

## A new Dortmund? Coping with restructuring on the territorial level. The approach of the Dortmund-project, Germany

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### Executive summary

This project is the result of territorial negotiations between ThyssenKrupp, the local metal workers union IG Metall and the local authorities in the face of the closure of the last steel mill in Dortmund, the *Westfalenhütte*. The restructuring caused a public private partnership between ThyssenKrupp, McKinsey and the city of Dortmund to come up with an overall concept for both urban and business development. This concept was linked to former studies of the local business development on cluster formation.

Due to the cooperation with McKinsey and an in-depth restructuring of the department of business development in Dortmund, the initiative can be considered as an important strategic decision for the future of industrial politics in Dortmund.

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## A new Dortmund?

Coping with restructuring on the territorial level.  
The approach of the ‘dortmund-project’,  
Germany



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## 1 Abstract

The aim of this paper is a brief introduction to the approach of the dortmund-project. This project is the result of territorial negotiations between ThyssenKrupp, the local metal workers union IG Metall and the local authorities in the face of the closure of the last steel mill in Dortmund, the *Westfalenhütte*. The restructuring caused a public private partnership between ThyssenKrupp, McKinsey and the city of Dortmund to come up with an overall concept for both urban and business development. This concept was linked to former studies of the local business development on cluster formation.

Due to the cooperation with McKinsey and an in-depth restructuring of the department of business development in Dortmund, the initiative can be considered as an important strategic decision for the future of industrial politics in Dortmund.

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This case study has come about within the framework of the project “Monitoring Innovative Restructuring in Europe – MIRE”. The project is being conducted in a collaborative venture involving the IPG – the Institute for Psychology of Work, Unemployment and Health at the University of Bremen and the IAT – the Institute for Work and Technology in Gelsenkirchen. Its aim is to identify innovative approaches to restructuring from a European perspective and, in addition, to organise an international exchange and transfer of knowledge and know-how. MIRE is being promoted as an innovative measure under article 6 of the ESF. The project began in January 2005 and is coming to an end in November 2006.

In order to achieve this goal

- National networks of experts are being set up in the participating countries (France, Belgium, Great Britain, Sweden and Germany). These networks are to be linked up with each other in the course of the project;
- To this end, case studies are being carried out in each country in order to document respective “good practice” in restructuring processes.

## 2 Introduction

The economic background of Dortmund and the dortmund-project can be described as a radical decrease of employment in the traditional sectors of the city. This relates to the decline of several industries, brewery, steel, and coal mining that has begun in the 1960es and led to about 80,000 jobs being lost. A significant company restructuring in the end of the 90es, the closure of the traditional steel works *Westfalenhütte*, resulted in approximately 5,000 layoffs. This restructuring was the beginning of a closer cooperation between the owner, ThyssenKrupp and the local authority concerning local business development. ThyssenKrupp funded an expertise worked out within a public private partnership (ppp) between the city of Dortmund and McKinsey & Company in 1999 and 2000. This ppp was the basis for the implementation and enforcement of the dortmund-project. Finally the expertise became a very detailed and cluster based overall concept for both business and urban development, which was worked out up to a huge number of projects on the operational level.

The official project launch took place in June 2000, funded for a ten-year period. Under the banner of “A New Dortmund” its most ambitious objective was the creation of 70,000 new jobs until 2010; the main instrument was to invest and build up new industries in high-tech and new economy sectors. After five years, an evaluation of the project’s successes showed that the project did not succeed in terms of achieving the envisaged employment growth. Due to the crisis of the new economy and contrary to the project prognosis the core sectors information and communication technologies (ICT), micro system technologies (MST) and e-logistics did not work as “job engines” for the local labour market.

An additional objective of the project was the promotion of business start-ups. The project aimed at increasing local competitive advantages for start-ups and assist new companies settling in the area. Belonging to the latter objective, the initiative “start2grow” has become one of the most successful instruments within the dortmund-project, and in many respects the initiative can be seen as an innovative way forward. It can be characterized as a combination of both regional and supra-regional promotion of entrepreneurship, it is also a combination of network building and founder’s contests, and lastly it is embedded in the sectoral strategy of the dortmund-project.

As a start the case study “A new Dortmund? Coping with Restructuring on the Territorial Level” gives a brief overview of the main characteristic of the region (section 3). Afterwards (section 4) it focuses on the story of the dortmund-project from its roots in the 1990ies till 2005, by which point the project had been running for half of the envisaged length of ten years. An example of good practice – the approach of “start2grow” – is added here as well to detail one aspect of the complex overall schedule of the dortmund-project (section 5). At least the paper ends with some conclusions (section 6).

