

> Matevž Straus
> Razvan Zamfira

The re-birth of the company town

*How corporations are
reshaping work, life, and play
in the city*

> About the authors

Matevž Straus has a B.A. in Analytical Sociology, an M.A. in Strategic Market Communication, and a M.Sc. in Urban Studies. During his studies in Ljubljana, Umeå, Shanghai, Brussels, Vienna, Budapest, Copenhagen and Madrid, and his active involvement in the youth scene in Idrija, he developed a great interest in the relationship between businesses and society.

Razvan Zamfira has a B.A. and M.A. in Architecture and Urban Planning and a M.Sc. in Urban Studies. For the past two years he has taken part in several projects promoting public participation and a shift towards a more inclusive type of urban governance in Bucharest, Romania.

Changes over the last decades have radically altered the conditions of contemporary urbanism and in many ways paved the way for the new political, social, economic and technological organisation of our cities. Gaps in urban governance have given large companies the opportunity to fill them with their own interests, while the retrenchment of welfare state provisions and the liberalisation and deregulation of the economy have left the provision of social and public services to de- or less-regulated free markets. At the same time, the rise of prosumerism is forcing companies to enable co-creation of their products/services, thus opening up the office and the factory. Several companies are already responding to market failures with their own engagement and the provision of certain services to their employees and their families, while positive externalities of the urban environment, surrounding large employers, have provided untapped potential for increased innovation. All these changes are resulting in the emergence of “post-Fordist company towns”, a model of redefined relationships between society and businesses, in which the socially-aware and innovation-driven company plays the major role in urban life and urban development.

> The birth of the company town in the 19th century

Rapid urbanisation and industrialisation in the 19th century meant also terrible working

conditions, almost non-existent provision of health services, exploitation, environmental pollution, housing shortages and high rents, low life expectancy, low levels of education, social polarisation, malnutrition and starvation (see Engels 1845). To avoid these consequences, big industrialists, often associated with utopian idealism, established company towns, in which the company played the role of economic, social and political patron. Many of these company towns were, at first, privately owned by a single concern to avoid the threat of a conflict of interests and ensure rapid construction (Garner 1971: 221). Later they also housed independent workers, mostly in services (Porteous 1970: 131). However, despite the philanthropic, socially-conscious and enlightened image of these industrialists, the majority of such communities came into being through the need to ensure a sufficient supply of labour and to limit social unrest. The company town was an “essentially temporary pioneering device, where ‘pioneering’ includes social as well as economic pioneering” (Porteous 1970: 129). They were used as a method of opening-up unexplored and unexploited territory, but also unexplored and unexploited human potential that was impossible to tap in diseased, polluted and miserable ‘normal’ cities.

The first wave of difficulties for company towns emerged at the end of 19th century with the crisis in industrial relations, as excessive paternalism also meant a ban on unionisation,

ensorship and company's full control over expenditure on social and public services. In the second wave of difficulties, newly established welfare programs opposed the idea of company towns (e.g. in 1932, the Roosevelt administration attacked company-sponsored housing and welfare programmes). With increased state intervention and a decrease in the need for this way of capital-labour organisation, company towns were partially 'normalised' and partially demolished (Hayter 2000).

However, the concept of a company town, where one company leads the development of a surrounding area in order to ensure its own profitability and explore unexplored and unexploited potential, did not disappear. On the contrary, as we describe below, the developments in the fields of politics, economics, society and technology in the last century indicate the possible return of company towns. These company towns are indeed different from the historical ones, but stem from a similar premise: in the times of challenged welfare states, emerging new production and consumption models, and changing relationships between society and corporations, new social and economic models of innovative presumption or 'production by consumer' (Alvin Toffler) are pioneered.

> *Changes of last half-century*

As modern societies of the 20th century have become more critical and demanding of the political sphere, the existing traditional model of governing society has been challenged. Critics emphasised its lack of public involvement and limited influence of the public on decision-making. Proposed responses put forward the use of societal actors and networks of actors to shape public policies (Marsh and Rhodes 1992; Kooiman 1993; Kickert, Klijn and Koopenjaan 1997), arguing for "steering, not rowing" (Osborne and Gaebler 1992), and - in extreme cases - for a "governance without government". Moreover, the delivery of public services was proposed to be altered by the inclusion within it of non-profit and sometimes even for-profit civil society (Peters 2003, 6). Re-territorialisation (Le Gales 2002; Brenner 1999) has not only shifted the focus of politics from the state to other levels, but has been also accompanied by a shift in the essence of politics. The managerial logic of the Fordist-Keynesian welfare state was supplemented with an entrepreneurial logic (Harvey, 1989; Hall and Hubbard, 1998), which promised a better delivery of collective services in the times of constrained budgetary policies and increased competitiveness between cities. The new public

management (Larbi 1999) promised to mobilise civil societies and enable large number of local actors to participate in new collective decision-making processes. Nevertheless, one group is predominantly profiting from this illusory change -the business community (Duchastel and Canet 2005) which was offered the opportunity to affect decision-making through institutionalised consultation and private-public partnerships. However, besides public-private governance regimes (Nevarez 2000), private governance regimes are emerging (Haufler 1993; Pattberg 2005). This does not necessarily mean a takeover of existing public (or public-private) governance structures, but a different approach to governing. These private governance regimes might - similar to public regimes - "provide collective goods, reduce transaction costs, and decrease uncertainty" (Keohane 2011). They could incorporate all elements of urban governance (articulating a common set of priorities for society, coherence, goal achievement, feedback and accountability (Peters 2003: 3), and in some cases achieve a hegemonic position over the public realm.

