanisation, cities also lost employment. The suburbanisation of offices and international outsourcing cost the city both white-collar and blue-collar jobs. Particularly during the 1970s, cities had trouble to retain jobs, competing both internationally but also against their affluent suburbs. As a result, resources decreased. Meanwhile, ongoing processes of deterritorialisation and reterritorialisation kept shaping urban landscapes beyond the traditional distinction between urban and rural, as well as urban and suburban. Scholars have been anxiously trying to grasp the resulting spatial patterns and their complex functional relationships. These studies provided an interesting vocabulary for identifying the socio-spatial patterns of (parts of) the new landscapes, such as Webber's Non-place urban realm (1964), the Urban field (Friedmann and Miller, 1965), the Technoburb (Fishman, 1987), Zwischenstadt (Sieverts, 1997), or the Space of flows (Castells, 1996).

These processes of rescaling did not result in the ‘end of the city’, as some had feared and others predicted. Thanks to the unprecedented possibilities to communicate and share information instantly and globally and the opportunity to outsource large parts of production, cities have actually increased their importance. In the globalising context, they increasingly took on the role of command and control centres and nodes of knowledge. Cities can be seen as simultaneously driving and being driven by globalisation processes (Keil, 1998). Not only do they provide the necessary physical infrastructures for communication and personal mobility; more importantly, they also provide the spaces and places for the coordination of all kinds of social, economic, cultural and political activities, which require communication by face-to-face contacts and thereby at least a certain degree of proximity (see for instance Castells, 1989; Sassen, 1991; Amin and Thrift, 1992; Scott, 1997).

However, for cities to recover from their economic problems and to become nodes in international competitive networks often required painful shifts away from industrial and towards more service-based economies. Clearly, some cities have been more successful in making this shift than others. Either they were simply better equipped for the needs of the post-industrial economy, or they profited by building upon an already established position in the international economy (Sassen, 1991; Thrift, 1994; Fainstein, 1994; Castells, 1996; Amin, 1997; Graham and Marvin, 2001; Sanyal, 2005).

The economic recovery of cities is also related to socio-cultural processes of emancipation and individualisation, which produced an increasing number of young, single or dual households without children, which lived urban lifestyles (Meulenbelt, 1994; Van Diepen and Musterd, 2001; Bontje and Latten, 2005). Although suburbanisation continued throughout the 1980s and 1990s, for these households the city again became an increasingly popular place for residence, work, and leisure (see for instance Zukin, 1995). At the same time, they provide the flexible, educated workforce that cities sorely need in the modern economy.
2.3 Local governance and the need for selectiveness

As the increasingly competitive international environment manifests itself in cities, the shift from government to governance is in particular apparent at the urban and regional level. A substantial body of literature discusses the way governments are influenced by and have reacted on the different changes discussed above. Considering the important role of cities and urban regions, and particularly the focus of this research on urban planning within the city, I will focus predominantly on the increased role of local government. It is of primary interest to assess the implications for the relationships of local government with the private sector and with national government, as well as the planning challenges at the local level.

Governance can be defined in many different ways. Rhodes identified six phenomena frequently referred to as governance: the minimal state, corporate governance, new public management, ‘good governance’, governance as a sociocybernetic system and governance as self-organising networks (Rhodes, 1996). Not unlike Rhodes’ own description of governance as self-organising inter-organisational networks, Kooiman and Van der Vliet defined governance as the ‘creation of a structure or an order which cannot be externally imposed but is the result of the interaction of a multiplicity of governing and each other influencing factors’ (Kooiman and Van der Vliet, 1993, p. 64, in Stoker, 1998).

The shift to local governance can be seen as the combined result of political-cultural shifts, which are interrelated with more practical reasons. As for ideology, different and mutually overlapping concepts of governance ensue from different ideologies. For instance, New Public Management and the idea of the ‘minimal state’ both stem from the idea that government could work more effectively and efficiently by means of cutting expenses, deconcentrating, privatising or contracting out services, stimulating competition between public agencies and by focusing on performance and output (Dunleavy and Hood, 1994). Corporate governance, like new public management and ‘good’ governance, puts the emphasis on accountability. Shift towards (‘good’) governance can also holds opportunities for enhancing public participation and the democratic inclusiveness of decision-making (Coaffee and Healey, 2003). Swyngedouw (2005a) argued that, although governance structures can increase the democratic degree of decision-making; they are more likely to have the opposite effect.

More practical reasons that gave cause for the rise of governance structures are related to the structural changes described further above. That is, due to processes of rescaling and increasing competition at the local and regional level, local governments have adopted more entrepreneurial ways of stimulating the local economy. One of the reasons mentioned for this change is the fiscal crisis of local governments. O’Connor (1973), like Harvey (1989a) and Brenner (2004), argued that from the 1970s onwards the rigidities of Keynesian welfare systems could no longer sustain welfare expenses at the same level, resulting in insurmountable financial burdens on the public sector. For electoral reasons, many national governments tended to shift this burden to the shoulders of local governments (Scharpe, 1988). There are some notorious examples of local governments suffering losses in income due to diminishing local tax bases or cutbacks in central funding. The bankruptcies of New York City, Liverpool, and Orange County illustrate this (see for instance Baldassare, 1998; Shefter, 1992). Harding (2005), on the other hand, asserted that central gov-
ernments did in fact find ways to adjust their expenses and that fiscal crises were not ubiquitous then and are not ubiquitous today. According to Mouritzen and Nielsen (1992), cities in the UK, Italy, Denmark, the US and (West) Germany to a certain extent did face fiscal crises, due to losses in their local tax base and/or decreasing national grants. In other countries such as France, Norway, Sweden, Finland, Canada and the Netherlands, fiscal decentralisation did take place, but mostly concerning expenditures, not revenues, thereby mitigating fiscal crises (see for instance Pola, 1999). But also in these countries, particularly due to cutbacks in central grants, local governments have been struggling to make ends meet. Here too, local governments have been seeking new ways of financing policies and urban developments (e.g. Kreukels and Spit, 1989).

Another reason for the rise of local economic policies appears to be more generally applicable. Cities may enact more opportunistic strategies that utilise the changing role of cities as nodes of knowledge and consumption (and tourism) in the international economy. This is related to a wider shift in the vertical relationships between national and local government. The ‘Keynesian’ national government primarily covered the investments in economic competitiveness, while local government remained responsible for welfare expenses (Harding, 2005). Now there is another reality on the ground:

As the local state – that is, local governments, cities and institutional regions – is no longer placed in a nested pattern of sovereignty, in which conditions for local welfare and cohesion could be seen as a function of broader policies for national competitiveness and in which the local played a defined role in a performative whole, supported by redistributive mechanisms, local communities have to establish themselves – and, to a certain extent, reinvent themselves – as sites for the production of local conditions for welfare and cohesion. This, in turn, implies building the capacity of competing locally in a competitive environment that encompasses, but also exceeds, the nation-state. (Gualini, 2005, p. 288-289)

Clearly, local governments are not able to do this by themselves; hence they initiated partnerships with the private and semi-private sector, as well as with other government agencies (Stone, 1989; Stoker, 1995; Pierre, 1999, following Beauregard, 1996). The outcomes are the result of interactions and negotiations over different social, political and economic interests and forces. Yet despite the two-way interaction between the public and private sphere and vice-versa, the relationship of local governments with the private sector remains asymmetric. As discussed above, rescaling processes and increasing mobility made private investments more volatile. It also made it relatively easy for the private sector to look for the most attractive regions, cities and sites for investment, thus pitting local governments against each other (see for instance Salet et al., 2003). So, while social and economic processes increasingly take place on regional and metropolitan scale (accompanied by corresponding spatial challenges), local governments remain relatively tied down to their geographical and judicial territories. Hence, many local governments seek to cooperate at a regional or metropolitan level (while at the same competing against each other for private investments and national funds). One should thus speak not only of a shift
from local government to local governance but also to urban governance (Dunleavy, 1980; Harding, 2005). In the end, however, it seems that the private sector’s range of doing business still stands dominant against the ‘smaller scales and slower modes of operation’ of local governments (Madanipour et al., 2001, p. 1).

Shifts towards urban governance generally seem to go hand in hand with neoliberalisation processes, privatisation, devolution of social welfare programs to lower levels of government and supply-side economic measures (Brenner and Theodore, 2002b). However, cities in traditional welfare states, such as in continental Europe, did not have an urgent need for local entrepreneurial economic policies, because the national welfare state provided more financial guaranties. Consequently, according to Pierre (1999), these contextual differences resulted in different, path-dependent types of governance. It seems that the so-called managerial and pro-growth types of governance usually receive most of the academic attention (and criticism), while the corporatist and welfare types of governance are ignored. Particularly the latter two models demonstrate that not all local governments are fully financially self-responsible and that policy objectives are not always reduced to economic growth.