### 3 Dortmund and the Ruhr District at a glance

Fig. 1: Germany, North Rhine-Westphalia, Ruhr District and Dortmund



#### The Ruhr...

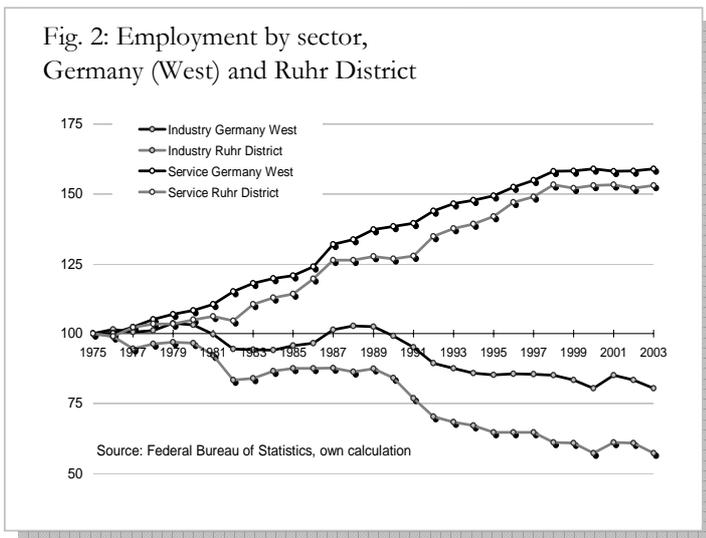
Since the city of Dortmund is an important part of the Ruhr District, the city cannot be characterized without describing the Ruhr district itself – the biggest so-called “rust belt” in Germany.

The Ruhr District, situated in the state North-Rhine Westphalia in the Western part of Germany (fig. 1), can look back at a long tradition of producing steel coal mining. With its approximately 5.3 million inhabitants and 1.5 million employees the Ruhr District is still the biggest economic area in Europe; the regional gross domestic product is round about 120,000 Mill. EUR (2002, Source: Städte und Kreisstatistik des RVR 2004). In administrative terms, the Ruhr District is a very complex unit: It consists of 15 local authorities, eleven cities and four districts in a length from east to west of 116 km and round about 67 km from north to south.

The high degree of industrialisation in previous times would later prove to be a bad starting point for initiating sectoral and structural change, particularly considering the increasing of the tertiary sector. The gradual decline of the industrial core areas could not be compensated for by the service industries. At present, the Ruhr District has one of the worst labour markets in the West of Germany – as shown in Figure 2 and 3. The first indicator, which describes the situation on the regional labour market most accurately, is the development of employment by sector, most notably very low in the Ruhr District as shown by figure 2.

Compared to the average development of employment, Figure 2 shows the rapid industrial decline in the Ruhr District and a decelerated development in the service sector. Nowadays (2003), the level of employment in the Ruhr District has decreased of 13.8% since 1980. The particular structural change of the Ruhr District can also be seen in a high level of unemployment: With 13.7% in a 10 years average (1994 to 2003) the unemployment rate is approximately 4 points higher than in the West of Germany (9.3%, see

Fig. 2: Employment by sector, Germany (West) and Ruhr District



- Supprimé : Zu den Hochzeiten der
- Supprimé : Stahl- u
- Supprimé : Stahl- und Kohleindustrie trug Gelsenkirchen den stolzen Titel „Stadt der 1.000 Feuer“, die Ruhrgebietsstadt mit ihren Hochöfen, Stahlwerken, Kokereien und Bergwerksanlagen galt als ein Vorzeigemodell des bundesdeutschen Wirtschaftswunders.
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figure 3).

...and Dortmund

With approximately 600,000 inhabitants Dortmund is one of the ten biggest cities in Germany and currently the biggest one of the Ruhr District. Compared with the regional economy, the city of Dortmund has a specific basis for its local economy. The specificity is the so-called Dortmund climax consisting in coal, steel, and beer brewing, which has led to Dortmund's former industrial motto: "brewing more than 7 million hectolitres of beer, producing more than 7 million tons of coal, melting more than 7 million tons of steel" (Röttger, 2005, p. 6).

Similar to the development in the Ruhr District as a whole, Dortmund has faced a radical industrial decline in its core sectors. From 1960 to 1997, employment in mining decreases about 13.6% per year, steel 7.0% and brewery 6.0% per year (see figure 4). The biggest brewery of Dortmund was demolished in 2004, and since 2001 steel "is no longer produced in Dortmund itself.

The last furnace has seen its fire extinguished" (Dörre et al, 2002, p. 60). The closure of Dortmund's last furnace took place at "Westfalenhütte" on April, 28<sup>th</sup>, 2001; the decommissioning was part of the restructuring that triggered the dortmund-project – as we figure out in chapter 4.2.



