

# The “Bilbao Effect”

## *The Collaborative Architecture that Powered Bilbao’s Urban Revival*

### *Educator Guide*

JORRIT DE JONG, LINDA BILMES, AND FERNANDO MONGE

## Overview

This Educator Guide is designed to assist instructors in teaching this case to students and practitioners. It is based on [case pedagogy](#), which invites participants to put themselves in the shoes of the protagonist(s) of the case and imagine how they would respond to the circumstances. Participants should read the teaching case in advance and identify key issues as a preliminary step toward meeting the learning objectives. Instructors may then use the time in the classroom to guide participants in exploring the issues and examining the challenges in the case; to introduce key concepts, tools, and frameworks; and to assist participants in applying their learning to their own environments and challenges.

This guide includes learning objectives, a synopsis, key questions, a roadmap for discussion, and appendices with some additional pedagogical information and theoretical applications. The roadmap and appendices are offered to initiate meaningful conversation but are by no means the only way to teach the case. Each educator or facilitator should feel free to design their own teaching plans; both the structure and the time allotted for each component are suggestions.

## Learning Objectives

The “Bilbao Effect” can be used for two different sets of learning objectives. It would likely be difficult to cover both sets of objectives in one session, so you may choose one and ignore the other or emphasize one set strongly and de-emphasize the other.

**Option 1. Multi-level/sector collaboration:** Understand the governance mechanisms that enable such types of collaborations. (See the *General Evaluative Framework for Cross-Boundary Collaboration* in Additional Frameworks.)

In particular, the case focused on Bilbao Ria 2000 and its

- **Design:** composition (breadth/depth of stakeholder representation), governance structure (institutional form, decision rules, etc.)

- **Management:** mode of operation, working processes, efforts to align stakeholders and create collective impact
- **Leadership:** dealing with conflict and setbacks, making critical choices, mobilizing people and inspiring hope, etc.

**Option 2. Urban renewal:** Understand the collaboration in the context of the planning, development and financing of city transformations.

In particular, the case focused on

- debunking the Guggenheim myth; understanding the broader context and interdependence of the whole urban renewal vision and implementation.
- exploring the fiscal and financing mechanisms of urban transformations; understanding how the value increases of the transformed land can be captured and used by government to finance urban renewal with no additional budgetary spending.

## Case Synopsis

In 2018, Bilbao was presented with the Best European City award, adding the prize to a long list the Spanish city had collected since the mid-2000s. The success of the City was often attributed to the Guggenheim museum, giving name to the “Guggenheim effect.” This was based on a fairly shallow assessment of the City’s transformation. In fact, the building blocks of Bilbao’s transformation are to be found in the collaborative efforts established by government entities during the 1990s, in the context of a deep economic, political, and social crisis.

The analysis centers on how the collaborative building blocks and leadership styles have enabled the City’s transformation and if these building blocks also provide a solid foundation for its future. This retrospective exploration will focus on the context (crisis, necessity, and interdependence), design (governance mechanism, composition, decision rules, etc.), management (interaction between political and technical leadership, value creation versus value distribution, trust building, etc.) and leadership (decisions in the face of challenges, attitudes towards sharing credit, confidence in the vision, different leadership styles for different moments, etc.) of the collaboration.

## Key Questions

1. Who would you credit with the successful revitalization of Bilbao, and why?
2. What were critical moments and actions in the process of developing and implementing the revitalization strategy? How did they contribute to the outcome?
3. How would you characterize the leadership approaches of the four consecutive mayors described in the case? How are they different or similar?
4. What elements of this story are idiosyncratic and unique to Bilbao’s context and history? What elements are relevant to and applicable in other contexts as well?
5. When and under what circumstances is a collaborative governance approach necessary or desirable? What are critical factors for success?

**Key questions focusing on financing aspects of Bilbao’s urban renewal:**

6. What was unique about the Basque fiscal arrangement and Bilbao’s land value capture mechanism?
7. How did the mayor leverage the benefits of the Basque fiscal arrangements and the value capture mechanism in support of the City?
8. To what extent did the Basque region “pay for itself” given its better economic performance for Spain?
9. What was the most critical benefit that the City of Bilbao derived from the Basque regional arrangements, and how could it be replicated under different circumstances?