Nevertheless, cities in traditional welfare states are also faced with the same competitive, uncertain economic environment. Therefore, notwithstanding the national grants that they receive or the degree to which they raise their own revenues, European cities have increasingly adopted local entrepreneurial economic policies as well:

Thus, although the legal and economic frameworks for local economic development policies vary across national contexts, the basic problematic – urban political dependency in private capital for its tax base and revenues – remains largely the same, albeit for different reasons. In countries such as Germany, the Netherlands and the Scandinavian countries, local government funding comes primarily from the state and corporate taxation is national rather than local. However, private businesses provide jobs, which, in turn, generate local income taxes. To be sure, the competition for private investment in these countries is almost as fierce as in the United States. (Pierre, 1999, p. 384-385)

‘Leaves in the wind of globalisation?’
Both in practice and in academia there are important differences of opinion about the role of economic policies. A crucial question is to what extent countries, regions and cities are mere ‘leaves in the wind of globalisation’ (Brenner and Theodore, 2002b; Savitch and Kantor, 2002). Because if one concludes that cities have become more important in the international economy and that they have increasingly been developing local or regional economic policies aimed at competitiveness, this by itself does not mean that these policies actually have positive effects. Then, there are also different views about the extent to which economic policies are at the expense of social policies. Many cities (particularly in the US) feel or have felt obliged to

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1 Pierre (1999) distinguished four ideal-type models of governance: managerial, corporatist, pro-growth, and welfare model.
‘bargain away living standards and regulatory controls’ (Peck and Tickell, 1994, p. 281) in order to attract private investment (Cox, 1995; Harvey, 1989b; Logan and Molotch, 1987). According to Harvey, this shift from ‘managerialism to entrepreneurialism’ generally meant ‘focussing on investment and economic development with the speculative construction of place rather than amelioration of conditions within a particular territory as its immediate (though by no means exclusive) political and economic goal’ (Harvey, 1989b, p. 8).

According to Swyngedouw et al. (2002), local governments in Europe demonstrated similar strategies, forming coalitions with the private sector in order to stimulate local economic growth. Yet other authors argue that cities on both sides of the Atlantic are still capable of attracting business and, at the same time, preserving local cohesion (Marcuse and Van Kempen, 2000; Savitch and Kantor, 2002; Newman and Thornley, 2004). Depending on the cities’ bargaining positions, they are able to attract private sector investments and still realise (some of) their social ambitions. Market forces may have become more volatile, but they still require cities for their location advantages. Business still needs face-to-face access to other private and public actors, to an educated workforce and to all kinds of services. This means that cities equipped with these amenities have a better bargaining position vis-à-vis private investors. It gives cities the opportunity to resist unwanted developments or to utilise private preferences for achieving public purposes.

Regarding the local bargaining position and local possibilities, Savitch and Kantor distinguished between exogenous ‘driving’ and endogenous ‘steering’ variables. The driving variables are overall market conditions in the city and the support it receives from higher levels of government, which can provide the city with resources and possibilities for development. These determine the city’s ‘starting position’ in the competitive environment and the extent to which developments are possible. The steering variables, the local culture (which can be more materialist or post-materialist) and the amount of local popular control, relate more to the how of development: the extent to which developments are used for achieving public goals.

Interestingly, recently a growing number of scholars emphasised how these steering variables and their material outputs (such as mixed-use developments, parks, cultural facilities and activities, vital neighbourhoods, etc.) by themselves are increasingly regarded as qualities that can attract young, educated people with urban lifestyles and the accompanying economic activities (see for instance the work of Zukin, 1995; Hall, 1999; Florida, 2002). It is argued that local and regional post-industrial economies, which are increasingly based on knowledge, require various kinds of urban amenities to draw the accompanying workforce. More generally, it appears that cohesion itself can be a competitive asset, in other words:

[T]he typical dichotomy between welfarist and neoliberal policies becomes gradually less apt to account for the features of local governance. Rather, the quests for competitiveness and cohesion become two sides of the same task facing the governance of localities, and two dimensions of the challenge of achieving and sustaining a viable cohesion of the local society while playing in a global competitive arena. (Gualini, 2005, p. 289; emphases as in original)
The effects of globalisation processes on cities and the extent to which these can be generalised depend on the type of effect examined. In strictly financial terms, the need for more entrepreneurial policies differs strongly and is dependent on the country’s fiscal system and the ways in which local governments are able to generate resources. But from an economic perspective, the competition between cities and their economic importance are universally increasing. Hence, more entrepreneurial, development types of urban planning and economic policies are increasingly being adopted on both sides of the Atlantic, as well as in Asia. However, in terms of social disparities within cities, the policies and processes are quite different. The latter depends more on the local culture and welfare system, although some argue that growing disparities are ubiquitous as well. In any case, one can say that cities are neither powerless victims nor victors over the whims of private capital investors. Certainly, cities are deeply affected by socio-economic processes of internationalisation and globalisation, but they still have at their disposal a number of ways to use market dynamics for realising public goals.

2.4 Strategic (spatial) planning: how to do more with less

To sum up, with or without the support from national government, cities are facing a competitive environment in which they are increasingly responsible for creating and maintaining a healthy local economy. The latter is increasingly dependent on their ability to attract private investors, amidst limited local power and resources. But if one assumes that urban policy and hence urban planning do matter (following Savitch and Kantor, 2002; Salet et al., 2003; Newman and Thornley, 2004), the challenge for local governments then is how to make them matter in a constructive way. Through which choices can local governments aim for competitive and cohesive cities, while operating with limited power and resources and within a complex environment shaped by a multitude of actors with different interests? Clearly, cities feel that they are increasingly compelled to look for opportunities from ‘outside’: not only beyond territorial boundaries, but also beyond the traditional boundaries between the public and the private sector (see De Klerk and Gomes, 2002).

One of the implications for urban planning is that, whether city officials like it or not, one has to be selective about plans, programs and projects. Not every site can be transformed into a competing office location and not every neighbourhood can be upgraded. Private preferences for development are often limited to only a number of (profitable) sites and neighbourhoods, while at the same time the ambitions of local government may lie elsewhere. Opportunities for urban development and planning are thus increasingly influenced by external, socio-economic forces. At the same time, limited resources constrain the city’s ambitions for improving certain neighbourhoods, new infrastructure, cultural or recreational amenities. Combined, this puts limitations on the city’s freedom of choice. City branding billboards that advertise the various projects may seem to indicate otherwise, but in essence urban planning increasingly follows trends, instead of leading the way.

Strategic planning

In the immediate post-WWII context, societal changes and land-use demands could to a relatively large extent be predicted (or at least planners perceived it as predict-
able). This perception allowed planning to be used as a controlling and regulatory activity. The relative predictability of the environment permitted the development of long-term visions and plans, while, notwithstanding the differences between European and American planning, there was ample control for implementing comprehensive plans. This changed due to the societal changes discussed in the sections above. Limited control, limited resources, limited or no certainty and a multitude of actors and interests constitute an entirely different context. It requires other, more suitable types of urban planning which are more sophisticated than ‘predicting and providing’ (Owens, 1995) or ‘command and control’ approaches. Cities and planners need to develop visions about the goals they can and want to achieve and how these can be achieved. These should be based on insight into the city’s competitive position, its strengths and weaknesses, the actors involved and the trends and developments in the environment. It is a matter of preparation before action, in the face of an environment that to a significant extent lies outside of the city’s control. Based on this notion, the only way for local government to deal with this complicated and urgent challenge is by strategic planning. Although the earlier approaches of urban planning (described above) were characterised as ‘strategic planning’, it is clear that in the face of current uncertainties and the multitude of actors who shape cities, ‘strategic planning’ should be interpreted differently. Its implications for strategic (spatial) planning will be elaborated in the following section.

In principle, to adopt a strategic approach could mean to apply any type of thought-out manner in which a person or organisation tries to achieve a set goal. For example, this may be accomplished by designing a sophisticated process to reach a consensus among different stakeholders. In another case, a goal may be reached through a more substantive analysis of a plan or a product, in relation to its environment. In most cases, it will be a combination of both; whichever tool is best suitable for addressing the goal could bear the label strategic approach. In the words of Needham (2000a):

‘strategy’ is the activity of leading or organizing an army as a general. It is everything that a general does in preparation before engaging the enemy. Thereafter, it is a question of tactics. Today, it is not only generals who make strategy, but firms, university departments, municipal governments, etc. And they do it for the same reasons that generals do: so that when the real action begins, they are better prepared so that their chances of success are greater. (p. 80; original emphases)

In a more compact way, Bryson defines strategic planning as

‘a disciplined effort to produce fundamental decisions and actions that shape and guide what an organization (or other entity) is, what it does, and why it does it’ (Bryson, 2004, p. 88).