## 4 The Story of the dortmund-project

### 4.1 Brief History of Business- and Employment Development in Dortmund

The story of the dortmund-project began in the mid of the 1990ies. Starting point was an extensive debate about the reorientation of the local business and employment development policy. The debate was caused by a set of circumstances, which is in general – as shown below – not Dortmund-specific. Nevertheless the project is caused by local characteristics; reasons are on the one side the new head of the department of business and employment development (*Wirtschafts- und Beschäftigungsförderung Dortmund* – WBF-Do), who was very convinced that there was an urgent need to reorientate and modernize the municipal business development department. On the other side the network of social actors' provided a fertile ground a debate regarding potential changes and actions. Thus the starting position can be summarized as follows:

- At first, the focus in industrial politics discussion has changed in the 1990s towards a concept of competitive regionalism (Dörre et al, 2002, p. 59). The idea behind this concept is that regions have to identify and develop their specific strengths to cope with the global competition – regionalism is seen as a complementary development to the process of globalization (Küpper & Röllinghoff, 2005).
- Based both on well-known best practices (e.g. Silicon Valley, Bangalore) and on theoretical and empirical works (e.g. Porter, 1990; Porter, 1991), cluster strategies have become an important integral part in many regional business development plans. The basis assumption concerning cluster formation is that the ability for innovations is much more decisive for the economic development than technical knowledge; the existence of a “home base” (Porter, 1990, p. 19) is also a precondition for respective companies. Based on Porter regions cannot be competitive in all sectors, thus a regional focus on specific core competencies is needed.
- The conceptual change had been anticipated by the actors' network of Dortmund. In times where old sectors are disappearing altogether, an approach focusing on new and growing industries must be judged as very attractive. This leads to another aspect, the economic development of Dortmund by sector, as shown in chapter 4.3: The former basis of the local economy and therefore the business development – steel and coal – has been very quickly extinguished and did no longer exist. Hence the orientation towards new sectors and new areas of competence was a logical consequence.
- The new economy hype is an additional and also important background for the search for new potential sectors, which was at its peak level in the end of the nineties. And indeed, the sector of information and communication technologies (ICT) was linked to big economical expectations in Dortmund (Rehfeld & Wompel, 1999).

### *Consensus orientation in Dortmund*

The city of Dortmund has a long tradition of consensus oriented decision making within its economic and social policy. The tradition is based on a complex network of actors, which cooperate in several bodies and committees. This model of the “dortmund consensus” emerged in the post-war period, based on social democratic party politics, local coal and steel companies and lastly potent trade unions (Röllinghoff 2006).

Nowadays important actors of social politics in Dortmund are e.g.

- The department of business and employment development of the city of Dortmund,
- the regional branch of the Federation of German Trade Unions (*Deutscher Gewerkschaftsbund* - DGB),
- the Chamber of Industry and Commerce,
- the Chamber of Crafts,
- the Employers' Association of the Metal Industry,
- the Social Research Institute of Dortmund

What are the local results of the debate that has taken place in Dortmund?

- The first result was a *change of the sectoral orientation* towards new and younger sectors. The biggest growth potential was finally seen in the three sectors ICT, micro systems and logistics.
- The debate made it clear that a new concept was needed to *improve the image of the business location* of Dortmund was needed. The negative picture of a coal and steel location should be shifted to a more attractive and competitive image; the change might be achieved in the long run by showing how the old and new could be usefully combined to provide a “basis for the future achievement of the profile of Dortmund” (Rehfeld & Wompel, 1999, p. 16). Afterwards the image-building competencies of Dortmund were identified within the sectors insurance, sports/recreation, and infrastructure.

- The debate also triggered an *in-depth restructuring of the business and employment development department* itself. The former organizational separation of employment promotion and business development was appreciated as disadvantage; hence the restructuring aims at a deeper linkage of these two fields of the department.

Two decisive changes followed in 1997. The first action was the separation of the WBF-Do from the city council and the transformation into to a municipal company, which means the local department has become more autonomous. Simultaneously the budget of the WBF-Do was increased by the city of Dortmund.

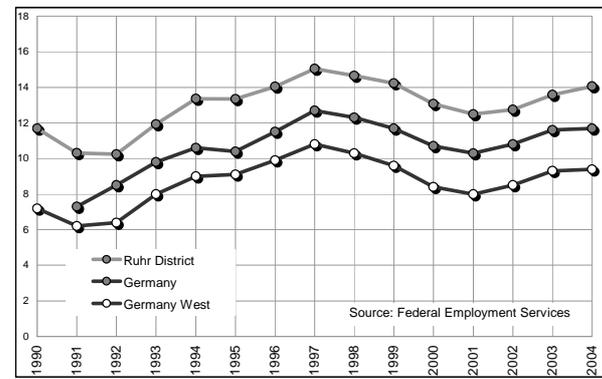
A second step was the launch of the project “Innovationsschwerpunkte in Dortmund” – “New Innovation Systems in Dortmund”. The scientific project was realized by the Institut Arbeit und Technik in 1997 and 1998. Its main tasks were both the identification of sectors with growth potential and the creation of an economic overall concept for Dortmund. A statistical analysis on the one side, qualitative personal expert interviews with innovative companies and related institutions on the other side provided the methodical basis for the scientific recommendations.

The primary result was the identification of three “innovation systems” of Dortmund: ICT, micro system technologies, and logistics. These lines of business have been chosen due to five reasons (Rehfeld & Wompel, 1999, p. 9ff).