**Roadmap for Discussion**

**Introduction** (3-10 minutes): Briefly state the goal of the session in reference to the case, cite specific major conflicts facing the protagonist, and foreshadow broader learning objectives.

**Exploration** (45-60 minutes): Use class discussion, “buzz groups,” and board work to examine the issues and options confronting the protagonist.

**Diagnosis** (15-30 minutes): Introduce key concepts, frameworks, and tools to help participants pinpoint possible solutions to major conflicts in the case.

**Application** (15 minutes, optional): Ask participants to relate the concepts and frameworks to their own organizations’ challenges.

**Wrap-Up and Takeaways** (15 minutes): Review the learning objectives and discuss insights most relevant to your organizations’ challenges.

**Introduction** (3-10 minutes)

In your introductory remarks, briefly describe the case and foreshadow the learning objectives. At the turn of the 1990s, Bilbao was in a deep crisis, but the City was able to launch a collaborative effort articulated around a novel device: Bilbao Ria 2000. *What were the design, management and leadership elements of this collaborative approach that enabled Bilbao’s transformation? What were the fiscal and financing arrangements leveraged for its urban renewal?*

**Exploration** (45-60 minutes)

*Who would you credit with the successful revitalization of Bilbao, and why? What were critical moments and actions in the process of developing and implementing the revitalization strategy? How did these moments or actions contribute to the outcome?*

[Urban Renewal option] *What was unique about the Basque fiscal arrangement and Bilbao’s land value capture mechanism? How did the mayor leverage the benefits of the Basque fiscal arrangements and the value capture mechanism in support of the City?*

**Diagnosis** (15-30 minutes)

- *How would you characterize the leadership approaches of the four consecutive mayors described in the case? How were they different or similar?*

[Urban Renewal option]

- *To what extent did the Basque region “pay for itself” given its better economic performance for Spain?*

**Application** (15 minutes, optional)

- *What elements of this story are idiosyncratic and unique to Bilbao’s context and history? What elements are relevant to and applicable in other contexts as well? When and under what circumstances is a collaborative governance approach necessary or desirable? What do you think are critical factors for success?*

[Urban Renewal option]

- *What was the most critical benefit that the City of Bilbao derived from the Basque regional arrangements, and how could it be replicated under different circumstances?*

**Wrap-up and Takeaways** (15 minutes)

Review the learning objectives and discuss insights most relevant to participants’ own challenges. *What did you learn? How will you use it?*

High-level takeaways to review after a productive discussion might include:

- For collaborations to work, it is important to assess whether stakeholders share a vision of the problem and the need for collaboration.
- Leaders and people matter, but so does the design of the collaboration.
- Collaborative governance requires a broad repertoire of leadership behaviors, organizational capabilities and continuous strategic adjustment.
- Different leadership styles may be needed at different times.
- Innovative fiscal and land value capture mechanisms can be leveraged to implement an urban renewal strategy.

## Additional Frameworks

### General Evaluative Framework for Cross-Boundary Collaboration

#### Pasture 1 – The Design of the Collaboration

##### COMPOSITION:

- *What was the composition of the collaborative group?*
- *Who was part of the team, or not, and why?*

The composition of the collaboration was determined by ownership of land or competencies to implement the projects in the transformation of the City (budgetary, zoning, or other powers).

The private sector and the community were not part of the collaboration. As a consequence, there was important political contestation of the projects by political parties, local artists, architects, and small store associations. Further, there was general public opposition to the Guggenheim.

##### PURPOSE(S):

- *Was it created for one purpose, or multiple purposes?*
- *Was the group designed for one issue, or for long-term, comprehensive collaboration?*

The collaboration was created for one purpose, although one quite broad: transformation of the former industrial sites of Bilbao.

##### MODE OF GOVERNANCE:

- *What was the governance structure? How is it organized, and why?*
- *Backbone organization governance, lead organization governance, or shared governance?*

This was a backbone organization; a limited liability company in which all the participating entities had a position in the board.

There was a 50-50 split of the shares, so no party (Spanish central on one side and Basque regional, provincial, and local on the other) had the majority, which created a balance of power.

Although the central government had the larger stake in the shareholding, the minister decided that the mayor was going to be the chairman. Therefore, although it was a shared governance structure, the mayoral chairmanship made Ortuondo the *de facto* leader and champion of the organization.