Although strategic planning has its origins in military strategy, it is particularly known for its use in corporate business. After World War II, it was further developed as a response to an increasingly uncertain future and rapidly changing markets (Bracker, 1980). Aided by increasing possibilities in science and technology, as put
forward by Ansoff (1970), several methods and tools of strategic planning appeared. They were aimed at increasing the competitiveness of companies by focusing on the organisation or/and its products. Characteristic for many of these approaches is their aim to provide relatively general prescriptions for corporate performance, market leadership and competitive advantage. Many of these tools are still used today (Feurer and Chaharbaghi, 1995) and I will cover a few of those further below. The common ground of these approaches is the notion that strategy is about how to appropriately utilise one’s resources, based on an analysis of trends, opportunities and threats in the environment. Led by Mintzberg, a critic of these substantive approaches, the attention shifted to the process of strategy making and to interrelated issues, such as organisational learning, innovation, culture and human resource management (see Kaplan and Norton, 2004).

There are some heated, ongoing debates about how organisations can best attain their goals. Exemplary is the one between Ansoff and Mintzberg. Whereas Ansoff (1965, 1988) adhered to a more rational approach of strategic planning, i.e. by setting goals and formulating a plan to attain them, Mintzberg (1990, 1994) on the other hand dismissed such rational strategic planning approaches as too rigid, and as grounded too much in the supposed predictability of the environment and future conditions. Further, Mintzberg characterised strategic planning as too abstract, detached from practice, technocratic and reductionist. In ways similar to Lindblom (1959) or Quinn (1980), he therefore called for a more incremental, bottom up approach to strategic planning (a term which in fact he called ‘oxymoronic’), where the emphasis is more on strategic thinking and acting than on planning (Mintzberg, 1994). I will return to this debate further below.

Starting in the 1970s and 1980s, attempts were made to translate strategic planning concepts from the private sector to public sector organisations, such as governmental organisations, universities and hospitals. Societal changes and uncertainties about demographics, the economy, norms and values, or federal grants called for more substantiated policy approaches also in the public sector. Spatial planning was one of these public activities (Kaufmann and Jacobs, 1987; Bryson and Roering, 1988; Nutt and Backoff, 1993). Obviously, this raised questions about how and to which extent strategic planning principles that originate from the private sector can be implemented in public organisations. The most important differences concern the goals of planning and the process by which these goals are set and emulated (Nutt and Backoff, 1987, 1993). In the private sector, the obvious goal is to maximise profitability and to safeguard the continuity of the firm. In public organisations on the other hand, the overall goals are much more ambiguous. The overall objective will generally be the effective provision of some set of services. But what is sufficiently effective and what are the desirable/required financial and efficiency costs? When is it better to allocate resources elsewhere? Clearly, there are no easy answers for these issues, but they are rendered even more complicated by the details of decision-making. Contrary to the relative autonomy and authority of strategic managers in private business, decisions in the public sphere are grounded in a more democratic, accountable and transparent process, which involves consensus building, negotiating, making compromises, and/or voting. The outcome is the result of different economic, social and political interests and constraints. Also, most public organisations are dependent on funding and constrained by regulation from other
organisations, which puts even more limitations on the freedom of choice (Boyne and Walker, 2004). Addressing these types of issues, several strategic planning approaches for the public sector have been suggested (see for instance Bryson and Roering, 1987; Bryson, 1995; Alison and Kaye, 1997).

In the part of the public sector concerned with spatial planning, strategic planning was not an entirely new concept. On the contrary, both European and American cities have a longstanding tradition of making spatial master plans (Salet and Faludi, 2000). But whether comprehensive spatial plans are actually strategic depends on whether they are action-oriented and whether they go beyond being mere legal instruments. Therefore, they need to be linked to and supported by key decision makers beyond the planning department (Ibid.).

From the 1980s onwards, in many parts of Europe comprehensive strategic spatial planning came under pressure for several reasons (Breheny, 1991; Healey and Williams, 1993; Healey et al., 1997). To start, there was a perceived disadvantage of using strategic planning because of its inherent long-term perspective. While strategic plans were meant to guide spatial developments for the coming years or even decades, the increasingly competitive environment required cities to respond much quicker to opportunities for attracting private investment (Fainstein, 1994). Project-based planning allowed for such responses, whereas planning as ‘predicting and providing’ could no longer keep up with the new dynamics, neither in terms of predicting nor of providing. Nonetheless, many planners would still make use of outdated conceptions of the connection between economic activities and urban form (Healey and Williams, 1993; Salet, 1996). In addition, the types and the nature of developments also play an important role. As the initiative for development shifted towards the private sector, more commercial, residential or retail developments emerged that were often constructed in large chunks all at once, instead as the harmonic results of a long and well-prepared strategic plan. This is also related to the overall structure of many modern cities, where the planning challenges are increasingly found in the restructuring of older neighbourhoods and brownfields and to lesser degree in urban expansion, which requires different types of (strategic) planning approach.

These trends initially stimulated some within the planning profession to look for more pragmatic and localised ways of planning, paying more attention to getting things done (Breheny, 1991). However, among many politicians they fuelled a ‘neoliberal disdain’ for strategic planning (Albrechts, 2004, p. 743). For them, (strategic) planning was one of the paragons of the failing centrally planned economy; allegedly the logical response was deregulation. Subsequently, policies of deregulation at the central level increased the pragmatism at the local level (Breheny, 1991; Newman and Thornley, 1997). Furthermore, the emerging neo-liberal paradigm fitted well with upcoming postmodern ideas in urban design, architecture and planning, where ‘anything -that sells- goes’ (Mäntysalo, 1999; Albrechts, 2004).

In the 1990s, many scholars and practitioners highlighted the dangers of abandoning integrated, long-term planning. Different groups protested against the narrow (economic) focus on urban projects, highlighting the plethora of problems attributed to the lack of proper strategic planning (Breheny, 1991; Healey, 1997a; Woltjer, 1997; Salet and Faludi, 2000; Albrechts et al., 2003, Albrechts, 2004). One of these severe problems was the lack of infrastructural vision and its lack of inte-
Strategic planning and the urban portfolio

Integration with land use planning; this inherently requires the integration of concepts and does not fit well with the idea of a city of bits and pieces (Breheny, 1991; Healey and Williams, 1993). The same applies to environmental concerns that were raised at different levels, which locally required the application of integrated policy frameworks (Ibid.). It also became clear that the post-modern selection of urban projects, based mainly on their feasibility, could lead to increasing segregation in cities:

Most European cities have large peripheral housing estates, with poor internal services, and limited opportunities available to residents for access to the facilities generally available in the cities in which they live. The project emphasis allowed attention to drift away from consideration of the way city building effort affected the life opportunities of people living in such places. (Healey and Williams, 1993, p. 713)

Interestingly, complaints about the way urban projects were initiated and realised came from real estate business as well. When national and/or local government were mainly preoccupied with large-scale flagship projects, only a limited number of private investors (‘superspeculators’) were able to participate, while many smaller property investors were excluded. So despite the neoliberal rhetoric of market-led planning, there was in fact no level playing field. For many of the smaller investors deregulating the property market turned out to be a disadvantage (Breheny, 1991; Healey and Williams, 1993).

Finally, in the face of international competition, spatial planning can be a useful vehicle for integrating various economic, social, cultural and environmental agendas, as well as a way to articulate local identities (Albrechts et al., 2003).

Still, even the critics of project-based planning conceded that the revival of strategic planning (Breheny, 1991; Salet and Faludi, 2000, Albrechts, 2004) by no means allowed a return to the old fashioned way of planning. The influence of the private sector on urban development is here to stay and strategic planning has to adapt to the new context. However, it does imply that local governments are (again) searching (and often struggling) for ways to combine short-term projects with longer range planning (Buchmüller et al., 2000; Friedmann, 2005). Faced with increasing (international) competitiveness, cities have to find a balance between the opportunities and constraints that arise from the compromise between national policies and private preferences on the one hand, and the cities’ own planning ambitions on the other. As such, strategic spatial planning should not be seen as merely the development of long-term visions, because it must be able to accommodate and incorporate ad-hoc opportunities when they arise. Furthermore, it is argued that strategic planning also has to meet procedural requirements with regard to participative, inclusive processes.