- Dortmund has higher than average functional density in these sectors. This means a high number of businesses and a broad diversity of functions within the connected value chains.
- ICT, micro systems, and logistics have a supra-regional meaning – e.g. shown by an over-average presence on fairs or symposia.
- The development of employment and the sectoral founding activities are high compared to the German average.
- Exchange of information and ideas via formal or informal networking on the local level is usual within these sectors.
- Last but not least the sectors are seen as a stimulus for the entire economy of Dortmund (ibid: 9f.).

When the IAT project was carried out in 1998, the WBF-Do started with first operative procedures, i.e. the

Fig. 4: Unemployment Rates, Ruhr District, Germany, and Germany (West), 1990 - 2004



- Implementation of a controlling system to observe the local sectoral development<sup>1</sup>;
- Business profile for the local area was revised to improve the promotion of the business location. Logically the sectors ICT, Microsystems and logistics play a key role with regard to the local economy.

Following the concept, the Dortmund's business scene can benefit positively from the predominance of SMEs, the University of Dortmund with 5.000 students of computer sciences, and – last but not least – a vast array of land by former industrial sites, which is available to new businesses from potential sectors. But neither the IAT study nor the work of the WBF-Do itself are as detailed and holistic as the later work which was generated by the partnership between McKinsey and the city of Dortmund.

#### 4.2 Implementation of the dortmund-projekt

In the respect of the evolution of business development politics in Dortmund, the dortmund-project is a decisive step. It means that Rehfeld & Wompe's (1999) concept of "innovation systems" has been enhanced by developing a political framework to real cluster building politics. Roughly speaking, it can be divided into three steps: (1) the concept was based on an in-depth analysis of clusters in the local economy and, (2) a precise operationalization in form of a large number of detailed projects, and (3) a prognosis on the impact on the local labour market.

But first of all to the starting points of the project. The implementation of the dortmund-project is closely connected with the merger of the big steel groups Thyssen AG and Friedrich Krupp AG in 1997. The foundation of the new group, ThyssenKrupp AG, led to the relocation and

<sup>1</sup> The controlling system was based on an annual local survey, due to lacks in the official employment statistics.

concentration of steel works capacities from Dortmund in the Eastern Ruhr District to the Rhine Area in the West. This strategic restructuring was referred as the beginning of the “last period of pervasive structural change” in Dortmund (Küpper, 2005, p. 1). One of the consequences of this relocation was the closure of the most traditional steel works in Dortmund, the *Westfalenhütte*, by its new owner, the ThyssenKrupp AG.

The announcement of the restructuring by ThyssenKrupp led to interminable negotiations about the effects for the regional development. This debate took place between ThyssenKrupp, WBF-Do and the local metal workers union, IG Metall. The management of ThyssenKrupp finally agreed on a public-private-partnership project and announced a contribution of nearly 2 million euros. The concept was based on the former model of location development in Wolfsburg, where McKinsey conceived a similar concept in association with a “ppp” financed by Volkswagen.

ThyssenKrupp provided the means to pay consultants of a “renowned consulting firm” (Röllinghoff, 2006) – McKinsey – to cooperate with people of WBF-Do and ThyssenKrupp for duration of nine months.

The final result was the over-all concept called “Strengthening the economic capacity of Dortmund by selective development of high-growth economic clusters” (Küpper, 2005, p. 6), a comprehensive paper that built the grounding for the dortmund-project.

The paper proposed the implementation of a project provided with a stable project organization and financing. A monitoring procedure was also included to continuously validate the project during its running period of 10 years, from 2000 to 2010. This long-time promotion is an important factor in terms of developing an “organising capacity” within the regional structural policy, which has a decisive impact on the local business development (Küpper & Röllinghoff, 2005, p. 8).

Similar to the former IAT study the concept follows the strategy “strengthening the strengths” in the local economy. Hence the paper identifies three sectors with an existing basis in the local economy and a high potential of economic growth in Dortmund. The former work of the IAT with its identification of potential clusters has since then been modified to a minor degree; lastly the core sectors of the dortmund-project have been defined as software and IT, micro system technology, and – enforced by the WBF-Do after controversial discussions within the project group – e-logistics. These three “leading sectors” were the basis of most of the activities within the dortmund-project.

#### *4.3 Overall-objectives of the Project and its Structure*

##### *The Objectives*

The dortmund-project aims both on an overall-concept of urban development and a cluster-oriented approach of local business development. Thus it can be seen as a trial of linking local business development with town planning activities – against this background the project is often described as a holistic system (e.g. Küpper, 2005).

The project can be divided into several “fields of action”.

- The development of potential sectors in the local economy (as described above: MST, ICT, logistics resp. e-logistics), and the development of infrastructure for the local knowledge based

economy. This means e.g. the implementation of a network for occupational training for the new economy, the extension of Dortmund University in ICT.

