



2005-01-01

# The Role of Corporate Social Responsibility in Urban Regeneration

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## Recommended Citation

Gannon, J., O'Brien, G.: The role of corporate social responsibility in urban regeneration. *Futures Academy*, Dublin Institute of Technology. 2005.

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## The Role of Corporate Social Responsibility in Urban Regeneration Julie Gannon, Gillian O'Brien

### **Introduction**

The city of Dublin has undergone a rapid transformation in recent years. Emerging from the 1980's as "probably the shabbiest, most derelict city in Europe" (Mac Donald, 1985), today it embodies one of the most vibrant and popular cities in which to live and work worldwide. This reputation has materialised largely as a result of the phenomenal economic growth experienced during the Celtic Tiger era in the late 1990's, although this growth did not come without costs. Dublin is not unlike most 21<sup>st</sup> century cities in that it must deal with the continually evolving pressures and problems that present themselves in almost all urban environments. Concurrently, each urban challenge that presents itself must be resolved through the construction and implementation of specific responses (Roberts, 2000). In this way, systems of governance are constantly presented with challenges that must be overcome for the urban entity to function effectively in a holistic and sustainable way. Urban decay is an issue common on most international urban policy agendas and it is one that urgently requires attention. This is particularly the case in Dublin, where managing urban regeneration is a relatively recent endeavour in comparison with most other European countries (Ellis & Kim, 2001). Since the enactment of the Urban Renewal Act, 1986, urban regeneration in Dublin has been mostly property-led, owing to the series of tax incentive schemes introduced under this act (DoE, 1986). Although these schemes are recognised worldwide as models within which to facilitate urban regeneration (Reference), their success in Dublin has proven limited in terms of integrating local communities (MacLaran, 1993). It is argued here that Corporate Social Responsibility (CSR) is one emerging concept through which this lack of integration can be tackled in the future. CSR can lead to the creation of meaningful partnerships between private industry, public sector bodies and local indigenous communities in order to make urban regeneration more sustainable.

## Urban Dynamics

Urban environments are complex and dynamic systems of change; Landry coined the phrase “complex adaptive systems of change”. Within these dynamic environments, numerous processes are in operation, and urban regeneration is not only an outcome of, but also a response to, the opportunities and challenges presented by the interplay of these evolving processes (Roberts, 2000). Many institutions, organisations, sectors, actors and communities play a pivotal role not only in regenerating areas of urban distress but also in preventing incidences of distressed areas in the future. It is imperative that all participating in urban development programmes recognise that all parts of cities and metropolitan regions are interdependent and interrelated. Consequently if urban policy is to stand the test presented by current urban challenges, it must integrate the distressed areas of the city that already exist into the entire fabric of the city (OECD, 1998). It is suggested that the private sector will have a significant role to play in future urban development initiatives.

### *Urban Regeneration*

Urban regeneration has been defined by Roberts (2000) as:

“comprehensive and integrated vision and action which leads to the resolution of urban problems and which seeks to bring about a lasting improvement in the economic, physical and environmental condition of an area that has been subject to change.”

Although it has already been mentioned that to some degree global cities are undergoing similar processes of change, every city possesses distinct characteristics that require policy measures specific to that individual situation to stimulate regeneration. In spite of this, a number of general principles and models of good practice have been identified by Roberts (2000) who suggests that urban regeneration should:

- be based upon a detailed analysis of the condition of an urban area;

- be aimed at the simultaneous adaptation of the physical fabric, social structures, economic base and environmental condition of an urban area;
- attempt to achieve this task of simultaneous adaptation through the implementation of a comprehensive and integrated strategy that deals with the resolution of problems in a balanced, ordered and positive manner;
- ensure that a strategy and the resulting programmes of implementation are developed in accord with the aims of sustainable development;
- set clear operational objectives which should, wherever possible, be quantified;
- make the best possible use of natural, economic, human and other resources, including land and existing features of the built environment;
- seek to ensure consensus through the fullest possible participation and co-operation of all stakeholders with a legitimate interest in the regeneration of an urban area; this may be achieved through corporate social responsibility.
- recognise the importance of measuring the progress of strategy towards the achievement of specified objectives and monitoring the changing nature and influence of the internal and external forces which act upon urban areas;
- accept the likelihood that initial programmes of implementation will need to be revised in-line with such changes as occur; and
- recognise the reality that the various elements of a strategy are likely to make progress at different speeds; this may require the redirection of resources or the provision of additional resources in order to maintain a broad balance between the aims encompassed in a scheme of urban regeneration and to allow for the achievement of all strategic objectives.