It is interesting to see how different concepts of strategic planning gained and lost influence in planning practice and theory. Initially, strategic planning was linked to spatial planning in terms of developing well-thought out, comprehensive, long-term visions. From the 1980s onwards, these comprehensive plans were seen as too rigid and were not viewed as ‘strategic’ anymore; as a result, spatial planning became more occupied with getting things done. Around the same period strategic planning, in the form borrowed from the private sector, became associated with
more effective and efficient functioning of public organisations (Bryson and Roering, 1987; Nutt and Backoff, 1993). With hindsight, it seems that strategic (spatial) planning identifies the type of planning required for the issues at hand. If the existing mode of planning fails to address these issues sufficiently then a more strategic type of planning is needed. In general, this can be seen as an opportunistic yet correct view of strategic planning. Hence, depending on the issues, the focus of strategic planning may shift from content to process and back again (and also from long-term to short-term objectives). This is what makes strategic planning so difficult to define; new and different challenges require different strategic approaches.

Literature and practice show that strategic spatial planning has developed (at least in theory) from a rather technocratic approach to a much broader concept that should meet a large number of criteria. Albrechts (2004, p. 747), borrowing from different authors, provided an extensive enumeration of aspects that strategic spatial planning should live up to:

- focus on a limited number of strategic key areas;
- take a critical view of the environment in terms of strengths, weaknesses, opportunities and threats;
- study external trends, forces and resources;
- identify and gather major stakeholders;
- allow for a broad and diverse involvement during the planning process;
- develop a long-term vision or perspective and strategies at different levels;
- take into account power structures, uncertainties and competing values;
- design plan-making structures and develop content, images and decision frameworks for influencing and managing spatial change;
- build new ideas and processes that can carry them forward;
- generate ways of understanding, ways of building agreements, ways of organising and mobilising for the purpose of exerting influence in different arenas;
- focus on decisions, actions, results and implementation, incorporating monitoring, feedback and revision.

Looking at this list, one could cynically rephrase Wildavsky (1973): if strategic planning is everything, maybe it’s nothing. Albrechts acknowledges that these are indeed comprehensive demands, but he also maintains that such a wide perspective is simply necessary. He therefore points at Bryson’s notion that

strategic spatial planning is not any single concept, procedure, or tool; in fact, it is a set of concepts, procedures, and tools that must be tailored carefully to whatever situation is at hand if desirable outcomes are to be achieved. (Bryson, 2000, p. 206, original emphasis)

Moreover, despite the fact that most planners may recognise the aspects enumerated by Albrechts as distinctive from strategic planning,

the strategic approach is distinctive in pulling all those elements together into a coherent planning structure. Continuing to highlight the importance
of individual elements and stressing their interrelationship may help planners to do better planning. (Kaufmann and Jacobs, 1987, p. 28)

Hence, one may conclude once more that strategic planning is as much about process as it is about content. According to Bryson, there is a lot to be gained by looking for possible cross-fertilisations between the various strands of research about strategic planning, i.e. the literatures on strategic planning for places; strategic planning for public and non-profit organisations; strategic planning for business organisations; networks, network planning and management; and finally the literature on consensus building and conflict management (Friedmann et al., 2004: comment by Bryson). Considering the substantive and procedural aspects mentioned here, Bryson’s call cannot be addressed without integrating the two. Thus, strategic planning essentially requires ideas or frameworks for the manner of integrating process and content, in order to attain well-informed deliberation for future-oriented actions. The exchange and generation of information and knowledge are considered crucial and their role is further elaborated in Chapter Three. In the following section, the emphasis will be on substantive strategic planning tools.

The idea put forward here is that one of the key ingredients of strategic spatial planning should be insight into the dynamics of the external environment. More specifically, this concerns strategic planning with respect to the dynamics of the real estate market in connection to urban neighbourhoods. In the next section, this aspect of strategic planning will be discussed further.

2.5 Strategic portfolio management

The sections above discussed a number of strategic planning approaches. On the one hand, there is strategic planning aimed mostly at organisations, with its origins in business and with applications in the public sector as well. On the other hand, there is strategic spatial planning, which was traditionally geared towards retaining spatial comprehensiveness on the long-term. In the past decades, this substantive objective was joined by more process-oriented aspects of planning. Strategic spatial planning has (not unjustly, one could argue) become a host term for an extensive set of planning aspects, one that reflects the complexities of both the planning object and subject. In addition, the goals of constructing a competitive as well as a cohesive city are no longer seen as separate objectives, to be reached through separate lines of social, economic or urban planning (Harding, 2005; Gualini, 2005). In this altered context for local governments and urban planning, strategic planning needs to focus on finding ways of achieving both competitiveness and cohesion. As discussed earlier, this compels cities to be increasingly selective with respect to their spatial plans and it requires more explicit insights into the opportunities that are increasingly determined by market dynamics. While it may be desirable to start urban renewal in one neighbourhood, other neighbourhoods may have more potential for improvement. How does one know which office sites are most likely to attract a certain business sector that will contribute to the local economy? Which areas are prone to become gentrified and should this trend be supported or reduced? Combining planning ambitions with improved insight into market dynamics will allow cities to think
more strategically about where and how in the city the ever narrowing options for urban development are feasible and desirable.

Inherently, strategic spatial planning involves making deliberated choices about where and how to invest, intervene and plan urban developments. Crucially, the notion that planning interventions are increasingly a matter of balancing ambitions with opportunities (as driven by market dynamics) makes deliberation a more difficult and important process. Hence, it is useful to look at strategic planning tools that can help deal with this increasingly urgent issue. This concerns business tools that may help to substantiate the city’s choices of where and how to invest, intervene and plan urban developments. Rather than aimed at the ‘how’ of strategic planning, i.e. the effective and efficient functioning of the organisation or decision-making processes, these are approaches oriented more at the ‘what’ of strategic planning. They are particularly designed to help decide the focus of a company’s activities and the products to invest in, based on identifying external opportunities. And whereas process approaches generate possible solutions by adequately applying them, substantive approaches, according to Bryson and Roering, ‘do yield answers.

In fact, the models are antithetical to process when process concerns get in the way of developing the “right” answer’ (Bryson and Roering, 1987, p. 17). Clearly, this distinction is too bold. Implicitly or explicitly, substantive tools may be introduced as ‘antithetical’ to process, but as I will show further below, both literature and practice demonstrate that process and content cannot be separated this rigorously, if at all.

Strategic planning tools

There is a wide variety of substantive strategic planning tools available. Below, I will discuss some of these approaches, in particular the portfolio approaches and how to translate them into urban planning.

Probably the most well-known and widely used tool, made popular by Andrews (1971), is the SWOT-analysis, in which the internal characteristics of the organisation are confronted with threats and opportunities from outside. Other tools developed for finding competitive advantages include Porter’s (1980) generic strategies, the value chain concept (Porter, 1985), or Prahalad and Hamel’s (1990) core competencies (for an overview of these types of tools and approaches see for instance Dobson et al., 2004, or Williamson et al., 2004).

In particular, portfolio tools were developed to help companies decide on the types of business to develop and types of products and business to invest in. Some portfolio tools are the Ansoff matrix, the GE/McKinsey matrix and the Growth-share matrix, which is probably the most well-known tool. The Growth-share matrix offers a relatively simple analysis of one’s products, setting them off against the dynamics of the environment. This distinction between the performance and opportunities for product development corresponds to the city’s need to deliberate and reconcile internal ambitions with opportunities found in the environment. I will argue that the relative simplicity of the Growth-share matrix, often considered as one its main problems, is at the same its greatest asset for practical application. More complex tools run the risk of being unintelligible to practitioners and therefore are not very useful in the more exploratory stages of strategic planning. Hence, I will devote considerable attention to the Growth-share matrix. This tool is the
main inspiration for the development of the urban portfolio approach as an instrument to support strategic spatial planning. The approach starts with the idea that the city can be seen as a portfolio of neighbourhoods, similar – but with some important differences – to a business portfolio. In the remainder of this chapter, I will first discuss the Growth-share matrix, followed by the main hypothesis that an adapted type of matrix can help identify opportunities for urban development. I will argue that with this insight the deliberation of investment strategies can be made more explicit and better informed, thereby contributing to the more abstract stages of strategic spatial planning processes.

*The Growth-share matrix*

The Growth-share matrix was developed in the 1970s by Bruce Henderson, founder of the Boston Consulting Group (Henderson, 1979). Instead of investing resources within business units, thereby funding merely their own development, Henderson looked for a systematic way to organise a balanced business portfolio of different products in different markets. By making an inventory of the performance of products and the development of markets, companies were able to substantiate investment decisions, aimed at generating continuity of profits. The idea was based on two economic concepts: the ‘product life cycle’ and the ‘experience curve’.