- The creation of new companies and start-up promotion in the key sectors (see section 5), but also the extension and modernization of “old” core sectors, like insurance and finance industry, health and energy.
- The development of old-industrial areas into business parks with sector-specific provisions that are compatible with the demands of the new service sectors.
- The development of high-level housing areas, linked with new industrial estates, as expressed by “E-City Dortmund” – which is the label of the overall-concept of urban development in Dortmund.
- Implementation of a stable project organization and administrative body, communication and project controlling, and the development of local management capacities within the area of cluster development.

Fig. 5. New Jobs by Sector (as scheduled by the dortmund-project)		
I	ICT Sector	34,000
II	Micro system technologies (MST)	16,000
III	Logistics and others	10,000
IV	Secondary effects of the job growth in I - III	10,000
V	<i>Total job growth</i>	<i>70,000</i>

An important and very ambitious objective within the project aims directly on the labour market: the creation of 70,000 jobs within 10 years (see fig. 5) – a political target that was only partly based on a scientific analysis. As we describe in section 4.4, the interim target to be achieved by 2005 was the creation of 12,000 local jobs due to the dortmund-project. The official result, estimated by the dortmund-project itself, was 6,700, which means a lack of 5,300 or 44%.

A second objective in the beginning of the project was the bisection of the unemployment rate (16.6% in 2002), but this objective was already abandoned from the official communication during the first project year.

#### *Project Implementation and Organization*

The city council of Dortmund decided to implement the project in June 2000. It started off with a staff of 18 employees and an annual budget of 5.0 million Euros. An important decision to mention is the fact that the project was separated organizationally from the employment development WBF-Do: The dortmund-project was build as a new and department of its own within the municipal administration of Dortmund.

- One reason for the organizational separation was the idea that in order to create a new culture of working and an innovative atmosphere, hence a new organizational unit was needed. The idea was inspired by the cooperation with McKinsey and their particular culture, but it was also deemed necessary due to the particular attitude of a public authority as the WBF-Do. Consequently most of the employees within the new authority were recruited from the external labour market or were absorbed from McKinsey.
- City-internal politics and conflicts were another reason. In this respect the creation of a new department might have been considered competition to the “older” WBF-Do.

The decision of implementing a new department did not lead to a success story: The consequence of the separation was a process of ongoing restructuring and balancing between the two departments, dortmund-project and WBF-Do, which – amongst others – had a negative impact

on the working atmosphere. Finally the departments were merged in 2005; afterwards the former head of the dortmund-project becomes the new head of the WBF-Do. Against this background the restructuring was deemed as an acquisition of the WBF-Do by the dortmund-project.

*Networking and Participation with regard to the Project Structure*

The embedding of the dortmund-project in networks is a typical example of the particular consensus orientation in Dortmund. Thus networking is an integral part of the organization chart of the project. On the strategic level all decisions are discussed by the steering committee. Members of this semi-annual meeting include company representatives, organizations and associations, and scientists in leading positions. A smaller project board that meets on a monthly basis supports this committee.

With regard to both steering committee and project board Röttger (2005, p. 10) attests the Dortmund case a distinctive culture of participation on the strategic level, especially with regard to the role of trade unions. But their influence decreases from the strategic to the operational level of the project. On this latter level the structure of the project is both complex and semi-private, mostly depending on private companies in the areas of infrastructure (e.g. e-port dortmund GmbH, MST.factory Dortmund GmbH) and founding activities (e.g. TechnologieZentrumDortmund, BioMedZentrum, Electronic Commerce Center). As being private companies – co-financed as public-private-partnership by means of a municipal foundation – these projects are comparatively independent: “The management controls the course” (ibid: 10).

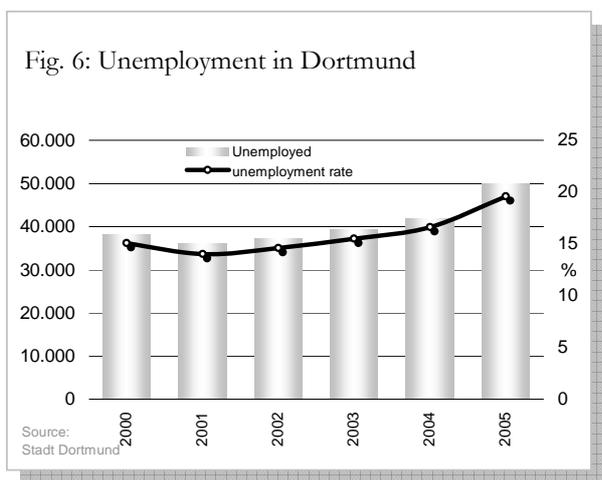
*4.4 Interim Results of the Project in 2005*

The targets of the project should be achieved by the realization of a huge number of sector specific projects, particularly in private legal forms – as shown above. With just one exception, all projects scheduled by the project have been realized (Röllinghoff, 2006).