### *Addressing Urban Regeneration*

Urban regeneration is a relatively widespread but little understood challenge, which faces almost every city globally at one time or another. Consequently, a plethora of divergent approaches towards urban regeneration currently exist in terms of systems of governance, policy measures, project management, financing structures and

partnerships, although no single prescribed form of urban regeneration practice prevails (Roberts & Sykes, 2000).

Urban regeneration is by nature an interventionist activity. Urban policy has evolved in this regard over the past few decades with intervention circling from institutional/state-led, market-led or property-led private intervention to collective, partnership intervention. Increasingly, however, it has become a matter of public-private consensus and a matter of immediate concern on the European sustainability agenda. In this sense it is evident that there is a growing trend towards public/private partnership pacts and therefore, CSR could play a more prominent role in the future.

### *Addressing Urban Regeneration in Dublin*

In Dublin alone, there was no concerted government activity regarding the renewal of urban blackspots until the 1980's, which saw the rise of, although fragmented, policy initiatives to deal with renewal (Marshall, 2002). Two significant pieces of legislation, the Urban Renewal Act, 1986, and the Finance Act, 1986, enabled the Irish Government to introduce a number of initiatives to tackle designated areas of urban distress through fiscal measures. The legislation provided the private sector with the incentive to invest in urban areas, which would otherwise have not been considered by the sector. The four main types of incentives available for use by the private sector outlined by Llyod & McCarthy (2002) include:

1. Capital Allowances;
2. Double Rent Allowances on Commercial Leases;
3. Rate Remissions/Relief; and
4. Income Tax Relief/Allowance

These initiatives were successful to the extent that they stimulated a major physical renewal of the areas in question as well as a development boom in office and residential development. This is evident by the decision to locate the now competitive international and financial services centre (IFSC) in the Docklands area of Dublin, once infamous for its derelict wastelands (Williams, 1999). Unfortunately, there is evidence of "dead weight", in that it is widely accepted that some of the projects that enjoyed tax breaks under the

schemes probably would have gone ahead anyway (Reference). Furthermore, these schemes have contributed to the current spiralling land prices (KPMG, 1996; McCarthy, 1998) and the marginalisation of local communities through the process of gentrification. Perhaps if private property-led investors had been encouraged to evaluate the impact of their development activities on the surrounding locality by means of tax-related stipulations obliging companies to act in a socially responsible manner, the problems evident today could have been avoided. Instead, what we have witnessed is a failure to link property-led regeneration with social renewal. There is a call, therefore, for a more integrated and strategic approach towards urban regeneration in Ireland, and particularly so in Dublin, where one third of the population reside (Ellis & Kim, 2001).

### *Future Challenges of Urban Regeneration*

Owing to the existing disparate forms of intervention, it is essential that a workable framework is developed which can direct urban regeneration in a coherent and consistent manner. The contrasting regimes of regulation imposed by various interventionist types of activity have further rendered the need for a common framework.

Owing to the wide range of issues, problems and challenges on the urban agenda, it is imperative that urban regeneration should work to this type of strategic agenda. Emphasis should be placed on the anticipated outcomes of the project and the provision of a framework within which plans and projects can be designed and implemented. This will facilitate making links between various policy systems involved, identifying the roles and responsibilities of the actors and stakeholders involved in the project and finally producing a sense of common purpose and co-operation (Roberts, 1990).

### *Corporate Social Responsibility - The Future for Urban Regeneration?*

Improvement in areas of urban distress can only be achieved if a long-term strategic framework is developed for all future development. Furthermore, this framework must ensure that both private and public policy operates in accord with the principles of sustainable development encompassing social responsibility and ethical

behaviour. Sustainable and meaningful partnerships evidently play a vital role in achieving urban regeneration. Corporate social responsibility, in this regard, is a necessary prerequisite if social cohesion within areas of urban blight is to be rekindled and a desirable medium through which the goals of urban regeneration can be achieved.

### *Corporate Social Responsibility Defined*

Corporate Social Responsibility is not a new concept. Clark (1916) noted '*if men are responsible for the known result of their actions, business responsibilities must include the known results of business dealings, whether these have been recognised by law or not.*' Business has long since recognised its role in contributing to the development of communities in which it operates. In its broadest sense, CSR is the term coined to describe the instrument through which business' can rise to the challenge of sustainable development. Whilst the term is all-embracing, specific elements of CSR need to be distinguished and treated differently. For example, the methods used for dealing with environmental issues, such as standards and certification, are not the same as those that can be used for dealing with social issues, which require both physical and non-physical investment in communities. For example, when applying CSR initiatives to regeneration projects, it is vital to take into account the specified nature of the disadvantaged area under scrutiny. There is, therefore, no single approach.