In a similar manner, the welfare state and provision of social and public services are changing. After the periods of emergence in the late 19th century and growth until the 1970s, welfare regimes encountered limits or even crisis in the 1980s. As argued by Jessop (1993: 7), a substantial shift was underway "from the Keynesian welfare state to the Schumpeterian workfare state." Jessop (1993: 8) summarises the economic and social objectives of this workfare state as: "the promotion of product, process, organisational, and market innovation; the enhancement of the structural competitiveness of open economies and the subordination of social policy to the demands of labour market flexibility and structural competitiveness." At the same time, companies developed an interest in Corporate Social Responsibility (CSR) to gain competitive advantage and social capital (Nahapiet and Ghoshal 1998 - 121-12), develop links with local communities, and alleviate the threat of damaging publicity (Cannon, 1994; Carroll, 1993). CSR has outgrown the boundaries of voluntary philanthropic activities and is forming a new institution (Brammer et al. 2012) that plays an increasingly important role in provision of services in the times of neoliberal economic policies of deregulation and privatisation (Kinderman 2012). "At the point where traditional governmental actors fail to be the 'counterpart' of citizenship" corporations enter the arena of citizenship and "partly take over certain functions with regard to the protection, facilitation and enabling of citizen's rights" (Matten, 2005: 10-11).

Within this domain of corporate citizenship, the corporation administers certain, but not all, aspects of citizenship to individuals and takes over considerable responsibility for such administration from governments.

On the production side, relationships have also changed. In the 1970s, the crisis of the Fordist regime of accumulation became apparent - supply-side shocks, the collapse of Bretton Woods, productivity slowdowns, labour conflicts, and free-market ideology undermined the very institutions constituting the basis of support for the Fordist regime (Pietrykowski 1999: 181). A decrease in effective demand led to a breakdown in the mass production system and as the investment in fixed-cost special-purpose machinery led to over-accumulation, capitalists searched for new production to invest (Harvey 2007). Responding to the crisis of Fordism, post-Fordism has emerged. Its main source of profit depends on “the capacity to engineer flexible production systems and to accelerate process and product innovation; the search for technological rents based on continuous innovation in products and processes; and economies of scope” (Jessop 2013). Moreover, increased competition forced improvements of quality and performance, responsiveness to customers and customisation, which all together give rise to the importance of innovation. As companies are recognising the limitations of their internal research and development to achieve these goals, they are searching for new ways of acquiring innovation. If during Fordism, key technologies were developed by industrial research departments, in post-Fordism research and development are “undergoing a paradigm shift toward practicing open innovation” (Afuah 2003; Inauen and Schenker-Wicki 2011). Production of immaterial labour (Lazzarato, 1997) is not defined by the four walls of a factory, but happens in “the basin of immaterial labour” (Lazzarato, 1997). This is increasingly strengthening the importance of the urban areas around production/innovation sites and once again leads towards an increasing role for companies in the development and management of their cities.

But it is not only the political institutions, the provision of public services and the companies that have changed - we, the inhabitants of cities, are changing as well. In the last century, our understanding of needs and values has undergone tremendous change (Mogensen 2004). In industrial society the desire to fulfil material needs was predominant, “Dream Society” (Jensen 1996) arose with the shift of focus to emotional, social needs, while the Creative Man logic (Mogensen 2004) expanded from

social needs to the need for personal growth. Today the need to reclaim individual influence and creativity is increasing (Mogensen 2004) - this leads to an increase in the importance of creativity and innovation in consumption and leisure as well as in business and the workplace through flexible working conditions and increased individual responsibility. A prosumer - a consumer and producer at the same time - can only be satisfied through individualism and creativity, which in turn stresses the importance of interactivity, adaptability, self-actualisation, and networks (Mogensen 2004).