Despite the successful accomplishment of the project schedule the dortmund-project did not manage to achieve its objectives, which can be shown by some quantitative indicators. It became obvious that the general objectives concerning the local labour market were too ambitious: The most prominent figure of the project was the creation of 70,000 new jobs till 2010, with a half

time objective for 2005 of about 12,000 jobs. The interim result concerning job creation, as published by the project itself, was 6,700. Using the data of the annual reports of the project, the employment numbers are even decreasing in the new core sectors – from 26,416 employees in 2001 to 25,843 in 2005.<sup>2</sup>

According to the rate of unemployment, the project aimed at bisection within 10 years. The estimated impact on unemployment was a result of a rather complex mathematical model. It



<sup>2</sup> Logistics only core areas without service providers and wholesale services; data for logistics and 2000 not available. Source and details about the methodical questions of sectors building: WBF-Do 2005, dortmund-project 2004.

was produced by McKinsey, using several data like local gross value added, inhabitants, commuters, employed, and unemployed persons (Röllinghoff, 2006). Röllinghoff concluded that the “relations between both employment development and unemployment numbers resp. rates are in practice more complex and discrete as statistical cybernetic calculation schemes suggest”.

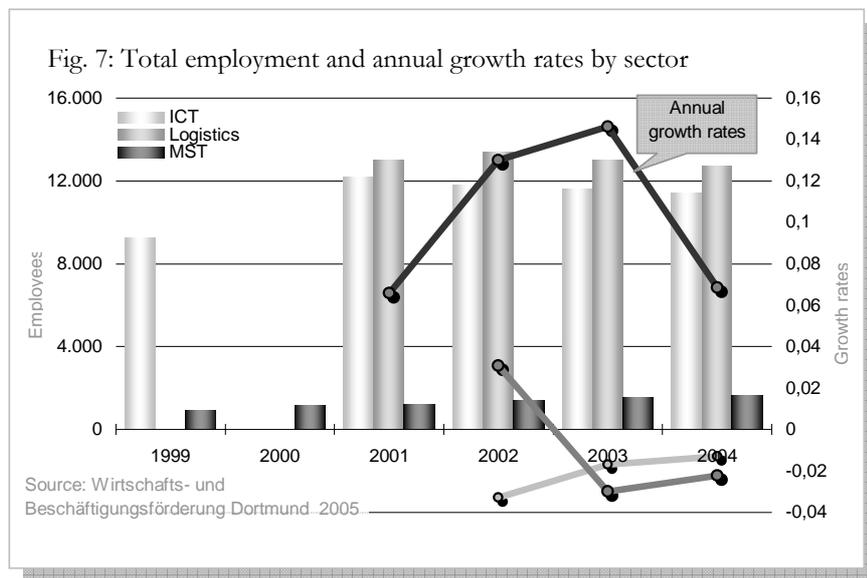
Contrary to the McKinsey algorithm, the rate of unemployment increased in Dortmund within the first half of the project (fig. 6), from 15.5 % in 2000 to 16.6 % in 2004 and lastly to 19.6% in 2005. The last rise can be attributed to changes in the calculation of the unemployment rate in the course of Hartz IV regulations. Already in the beginning of the project the objective “bisection of unemployment” was no longer part of the official communication – a comprehensible decision according the real curve progression of unemployment as shown by fig. 6.

Several reasons seem to explain the negative results. The first one is the political nature of the overall objective “70,000 jobs” – the definition was a result of both calculation model and discussion process between McKinsey and city of Dortmund before the official project launch. As a result the figure was linked to political aims: It should trigger commercial optimism within the population and local economy; it should also demonstrate the high ambition of the dortmund-project.

The “scientific side” of the economic prognosis was based furthermore on a rapid development of the new economy sectors. As is generally known, the crisis of the new economy begun immediately in the first years of the project. As a result, the model overestimated the job effects concerning the new economy and it did not take the complexity of a local economy into account.

*Sectoral Employment Development: ICT, MST, and Logistics*

Due to both the negative development of the new economy and the political background of the objectives it comes as no surprise that the sectoral growth was below the benchmark of the project. Fig. 7 shows the growth of total employment in the core sectors of the dortmund-project.



- Both ICT and logistics have decreasing numbers of employment. Concerning ICT and an annual growth rate of -1.3% (2004) the situation is comparable to the entire sectoral devel-

opment in Germany (-0.9). The local decline of employment numbers in logistics is, however, above average compared to the general trend in Germany.

- MST is the one new which is still of relatively small dimensions (fig. 7). But it is also the one core sector which is characterized by a continuous positive development and annual growth rates from i.e. 6.6 % (2001) to 14.6 % (2003).

Due to the start-up activities of the dortmund-project, the number of local business start-ups is comparable high in the target sectors. The activities take place in a separate project, the founders' competition "start2grow". It will be described in the following section 5.