The World Business Council for Sustainable Development proposes a definition for CSR as: '*the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large*'. Central to this concept is how companies manage their strategic, tactical and operational activities to produce an overall positive impact on society. Similarly, the EU Commission Green Paper entitled '*Promoting a European Framework for Corporate Social Responsibility*' defines CSR as '*a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis*'. Perhaps one of the most notable aspects of CSR is its voluntary nature, and the case for maintaining

this voluntary characteristic is very strong. The real benefits of CSR come from companies looking to go beyond their legal requirements. This type of action would undoubtedly be fruitful in areas of urban distress, which have previously been abandoned by society and have suffered from a lack of private investment.

### *Principles and Guidelines for the Application of CSR*

The OECD Guidelines for Multinational Enterprises, were developed as an international benchmark from which to formulate CSR strategies. (reference) They contain voluntary principles and standards for responsible business conduct in areas such as human rights, corporate transparency, labour rights, environmental protection, anti-corruption and social cohesion, as well as urban development. Over the past few years there has been a move towards business/NGO partnerships to realise CSR. For NGO's it could be suggested that this has grown out of increasing frustration over the failure of governments to regulate the behaviour of big business. On the other hand, business is using such partnerships as an opportunity to side-step governmental control. This interrelationship between business', governments and stakeholders has guided the debate around CSR since its inception and goes hand in hand with the type of interventionist activities governing urban regeneration projects.

### *The Interdependence between Business and Society for Sustainable Urban Regeneration*

Globalisation and the concomitant increase in governing power assigned to corporations has highlighted the need for business' to address economic, environmental and social development issues within urban environments. Although the prime function of companies is to create value through producing goods and services that society needs, it is becoming increasingly evident that they can simultaneously make a contribution to the needs and goals of society and the environment. This can be achieved by integrating CSR as part of their overall corporate strategy. According to Wood (1991) 'the basic idea of corporate social responsibility is that business and society are interwoven rather than distinct entities'.



While society depends on the generation of business in the community, so too does business depend on society for the provision of resources in the form of people, raw materials, and infrastructure - the necessary components to produce such goods and services (Cannon 1992). By recognising this interdependence between business and society, firms will inevitably reap the benefits of a stable environment with an educated workforce. An example of an urban regeneration project that is attempting to capitalise on the mutual benefits that can be achieved, through this interdependence is evident from the Craigmillar project currently under way in Scotland. This is in co-operation with the LUDA network.

By recognising the need to evaluate the impact of their business activities on the community, companies can not only ensure social cohesion but can also sustain a sound reputation. Company codes of conduct, both internal and external, are crucial to corporate longevity in today's market, as reputation has come to supersede most other factors in determining company sales and value. Owing to a lack of trust among stakeholder groups and increasing public skepticism, as a result of such scandals such as the high profile Enron scandal, companies that appear to be thriving today may not exist tomorrow. So not only is CSR vital for social and environmental sustenance but it is in the interests of the corporation itself. Furthermore, this can ensure a competitive advantage over other, less responsible, firms competing within the same locality and thus create the potential to maximise profitability. This, in essence, is what corporate social responsibility is all about.

## Conclusion

It is vital that urban policy is in line with the pace and scale of urban change so that it can have a significant enough influence over the form and functioning of cities in the 21<sup>st</sup> century. Because cities matter, and bear an overwhelming influence, not only on regional, but national economic progress and development, urban policy must change and evolve to reflect the changing assignment of responsibility for effective management of urban environments (Roberts, 2000). As Stegman noted “the tragedy of the inner city affects everyone” and the overall performance of a city bears consequences for the rest of the country. Corporate social responsibility is vital in this plight to achieve sustainable, civic and accountable systems of urban governance through which urban regeneration can be realised. Owing to that fact the urban regeneration is an activity which is likely to experience considerable changes in its governing structures in the future, it is a good time for business to take on board the guiding principles of CSR, such as operating ethically and with integrity; sustaining the environment for future generations; and becoming socially interactive within the community. By embracing these principles of CSR, therefore, both the private sector and the public domain can reap the benefits. Areas of urban distress are an example of one societal sector where these benefits are clearly required.