> *Faster, better, stronger ...*

So where do these changes lead? What is the future of our cities? We believe that a new type of city, heavily dependent on and connected with its main economic actors is emerging. We call these post-Fordist company towns as they resemble the social and economic pioneering attempts of historic company towns, but nevertheless have distinct post-Fordist characteristics. These cities - often rather small, but with global importance - are functioning as part of the infrastructure that makes the production of post-Fordist innovation-oriented companies possible. As innovation cannot be contained within offices and factories, large companies search for new ways to organise production and thus think of cities as their incubators, accelerators and testing grounds. Post-Fordist company towns offer innovative production all the support needed to flourish - in a controlled way. Research facilities, creative milieus, cultural and leisure activities and facilities, affordable housing, living labs, organised traffic and mobility, social and health care are encouraged, supported, subsidised, managed or owned by the employer in order to avoid the unpredictability of the market and lack of public budgetary resources. Moreover, the company is often involved in local politics and plays an important role in decision-making - often in the form of strategic partnerships with local government, indirect or direct support of its representatives, and other subtle or less subtle agenda-setting. With these it ensures that urban development is not only in line with company's growth plans, but it supports and facilitates them.

Take the example of Wolfsburg, created in the 1938 by the Nazis to accommodate Volkswagen's car plant. Wolfsburg could indeed be regarded as the historic company town, if its model of organisation, based on the Fordism of Volkswagen and the Keynesianism of local government, hadn't entered an economic, social and innovation crisis in the 1990s.



Wolfsburg - Volkswagen

An important urban and economic transformation, in which the local municipality and Volkswagen formed an alliance to reinvent the city and the company, represents a shift toward a post-Fordist company town. A joint venture Wolfsburg AG was established to transform the city by creating an automotive cluster, diversifying employment possibilities, developing the service economy and reducing unemployment. Volkswagen became active on all four of the above-mentioned levels (politics, society, economy, technology) and in parallel reinvented itself - by establishing new research facilities, new branding activities, establishing a museum, and expanding into new sectors. Wolfsburg became an innovation incubator, a testing ground, a showroom - a post-Fordist company town.

Wolfsburg is not the only example. Billund (LEGO), Las Vegas (Zappos), Bentonville (Walmart), Eindhoven (Philips), Jamshedpur (Tata), Mountain View (Google), Beaverton (Nike), Herzogenaurach (Adidas), Almhult (IKEA), Suwon (Samsung), Basel (Novartis), Treviso (Benetton), Weil am Rhein (Vitra) are all to various extents experiencing similar changes. The list could even be extended as around 15% of world's largest companies (Fortune Global 500) are located in cities with a population up to 100,000 people (figure 1).

> *Towards a disruptive urban model*

Nevertheless, post-Fordist company towns are not only a sum of a company's economic, social, political and technological activities - as we argue, they can also be an economic model, based on the internalisation of urban externalities. As urban life is full of externalities, cities are also full of untapped potential: firstly, positive urban externalities are the key determinants of the success of cities (Parchomovsky and Siegelman 2012: 236) and secondly, - what is more important for post-

Fordist company towns - the internalisation of urban externalities generates new sources of revenues that can be tapped into only in situation of consolidated ownership and management. Just like shopping malls and industrial parks, company towns of the future will be specifically designed to capture positive externalities. Post-Fordist company towns will thus not depend on inefficient taxation and subsidizing of public functions or an inherently failed free market, but will create lively, socially-just, creative and healthy environments through innovative mechanisms that will enhance the benefits that a certain programme creates for both the town and the company.

Is this envisioned future a utopia or a dystopia? Probably neither. Post-Fordist company towns will be just one form of probably numerous models of social, economic and political urban organisation in the future and will answer to the needs of some companies and their employees, while other types of cities will reflect different arrangements between society and businesses. The competition between these different models will drive mobility patterns and flows of capital, and radically change our understanding of social and urban organisation.



Lego - Billund



Zappos - Las Vegas



Adidas - Herzogenaurach

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Photographs

> *Lego - Billund*

The Capital of Children is the new vision with which Lego wants to transform its hometown into a thriving urban environment for life, work and play. The starting point is to make Billund Municipality in Denmark a good place for children to grow up and develop into creative world citizens with their know-how and skills moulded through play, learning, and creativity.

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> *Volkswagen - Wolfsburg*

Since its establishment in 1999 Wolfsburg AG has managed to diversify the mono-structural character of the city by creating new ventures. The MobileLifeCampus was commissioned to promote the transfer of innovation to the market by linking Volkswagen's internal education and research to the external and global pool of knowledge in the fields of mobility, sustainability, health, leadership and services.

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> *Zappos - Las Vegas*

The Container Park project acts as a retail start-up incubator for the Las Vegas Downtown Project. Zappos attempts to transform the area adjacent to their new headquarters into a place for "collisions, co-learning and connectedness" in the urban environment.

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> *Adidas - Herzogenaurach*

Employees, brand ambassadors and consumers - also known as the Adidas family - will be the future users of the Meet & Eat building where they will continuously inspire each other in the development of new products. The building is part of a larger scheme to redevelop the former Herzogenaurach US Army Base by Adidas, which has been their new headquarters since 1998. The masterplan divides the Herzo-Base into four parts: World of Sports, World of Living, World of Commerce and Public World.

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