## 5 A Project Example: The start2grow approach

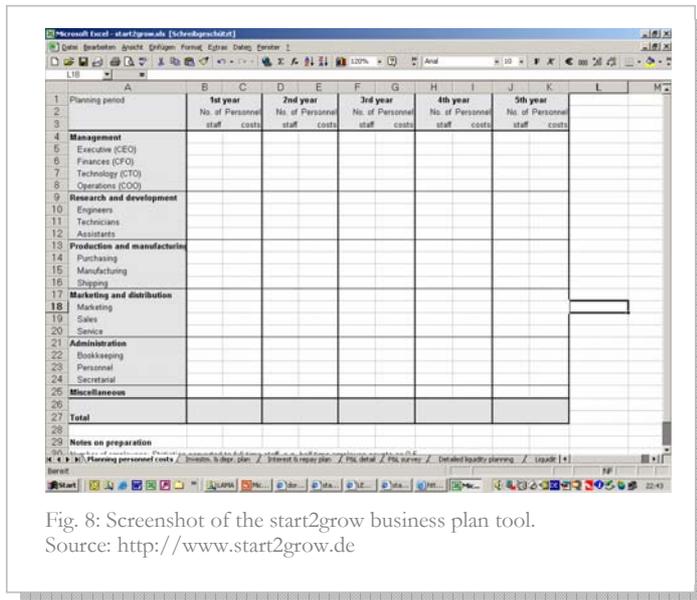


Fig. 8: Screenshot of the start2grow business plan tool.  
Source: <http://www.start2grow.de>

The creation of new companies and the promotion of start-up activities are core objectives of the dortmund-project. Due to the overall concept, most of the activities concerning founding activities aim at the development of the core sectors ICT, MST and e-logistics. In 2001 the start-up initiative was launched under a banner of its own: “start2grow”. The concept was based on the former work of the McKinsey Group. The initiative consists of two main instruments, on the one hand a coaching concept for new entrepreneurs and a founders’ contest on the other hand.

- The *coaching concept* is the first pillar of the start2grow approach; it aims at building up a network in Dortmund, to achieve a consultancy system that is free of charge for local entrepreneurs. The main idea was to implement a network of voluntary, non-paid coaches who support local start-up companies. The approach focuses on the acquisition of local professionals who are willing to support new or young companies voluntary – so-called “business angels”. In terms of the quantitative development the approach succeeded – in-between the start2grow network contains more than 600 voluntary business angels with a high variety of experience, i.e. marketing, sales, taxes, human resources, IT, etc. (2006 statistics). There are some critical concerns that relate to the coaching concept as it focuses primarily on securing quantitative results. The perception shared by the critics is that only the number of “business angels” counts, but not the quality of coaching provided and the relationship of the coaches to the entrepreneurs as “customers” of the start2grow service.

Another part of the coaching concept is a mentoring system for entrepreneurs. This system shall assure a long-term cooperation between (experienced) business professionals and (young) entrepreneurs. The coaching concept also includes a system of broad and professional information for start-up companies, like brochures or training programmes. Further-

more there are particular software and business tools available for download from the start2grow website as well as an online coaching area.

- The second pillar of start2grow is the *founders' contest*, an incentive for professionalising business plans of start up companies. In contrast to the coaching and consultancy concept, the contest works on a supra regional level. As being part of the dortmund-project, it also takes into account the strategic sectors of Dortmund; hence it is divided into three parts: two sector specific contests – IT and micro technologies – and an additional sector-free one. All contests take place annually, including two different awards: One is an award for elementary business plans with a maximum prize of EUR 2.500; and the second award is given for in-depth business plans, in the latter case the prize money is up to EUR 30.000.

Fig. 10: Company start-ups due to start2grow

Kind of competition	IT	MST	Open	Sum I to III
	I	II	III	
Dortmund	46	5	47	<b>98</b>
North-Rhine Westphalia (without DO)				<b>69</b>
Outside NRW				<b>27</b>
<b>Total</b>	<b>85</b>	<b>13</b>	<b>96</b>	<b>194</b>

What is the outcome of start2grow so far? All start2grow founders' contests from 2001 until 2004 could mobilize 3.385 participants in 1.390 teams, who submitted 652 elementary and 438 in-depth business plans. All in all 194 companies have been founded due to start2grow, most of them within the sector-open contest (96), 85 companies according to the IT contest and 13 start-ups of the micro system sector (dortmund-project 2004). The total number of employees of the 194 start-up companies is 751 (ibid.).

Despite the fact that the contest follows a supra regional approach, the biggest effect can be found on the local level. In total, 98 companies have been founded in Dortmund, which led to the creation of 363 jobs. The result is that nearly 50% of the economic effects of the contest are noticeable in Dortmund itself. Only 27 business foundations or 13.9% are located outside of North-Rhine Westphalia, thus the start2grow approach has a clear regional impact.