**Figure 2.1: The product life cycle**

The product life cycle model, introduced by Levitt in 1965, encompassed the idea that products typically run through different stages. From introduction of the product, through a stage of growth, followed by the stage of maturity, and finally ending in decline (Figure 2.1). The sales volume typically increases in the growth stage, reaches a peak and stabilises in the maturity stage and drops in the decline stage (Levitt, 1965). The model serves to identify a company’s products in the life cycle, in

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2 It is also known as the ‘Boston matrix’ or the ‘BCG matrix’.
order to secure a continuous flow of profitable products throughout the life cycle. The life cycle is by no means inevitable, as products may for instance fall to decline immediately after introduction. At the same time, decline is not an automatic and inevitable fate after the maturity stage. A product may find a new market, new users, or a new usage; thus it can start a new cycle.

The life cycle model is accompanied by the idea of the ‘experience curve’. The line of reasoning is that the costs of producing a unit are reduced by making production processes more efficient (Figure 2.2). There are three basic causes that drive the experience curve. First, there are learning effects that arise from the increase of knowledge about the production process. Second, technological improvements increase efficiency. Third, there are scale effects that reduce costs (Day and Montgomery, 1983). As the costs per unit drop, the price of the product can be lowered, giving the firm a competitive advantage and increased market share (Henderson, 1979).

\[ \text{Figure 2.2: The experience curve} \]

Based on the idea of the life cycle and the experience curve, business portfolios should be organised, according to Henderson, by looking at two key characteristics: the current performance and the potential of the product. In order to ensure a continuity of profit, there should be sufficient well-performing products that contribute to current profitability, but if/when they fall to decline, there should be enough potential products in the pipelines. In the Growth-share matrix, all of the company’s products are identified by these two characteristics. Performance is indicated by a product’s market share, as this is seen as a proxy for the amount of cash it can generate. This is related to the experience curve: cost reduction allows for lower prices, which generally increases market share. Potential is indicated by the growth rate of the market; a growing market indicates a potential for gaining additional market share. Combining these two indicators in a matrix produces the Growth-share matrix (Figure 2.3).

Four ideal-type products can be identified, based on a high/low market share and high/low market growth. If a product’s market share is high and market growth is low, it is named a cash cow. The product generates high income and little
additional investment is needed; the cash cow provides the main source of profits and can thus be milked. Stars are products with both a high market share and market growth. They generate income, but still require significant investments. If the market settles down, stars would become the next cash cows. If its market share is low, but the market is growing, a product is named question mark (also sometimes referred to as a ‘problem child’ or a ‘wildcat’). These products generate little income, but with proper investments, some of them may become future stars. Finally, there are dogs (also referred to as ‘problem children’), where both market share and market growth are low. They neither cost much nor do they return a lot of resources. However, according to Henderson (1979), because they failed to obtain a leadership position in the market they should be discarded.

The matrix in Figure 2.4 illustrates the idea of the product life cycle within the Growth-share matrix. Typically, a product would be introduced as a question mark. Here, it will either immediately drop to a dog position (which is named a disaster sequence), or enter the growth stage where it could gain market share and evolve into a star: the so-called success sequence. When the growth rate stabilises, the
Mapping the Market

products matures and becomes a cash cow. Then, after a certain period of cash generation, it loses market share, finally entering the stage of decline and ends up as a dog. The typical business strategy to adopt would be to find an optimal cash flow. Ideally, resources generated by cash cows would be used to (further) increase the market shares of stars and some selected question marks. This would secure a constant and balanced possession of profitable products. Dogs have no part to play in this strategy.

Criticisms
Initially, at the beginning of the 1980s, the Growth-share matrix was very popular. Particularly the four types of products were well-known and they remain widely used terminology in business to this day. However, the model received a number of criticisms, ranging from the way indicators are measured to the premises underlying the concept.

First, the model is often criticised for its simplicity, or at least its alleged simplicity. The picturesque graphs that represent the ideal-type products have contributed to the model’s fame and they are still used in business language, but at the same time they are symbolic for the danger of oversimplification. The ideal-type strategies for dogs, cash cows, stars and question marks can easily become stereotypes, and the strategies ‘prescribed’ by the model can be easily interpreted too literally. In reality strategies need to be much more sophisticated and contingent (Seeger, 1984). For example, although market share or market growth may indicate otherwise, some cash cows should not be milked, but may need additional investment. At the same time, some dogs may be quite useful for companies:

Divesting [a supposedly useless] retail division would be analogous to a fire engine company’s disposing of its Dalmatian hound. The dog does not contribute much to the direct function of putting out fires. But it looks good in photographs; it makes life more pleasant for the fire-fighters during their boring waits for alarms; and it keeps other dogs from pissing on the equipment (Seeger, 1984, p. 95).

The second criticism is levelled at the arbitrary way of operationalising this tool (see Grant, 2002; Dobson et al., 2004; Williamson et al., 2004). Usually, in the Growth-share matrix the relative market share is measured as the relative share in proportion to the market leader. But who decides on the difference between high and low market share of growth? In many cases, the majority the firm’s products end up in the dog quadrant, even if they are perfectly profitable. Differences of measurement both within and between portfolio tools can put business units in different positions (Wind and Mahajan, 1981; Wind et al., 1983; Dodge et al., 1994). Another ‘technical’ problem is that a product’s performance in the portfolio matrix is highly dependent on the market boundaries. For instance, whether or not to include security monitors in the television market will affect the market share. In reality, many products and markets are fuzzy and cannot be identified as part of one single market. Should the market share of an automobile company be seen in proportion to the whole automobile industry or merely to a certain part of it, e.g. the market for family cars?
The above criticism is related to the idea that identifying only market share and market growth is seen as too reductionist. Other factors, such as the company’s competitive advantages or the attractiveness of an industry, are not part of the tool, but may provide a better perspective on products and markets. As a response, General Electric developed a portfolio matrix similar to the Growth-share matrix, but incorporating these sorts of factors. Instead of market share and market growth, the GE/McKinsey matrix identifies the strength of a business unit and its industry attractiveness, as a combined score of other factors (Figure 2.5).

**Figure 2.5: The GE/McKinsey matrix with ideal-type general strategies**

<table>
<thead>
<tr>
<th>Business unit strength based on various product characteristics</th>
<th>Industry attractiveness based on various market characteristics</th>
</tr>
</thead>
<tbody>
<tr>
<td>High</td>
<td></td>
</tr>
<tr>
<td>Selective investment</td>
<td>Invest / Grow</td>
</tr>
<tr>
<td>Medium</td>
<td></td>
</tr>
<tr>
<td>Harvest / Divest</td>
<td>Selective investment</td>
</tr>
<tr>
<td>Low</td>
<td></td>
</tr>
<tr>
<td>Harvest / Divest</td>
<td>Harvest / Divest</td>
</tr>
<tr>
<td>Low</td>
<td>Medium</td>
</tr>
</tbody>
</table>

Yet again, although the GE/McKinsey matrix is indeed more sophisticated, it leads to another problem: the arbitrary choice of the method for transferring the different factors into a single value for the business unit’s strength and the industry attractiveness. Moreover, this makes the GE/McKinsey matrix much more complicated and harder to mould into an understandable and useful tool, particularly in the eyes of others than the experts who carry out the calculations.

More generally, Mintzberg et al. (2001) argued that portfolio tools, and what is referred to as the ‘positioning school’ of strategic planning as a whole, often put far too much emphasis on quantitative analysis of products and industries (their strategic positions, benchmark positions, market shares, market growth rates, etc.), while ignoring important non-quantifiable characteristics, such as process and politics. In addition, firms may become obsessed with the quantifiable outputs themselves, when in fact ‘market share is a reward, not a strategy’ (Ibid., p. 99).

All in all, as concluded by several authors, the Growth-share matrix is a useful tool for analysing products, business units and markets. And although it may suggest strategies, the tool is not the strategy itself:

Strategy making (...) is a far richer as well as messier and more dynamic process than the rather orderly and static one depicted in [the positioning] school. Thus, the role of positioning is to support that process, not to be it. (Mintzberg et al., 2001, p. 121, original emphases)
One can only agree with Mintzberg. However, the reason why portfolio tools, like the Growth-share matrix, are currently out of fashion (yet at the same time still used by many firms: see McCabe and Narayanan, 1991; Ghemawat, 2002) is not because they are useless, but because of the way they were introduced and perceived as strategic planning tools. Either intentionally or unintentionally, they were introduced as instruments that could virtually by themselves produce strategies, based on a certain amount of data. Considering the complexities of the real world and hence strategy development, it is no surprise they could not live up to these lofty expectations. Despite the criticism, however, my hypothesis is that they can still be very helpful tools in strategic planning processes, such as the development of urban planning strategies.