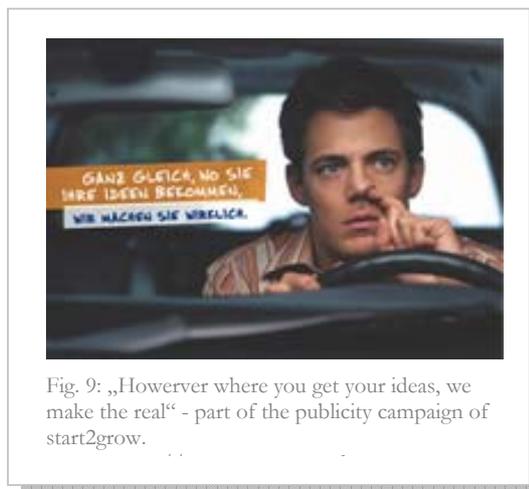


Fig. 9: „However where you get your ideas, we make the real“ - part of the publicity campaign of start2grow.

## 6 Conclusions

The dortmund-project counts as a lighthouse project of business development and that not only in the Ruhr District. Its prominent role could be traced back to the unique “starting point” which was caused by the ambition to create the huge number of 70,000 jobs despite worsening structural economic problems in Dortmund.

The project’s objective concerning job growth worked to its advantage during the first phase of the project in terms of motivation. The plan was to create jobs by fostering a rapid development of the core sectors ICT, MST and logistics, thus, with the global crisis of the new economy, the situation changed in the further course of the project.

The real growth in Dortmund’s core sectors might be an open question. However, at this stage half through the project it becomes obvious that the new economy does not play the appreciated role as an engine of employment. The disappointing results are partly due to the initial, yet inaccurate prognosis regarding future market developments on which the employment figures were based. Nevertheless the project was created in times of the new economy hype, and the expectations concerning job growth within the core sectors were not found to be realistic.

Nevertheless the dortmund-project – as a holistic approach – represents an impressive effort and enhancements of business development in Dortmund. The overall concept is based on a scientific and empirical analysis, it contains the identification of target sectors, the definition and operationalization of projects in a very detailed way and last but not least the prognosis of employment growth due to the project activities and economic development.

In this respect and besides the outcome in terms of the target volume, the creation of the dortmund-project has a decisive impact on the development, the structure, and objectives of business and employment development in Dortmund – with both strengths and weaknesses.

- The implementation of the project and particularly the cooperation with McKinsey led to a broad professionalizing of business development in Dortmund on various levels, particularly in terms of the increased competence in the fields of analyzing the local economy, project development, and – on the operative level – in the implementation and realization of projects. Also the particular working methods and culture of McKinsey led to a unique “spirit” shared by the project group, which led to significant advances and progress concerning project development and implementation (Röllinghoff, 2006).
- One consequence of the cultural transfer from McKinsey to the project team relates to improvements in the field of communication and marketing. On the one side, the focus on communication obviously leads to a gain in competence which is reflected in the quality of project’s publications, internet presentation, event marketing etc. On the other side the stronger focus on communication caused several reproaches: the project policy was criticized for spending too much money on agencies for communications designs. Secondly, critical voices complain about the qualitative change and the turn to more short-term projects, combined with a focus on quantitative results. Particularly the strengths of the former WBF-Do are by and by abandoned due to strategic changes such as the coherence of employment and business promotion, the development of “good work” in long-term projects that can’t be assessed in quantitative terms.

- The strict focus and the calibration of all projects on the core sectors ICT, MST and logistics has resulted in a number of benefits and advantages: e.g. it gives the overall concept and the project schedule transparency and “sharpness”. Not least the example start2grow had shown the conceptual strength of the overall concept and the role as a key success factor – but even in this project the most successful part is the sector-open one. In this respect the case of dortmund-project demonstrates the hazard of a strong principle: the outcome of most of the projects depends on the economic growth in three sectors. Particularly qualification and infrastructure activities are risky and fail, if the target markets do not emerge as estimated.
- In terms of entrepreneurship promotion, the case of the dortmund-project can be presented as good practice. The start2grow activities represent an important means to provide support to start-up companies in Dortmund. start2grow is therefore not an isolated approach. Being part of an overall concept is an important aspect of the start2grow activities. According to the sector specific strategy of the framework, the possibility of being “sector open” becomes a key success factor for start2grow: Most of activities in the founder’s contests are sector-open, followed by founders within the IT segment.
- Another innovative aspect is the combination of regional and supra regional activities – promotion of local networking combined with a supra regional contest. It seems to be a particular result that despite the contest being regionally open, the start2grow activities have a definite impact for the economy of Dortmund.

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Stahl- und Kohleindustrie trug Gelsenkirchen den stolzen Titel „Stadt der 1.000 Feuer“, die Ruhrgebietsstadt mit ihren Hochöfen, Stahlwerken, Kokereien und Bergwerksanlagen galt als ein Vorzeigemodell des bundesdeutschen Wirtschaftswunders.

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hohe Grad der Industrialisierung, so zeigte sich in der Folgezeit, war ein schlechter Ausgangspunkt im

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sektoralen Strukturwandel und in der einsetzenden Tertiarisierung

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