2.6 The urban portfolio

Considering the amount of both ‘technical’ and more fundamental criticisms of the Growth-share matrix and portfolio tools in general, one might wonder whether it makes good sense to translate this widely criticised and relatively dated concept into urban planning. Despite these noted criticisms, I find that the Growth-share matrix is a suitable source of inspiration for current urban planning challenges because it enables the mapping of the market dynamics in the city in a relatively simple way. More importantly, following Minztberg, this analogy provides no solutions by itself, but rather a framework for further deliberation and consideration of more sophisticated discussions of investment decisions. Specifically, the idea put forward in this chapter is that the city can be regarded as an urban portfolio of neighbourhoods, consisting of stronger or weaker positioned areas in the real estate market.

Both in geography and planning, there are some ideas and concepts about neighbourhoods that should be discussed first. The extent to which neighbourhoods run through stages of a life cycle was already the object of debate. In addition, the idea of neighbourhoods as products requires a discussion of some (but not of all) characteristics of the land and real estate market. Then, with respect to planning and housing, I will assess some ideas about analysing the neighbourhoods’ positions and their potential for (re)development. The section will end by making a transposition of the portfolio approach onto the context of the city and its neighbourhoods.

Neighbourhood change and life cycles

Numerous studies have examined the differences in neighbourhoods and the how and why of the changes in their social-economic positions. As the idea of life cycles is covered in some of the literature, I will briefly touch upon some of these geographical theories about neighbourhood change.

One of the first theories about the socio-economical-spatial composition of the city and manner of neighbourhoods change was introduced by the human ecologists of the Chicago School. In fact, this can be considered as a life cycle approach avant la lettre. An important ingredient of the concentric zone theory by Park, Burgess and McKenzie (1925) was the idea that the socio-economic position of a neighbourhood depended on the age of the housing stock. With the aging of real estate and new construction taking place elsewhere, both the absolute and relative
quality of property decrease. As more affluent households move to higher quality housing, the property becomes available for comparatively less affluent groups. Because of further deterioration (and new construction elsewhere), these groups leave as well, making room for still lower-income groups. This process is usually referred to as filtering, although there are differences of opinion about the exact characteristics and causes of filtering. For this reason, Grigsby et al. (1987) prefer to speak of (invasion and) succession. Hoover and Vernon (1959) introduced a more specific notion of the (residential) neighbourhood life cycle. Considering Vernon’s (1966) work on the product life cycle, the similarity of the model with the life cycle of more ordinary products is no surprise. According to them, neighbourhoods run through a life cycle consisting of five stages. The cycle starts with the building of single-family dwellings (step 1). This is followed by a stage of transition (step 2), during which the neighbourhood’s density increases through construction of apartments. Then, the inhabitants start adapting to even greater density of the aging housing stock, which leads to down-grading (step 3). Due to declining household sizes, the neighbourhood ‘thins out’ (step 4). Finally, what is considered an obsolete housing area is demolished or renewed by replacing the existing stock with multifamily housing (step 5). Birch (1971) developed a similar, six-stage version of Hoover and Vernon’s model, based on empirical work (see also Guest, 1974). Coming from a different angle, i.e. a Marxist approach, Neil Smith (1979) argued that decline and revitalisation/renewal are linked in a special manner. According to Smith, neighbourhood revival in the form of gentrification is the result of an increased rent gap. As the neighbourhood declines, the gap between actual property values and the potential ground rent widens; when this gap is sufficiently wide, revitalisation becomes interesting for investors again, thus paving the way for gentrification.

Despite empirical evidence for succession and (some stages of) life cycles, the neighbourhood life cycle idea has been criticised for being too deterministic; in fact it receives similar criticisms as the product life cycle. Apart from the ‘all-too-rare cases where good design forestalls obsolescence’ (Hoover and Vernon, 1959, p. 203) and intensive redevelopment interventions, the life cycle and the decline of the neighbourhood are seen as inevitable. Several authors therefore argued that human ecology by itself is not a sufficient theoretical framework to analyse neighbourhood change (Schwirian, 1983; Grigsby et al., 1987; Temkin and Rohe, 1996; Galster, 1996). From the 1970s, studies of neighbourhood change have become more sophisticated, incorporating many additional influences than those fuelling invasion and succession. Scholars have demonstrated the influences of demographic, socio-economic, spatial, political and cultural factors in determining the course of neighbourhoods, albeit they often focused on decline rather than upgrading (Prak and Priemus, 1985; Grigsby et al., 1987; Skifter Anderson, 2003). However, from the 1970s onwards, scholars have increasingly studied neighbourhood change from a political-economical perspective. Rather than looking at the characteristics of the neighbourhood itself, this view asserts that local elites, gatekeepers, or ‘urban managers’ drive change. They studied the role of real estate agents, landlords, housing associations and ‘growth coalitions’, and thus unravelled the subtle or straightforward

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3 In 1940, the US Home Owners’ Loan Corporation presented a similar distinction of five stages of neighbourhood development.
ward processes of steering, blockbusting and redlining (e.g. Pahl, 1975; Harvey, 1985; Logan and Molotch, 1987, among many others). In the end, in terms of neighbourhood life cycles, one can conclude that the sheer multitude and complexities of influences on neighbourhoods, let alone the effects of differences in time and place, make it impossible for neighbourhoods to follow an unambiguous life cycle, starting with new development and ending in inevitable decline.

The neighbourhood as a product, the city as a portfolio

Before translating the idea of the Growth-share matrix to urban planning, one should look more closely at the idea of neighbourhoods as products. There are a number of differences between the portfolio management of ‘ordinary’ products (such as cars, ice cream brands or clothes) and that of an urban portfolio of neighbourhoods. These differences relate to the nature of real estate, of neighbourhoods and the mission of the agents who manage the portfolio.

Real estate, land and the property market are inherently different from other products and markets. Land and real estate are always attached to a location and has a built in inertia: a building is usually meant to sustain for fifty years or more, but is often conserved for much longer periods as well. Due to these two characteristics the supply of real estate is relatively inelastic: once a location is developed, it will usually take a considerable amount of time before something else can be built. In the meantime preferences in the housing or office market change several times. Yet, although changing demands influence the type houses or offices built, their effect on the total existing supply of property is only marginal.

To property developers and real estate investors, the idea of real estate as a product is natural. From the perspective of trying to sell or rent new or existing property, the specific real estate units can be seen as an economic product (i.e. individual houses, offices, or retail space). Often property is merely one of the investors’ many capital investments. Therefore, despite the differences between more ‘ordinary’ markets and the real estate market, the idea of a property portfolio is fully established. It is materialised in numerous tools for analysing property assets, rates of return, portfolio management and so on, accompanied by a field of academic research (see for instance the Journal of Real Estate Portfolio Management as part of the academic research of real estate). Research and tools in real estate portfolio management are relatively similar to ‘normal’ portfolio management literature and practice. The main focus of practice and research (which I will not go into) is to analyse and find ways of attaining a risk-balanced, profitable portfolio of property in the short and/or long run (see for instance Newell et al., 2004; Edwards and Ellison, 2004).

With the industrialisation of construction, property has become a product that is increasingly realised in larger chunks instead of single units. This allows investors and developers to think of these developments as a single product, particularly if the product is relatively homogeneous, i.e. similar types of housing in a homogeneous environment. The increasing ‘thematisation’ and branding of neighbourhoods during the past decades is a manifestation of this idea. Either in large chunks, such as suburban gated communities, or as protected inner city neighbourhoods, places are increasingly marketed and capitalised as comprehensive products targeted at dif-
different segments and lifestyles in the consumer market (e.g. suburbanites, tourists, yuppies etc.) (see Sorkin, 1992).

When described in this manner, neighbourhoods almost seem as homogeneous products that can be produced and sold. However, the majority of urban neighbourhoods are still far more complex than this. They are heterogeneous in the sense that they will often consist of different types of property, with differences in size and quality and usually more than one owner. Hence, most neighbourhoods are not single business units that are built and sold by a single producer or portfolio manager. Housing associations play an interesting, intermediate role, between local government and the private sector. Considering their primary task of supplying and managing social housing, they often make use of real estate portfolio tools like any commercial property investor (see for instance Van der Flier and Gruis, 2002; Gruis and Nieboer, 2003). Apart from managing their housing estates, housing associations in the Netherlands are increasingly and to different degrees held responsible for the neighbourhood and public space surrounding the estates.

From the public sector and urban planning perspective, neighbourhoods should be considered even less as products in terms of legal or economic property. The city may own less or more land and property, which are important resources to steer, block, or guide urban developments; thus, municipalities have their own real estate portfolios to manage (see Kaganova and Nayyar-Stone, 2000). Nonetheless, the idea of local government as a manager of the urban portfolio has a much wider scope. Here, local government is not the legal or economic portfolio manager, but rather acts as the ‘owner of the problem’. Realising economically profitable urban developments and making profits through the means of selling or leasing land, tax revenues, property taxes, can be essential for local revenues. Still, this should be seen as a means for achieving the wider objective, which is to strive for a healthy, diverse portfolio of socially and/or economically vital neighbourhoods. The subsequent part of this chapter will discuss the way to achieve this objective.

Some ideas similar to the concept of the urban portfolio have been developed before. Based on the analysis of different characteristics of inner-city neighbourhoods (Lintsen, 1979), Yap (1981, p.139) distinguished strategies linked to three basic types of areas: ‘maintenance’, ‘regulation’, and ‘development’. A similar, more recent contribution by Bureau Middelkoop (1999) distinguished the types of neighbourhoods based on three characteristics: the degree of tension on the regional housing market, the neighbourhoods’ capacity to uphold their position and the cost-effectiveness of investment. They identified eight ideal-types of neighbourhoods, which provide the basis for developing response strategies.

The approaches are similar to the urban portfolio because they all look at (changes in) property values as important external factors that influence possibilities for planning interventions. Despite Yap’s proposed strategies, the instrument developed by Lintsen seems more as a research tool than an instrument for developing strategies during a planning process.

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4 Obviously, the extent to which this is the case depends on the level of scale one looks at. The smaller the perspective, the more homogeneous the property will be both in physical and legal terms.
The experience curve
Another potential translation from business to urban planning to be explored is the experience curve. In business, the experience curve is based on the idea that, in the course of a production process, the effects of scale and (technological) learning reduce the production costs per unit. In a slightly different manner, one can imagine this effect in urban policies, as demonstrated by Winsemius’ concept of the ‘policy cycle’ (Figure 2.6). The idea of the policy cycle, introduced by Winsemius (1986) and elaborated by Yap (1988), presents an ideal-type, a conceptual pattern of how policy issues arise and how they are addressed. The pattern starts when a problem or opportunity is put on the agenda. Since it is a new issue, a lot of energy is put into analysis and development of possible solutions, policies and measures. By trial and error, the problem and its solution become better known and raise less ambiguity. Finally, when (or if) a general agreement on the solutions is reached, the implementation of measures can be made more effective, policies can become more efficient, and resources and energy can be shifted towards other problems where ambiguity is still high.

Figure 2.6: Policy cycle by Winsemius (1986), elaborated by Yap (1988)

The scheme draws interesting similarities with the experience curve. However, the concept looks at the development of ‘urban problems’ and associated policies, whereas this research is aimed at identifying the market positions of neighbourhoods. Urban issues or problems are often related to certain types of neighbourhoods (e.g. urban renewal), so the two are obviously interwoven. Similar to neighbourhood life cycles, however, the position of a neighbourhood is not automatically and inevitably the result of wider, urban issues at hand; nor is it thus automatically the result of the policy experience with those urban issues. Hence, we will look for other indicators for identifying neighbourhood positions.

From the Growth-share matrix to the urban portfolio
Essential to the Growth-share matrix (though not explicitly mentioned) is the notion that market share and market growth fundamentally come down to making distinction between performance and potential. The idea of the urban portfolio is based on the same distinction. However, considering the nature of real estate,
neighbourhoods and property development, identifying the position of a particular neighbourhood requires finding alternative indicators.

In the Growth-share matrix, the performance of a product is indicated by its market share, but in the case of neighbourhoods, this is not applicable. When the popularity and demand for a standard product (like a brand of cars, ice cream or clothing) increase, the producer simply raises the supply, which is reflected in higher volumes of sold products and higher market share. The inelasticity of the supply of real estate, due to its inertia and location scarcity, allows for only marginal increases in market share. But even if inelasticity of supply were not the case, there is an open question regarding the type of market share. It is certainly possible, useful and common to identify (changes in) the supply of and demand for different types of housing and office buildings and to distinguish between different sub markets (e.g. apartments, single family dwellings, shared office premises, which can be subdivided into rented and owner-occupied etc.). However, heterogeneous neighbourhoods usually consist of several types of property, which makes it impossible to place the neighbourhood in a certain category.

Also, market share is not a useful indicator because it provides only aggregated information. It is useful to know that certain types of neighbourhoods are doing well on average, but that does not mean that one individual neighbourhood is doing fine. Again, this is related to the heterogeneity of neighbourhoods. How a specific neighbourhood is performing, depends only to a degree on the type of neighbourhood it is and the type of property present there. A multitude of other social, economic, physical and other factors have a large influence at different levels of scale. In the urban portfolio, it is preferable to have insight into the performance of individual neighbourhoods rather than into the performance of types of neighbourhoods.

Therefore, with respect to the performance of a particular neighbourhood, one should look for a number of possible indicators that present an image of the position of individual neighbourhoods. One could look at all types of statistics of individual neighbourhoods, such as unemployment rates, income, or the inhabitants’ appreciations of the neighbourhood. However, since the interest lies more in the neighbourhoods’ position in the property market, property values make a sensible proxy, to be more precise, the average of real estate values per m² in a neighbourhood. Real estate values per m² are a fairly good indicator of the neighbourhood’s market value, and are also widely used by property developers, investors, housing associations and brokers. These real estate values are based on either measured or estimated transaction values and as such they indicate how much the neighbourhood is valued on the housing market.

The concept of potential opportunities for development is more complex. Principally, it means that a neighbourhood is interesting for private investors based on the expected increase in property values. Considering the increasing interdependence between the public and the private sector, as well as the importance of property values for local government, it is assumed that this also increases the opportunities for development from a public perspective. Similar to the market value, one can say that the opportunities for neighbourhoods are the result of various kinds of social, economic and physical characteristics. How a particular market for a particular type of property or particular type of neighbourhood is growing is interesting in-
formation but it does not provide sufficient information about how specific
neighbourhoods are performing in an urban portfolio. Market growth, as used in the
Growth-share matrix, therefore requires an alternative indicator.

Both literature (for instance Louw et al., 2003; Korthals Altes, 2005) and
practice show that opportunities for development are closely linked to the attrac-
tiveness of neighbourhoods for private investments; therefore, investment consid-
erations offer numerous lessons. From a series of exploratory interviews with de-
velopers, housing associations, institutional investors and brokers in and around Am-
sterdam, some important local characteristics could be discerned. They include ac-
cessibility, functional mix, social status, and most importantly, the changes in these
characteristics (see Smit et al., 2003). These sorts of characteristics converge in a
synthetic, overarching indicator – price increase. This is what most of the interview-
ees use as an indicator themselves. After all, a neighbourhood may already have a
strong position, but there may also be very little room left for additional gain. As
stated by a property developer, ‘In the end, it simply comes down to the differ-
ence between buying and selling’. Housing associations also look at increasing values, as
an indicator that investment might be profitable in those areas.

Figure 2.7: The urban portfolio matrix as a translation of the Growth-share matrix

The main problem of looking at value increase is that one can only record past value
increases, whereas obviously the real potential is in the value increase yet to come. It
means that for some neighbourhoods the rising property values of recent years will
not continue in the future, while other neighbourhoods that have not yet demon-
strated this trend will experience value increase in the future. One could try to find
signs of neighbourhood development before prices increase. An example of such an
delayed sign would be a large rent gap, as noted by Smith (1979). Yet the mechanism
introduced by Smith, as well as other early signs (for example, some agents in the
property market keep an eye on where ‘urban pioneers’ relocate, such as students,
artists or gays) are not considered generally applicable. Rather than using them to
map neighbourhood positions, they can be part of the discussions with experts and
stakeholders that the approach intends to stimulate. This also applies to the inevita-
ble ‘delay’ of looking at recent value increases as a proxy for undiscovered potential. Taking a closer look at the discussion between experts and stakeholders often indicates the extent to which recent value increase can be extrapolated. Meanwhile, the inevitable delay of looking at past value increases in the portfolio concept is taken for granted. Thus, the increase in measured values is used as a proxy for the potential of neighbourhoods in the real estate market.

Property values and value increase together constitute the axes of the matrix of neighbourhood positions, what I refer to as the urban portfolio (Figure 2.7).

**Considerations of the urban portfolio**

To a large extent, the urban portfolio tool is similar to the Growth-share matrix and even uses the same names (cash cow, star, question mark and dog) to identify four categories of neighbourhoods. However, there are a number of differences, most of which ensue from the overall difference of perspective in the public sector as opposed to private business. The multitude and the ambiguity of the goals and interests of local government, together with the openness of public decision-making processes, make strategic management of the urban portfolio a much more complicated matter. By using a portfolio concept – and particular when looking at property values – the approach may appear to take a rather narrow economic perspective at neighbourhoods and urban development. As mentioned earlier, property values are used as a converging indicator of how a neighbourhood is doing. Price is used as a variable that through various assets and characteristics can demonstrate the popularity of a neighbourhood, even though the economic value may not always be fully proportional with a neighbourhood’s popularity. Hence, it should also be noted that – similar to the proper use of the Growth-share matrix – the urban portfolio should not be seen as a planning tool, but rather as a tool for generating knowledge about the neighbourhood’s positions and for generating a discussion about possible interventions.

Some important differences involve the meaning of a neighbourhood’s position and its implications for possible interventions. The added value of ‘well-performing’ neighbourhoods, such as stars and cash cows, is not only found in the financial means generated, such as the tax revenues, lease rents and land revenues. By ‘doing well’, these neighbourhoods require little municipal investment and as such they actually save public resources. Likewise, dog neighbourhoods do not pose a problem because they would be unprofitable. Although in general dogs demand a lot of public resources as part of welfare programs, strictly speaking they could be simply ignored. Several examples can be found of governments turning a cold shoulder to deprived neighbourhoods, as demonstrated for instance by Metzger (2000). Smith’s rent gap theory demonstrated how deliberate neglect and disinvestment, at least on the part of private property investors, can be a profitable strategy. From a different perspective however, dog neighbourhoods make up important and valuable parts of the city, providing affordable living and working environments for many. Disposing of them, as usually recommended by business, is therefore neither sensible nor preferable from a public sector point of view. Retaining affordable living and working environments in different parts of the city may well be a deliberate objective and the increase of real estate values may be in fact undesirable. If development or upgrading is the stated goal, one should keep in mind that market share –
or in this case increasing property values – is not a strategy, but a reward, as emphasised by Mintzberg et al. (2001). This means that property value increase can be beneficial for several reasons and for different stakeholders. However, in the urban portfolio approach value increase is not the automatic objective; rather it is primarily seen as an indication of a neighbourhood’s strategic position.

2.7 Urban portfolio strategies
Apart from the similarities, there are thus also important differences, both in the object of analysis as in the implications for the preferred courses of action in applying the portfolio approach to the city. Identifying the strategic positions of Amsterdam’s neighbourhoods is merely the first step that will trigger strategic discussions. Market dynamics are presented in a way that will provide a comparative and comparable overview of the different parts of the city. Although the approach primarily aims at stimulating strategic discussion, I will also briefly discuss some very general strategies that seem logical from a public sector perspective. Some more elaborate and detailed strategies will come up in the cases presented Chapter Five.

Star neighbourhoods are performing well (judging by property values) and the continuous value increases indicate more potential, although some of these neighbourhoods may be about to enter the cash cow stage. In general, one should try to capitalise on the star position. The attractiveness of these areas for private investors puts local government in a relatively strong bargaining positions vis-à-vis private investors (also largely influence by aspects such as land ownership, the type of site and plans). The strong position of these areas can be utilised by local government for realising public goals here or in other locations under their jurisdiction.

Cash cows are neighbourhoods that are also doing well, but have more or less ‘settled down’. This means that relatively little development can be expected there. It also means that relatively little public resources are needed there. Nonetheless, in order to preserve their position and to prevent some of these areas from falling into a dog position, attention and investment may be necessary. In the urban portfolio, cash cows live up to their name in the sense that they can generate resources for local government, through (high) property taxes and land revenues but also indirectly by requiring relatively limited investment on the part of local government.

As mentioned earlier, dog neighbourhoods play an important role in the city, in contrast to dogs the Growth-share matrix. In many dog neighbourhoods, low property values may go hand in hand with relatively poor living conditions. Improving the liveability may thus be necessary and preferable for all kinds of reasons, but one should be aware of the fact that, considering the lack of value increase (so far), little private sector participation can be expected there.

Question marks are perhaps the most interesting areas in the city, as they are showing signs of substantial change. In some of these areas there may be a lot of development, which requires local government to take on a guiding role and also to accommodate private developments. In such cases, the strategy may be similar to the one used in star neighbourhoods. In case of such uncertainty about whether and how to stimulate development, public investments and experiments could lead the way.
Again, it must be stressed that these are very general strategies that give a first indication of the way to look at neighbourhoods from a portfolio perspective. They provide a far too narrow substantiation for allocating resources and interventions, just as is the case for the Growth-share matrix. The actual decision to get involved and the details regarding this engagement require a much closer analysis of the situation on the ground.

Moreover, strategic decisions are closely linked to the political climate and the particular issues and priorities on the agenda. How different goals and the accompanying investments, some of which are described above, are ‘attributed and allocated throughout the city’ can be related to debates in the literature and on the ground. One of the aims, often emphasised by the literature on (inter)national competitiveness, is to attract desired economic activities and firms. This would imply giving attention to already well-performing areas and improving them even further. Clearly, this will usually concern ‘star’ neighbourhoods or question marks, at the costs of social investment in dog areas. However, sometimes dog neighbourhoods themselves may physically lie ‘in the way’ of economic development. Investments to unlock the potential here then often serve an economic objective rather than the social objective of improving living standards here. Authors such as Harvey and Fainstein demonstrated how in this case public resources are often targeted at areas where economic growth is expected to result from urban development. Swyngedouw et al. (2002) arrived at a similar conclusion for a number of European large-scale urban development projects, arguing that only modest (if any) social returns accompany these projects.

Attention might also be focused more on poor performing, or ‘disturbingly’ fast declining areas, in order to prevent further decline. This would mean predominantly concentrating on dog areas. The motives behind urban renewal and restructuring are plural (see Priemus and Van Kempen, 1999) and questionable to some (see Uitermark, 2003), but they do show a different (at least different spatial) perspective of plans and public investments across the city.

Another possible strategy would be to look for areas with the potential to be developed or upgraded relatively easily, thus without requiring too many public resources. To develop an area inexpensively can be a valuable strategy for local government. This strategy is related to Smith’s rent gap theory (Smith, 1979), but it should not be associated with condemnable practices, such as poor maintenance and displacement of vulnerable groups.

In reality, investment strategies will mostly consist of some sort of combination of these goals and perspectives, seeking to attain both competition and cohesion at the same time. The portfolio approach should contribute to making the strategic deliberation and practical debates about these matters more explicit, especially in spatial terms.

2.8 Conclusions

In this chapter, I illustrated how interrelated technological, socio-economical, political and cultural changes are shaping and are being shaped by an urban landscape that hosts increasingly complex networks of territorial and non-territorial relationships at different scales. Cities and urban regions are at the economic and cultural
forefront in this post-industrial landscape. However in this landscape, social and economic activities have become less stable, less predictable and as consequence, harder to steer. Scholars debate about the extent to which this has resulted into a drawback of the state, at which levels and the kinds of governance structures that emerged. In any case, urban planning, or any kind of public policy for that matter, has been compelled to find new ways to attain public goals and it seems that more often than not local governments are at least partly dependent on the private and semi-private sector for realising their urban (re)development goals.

Although strategic spatial planning has a long tradition in both Europe and the United States, one can say that the new planning context requires a renewed type of strategic planning. That is, whereas strategic planning traditionally was associated with comprehensive planning initiated by local government, today such an approach would generally have little success, considering the changed context. Instead, I argue that parts of strategic spatial planning, to the extent that this is not already the case, should rather resemble the type of strategic planning used by business. To be clear, this does not mean that urban planning should be more business-like, but that it could borrow the idea of anticipating developments in the external environment as part of strategy development. Like a business strategy, strategic spatial planning requires taking into account external dynamics that are largely outside of the planner’s control. Although strategic spatial planning should encompass many more aspects, such as those covered by Albrechts (2004), this notion is the starting point for the development of the urban portfolio tool: to identify the dynamics of the property market in order to better deliberate about where and how to invest and intervene in the city. Inspired by the Growth-share matrix, a business portfolio tool, I developed the idea of the city as a portfolio of neighbourhoods, featuring the identification of the neighbourhoods’ strategic positions in the city (based on property values and their rates of increase). Crucially, insight into the urban portfolio is not meant to generate answers by itself. As stressed by many, most notably Minztberg (1994), strategic planning tools themselves should not be the core of strategic planning; rather, they should assist the process of strategic thinking.

The aim of this chapter was to discuss the societal changes (i.e. the background for urban planning), the associated challenges and the implications for strategic spatial planning. I argued that the urban portfolio approach should be viewed as a product of this context. It also became clear that strategic planning is about more than applying a strategic planning instrument that can provide an optimal strategy (based on objective information). Planning and strategy-making involve a more sophisticated treatment of knowledge, information and learning, which will be discussed in the next chapter.