Top leaders of participant organizations were represented on the board, so they were able to make decisions during the meetings.

Participants decided that all decisions would be made by consensus.

The decision over the top executive in the backbone organization was important. Pablo Otaola had the political connections with Madrid but was originally from Bilbao and had the ability to earn the trust of all parties.

### Pasture 2 – The Management of the Collaboration

#### FOCUS ON LEARNING/INNOVATION:

- *What feedback mechanisms were in place among the collaborators?*

The regular board meetings with the representatives at the highest level from all the government organizations was key. It created a space where they met regularly, worked together, shared information about other projects, and forged a relationship. And, they always had lunch together after each board meeting.

- *How novel is their definition of the problem and proposed solutions?*

The creation of a limited liability corporation with public entities on the board making decisions was novel in Spain. It was more executive than other similar structures such as partnerships or collaboration mechanisms established in the past.

Bilbao Ria 2000 also became a mechanism where entities releasing land plots were compensated with projects elsewhere in the City. This was difficult to achieve in bilateral negotiations, and it allowed for an approach of value-creation rather than value-distribution.

Thanks to Bilbao Ria 2000, the public sector was able to combine a strategic vision for the City with a flexible instrument to implement projects.

Lastly, though the type of investments made were too financially risky for any private company, the public sector was able to carry them out and assume the risk, while capturing the increase of the land plots’ values.

#### CHALLENGES:

- *What were the most prominent challenges?*

Substantive problem-solving challenges - defining the problem and goals, developing and measuring a theory of change/action:

- All the entities had to align towards a common vision.
- From the ministry side, they had to convince all the public entities at the central government that they should release their properties for the common vision of Bilbao.

Accountability challenges - balancing accountability within the collaboration with accountability in each of their organizations:

- This dilemma was less prominent because all the heads of the entities were represented in the board of Bilbao Ria 2000. Further, before bringing topics for discussion to the board, the managing director, Pablo Otaola, would negotiate all the aspects of the issues with each of the entities involved.
- However, there was a certain accountability/transparency gap with the public and organized civil society, which resulted in public contestation to some of the projects and conflicts with a diverse set of groups in the City.

Teaming challenges - Building trust among collaborators, leveraging diversity in teams, creating shared norms and behaviors, surfacing hidden information:

- The rule of consensus was key in helping cement trust among the collaboration.
- Also significant was Pablo Otaola’s ability to earn the trust of each of the entities and work collaboratively, while cognizant of a strategic and broader vision for Bilbao.
- Trust-building was sought by creating spaces to build personal relationships (lunches) and by sharing credit (joint cutting of ribbons).
- There was not much gender-diversity, with only one woman represented on the board.

#### ENABLERS:

- *What conditions or actions were particularly helpful in making progress? Why?*

There was interdependence: central government land ownership, regional government urban-development, provincial government fiscal-power, and city government zoning-authority.

Leaders were willing to take risks due to the emerging consensus that there was need to revitalize cities and overcome economic and social crisis.

Political dynamics:

- Same political party existed in the regional, provincial and city government since the transition to democracy in the Basque Country.
- The Socialist party ruled in Madrid and it was a coalition partner with the Basque nationalist party in the regional, provincial, and the city government.

The favorable economic cycle made the self-financing model work.

### Pasture 3 – The Leadership of the Collaboration

- *What were critical leadership moments over the course of the collaborative work?*

When Minister Borrell coordinated all the government entities, his idea to create a corporation to unite them, was pivotal. He also decided that the mayor should hold the president’s position.

Mayor Ortuondo’s clear vision for the City and a focus on coordinating with other entities at the regional and provincial levels was crucial. He was also key in acquiring the land plots for the museum, even if that meant going against Emilio Ybarra, president of a leading Spanish bank. Ortuondo’s humility came into play in his willingness to share credit with other institutions, assuring that the focus was on the collaboration rather than on who appeared in the photo.

Ibon Areso played an important leadership role throughout the collaboration. As the mayor’s righthand man working behind the scenes, to then becoming mayor following Azkuna’s famous tenure, he had a clear understanding of his essential part in a successful transition.

- *How did members of the collaboration respond to challenging moments? What was the result of this response?*

In general, the spirit was one of collaboration and understanding, putting the individual interests aside and prioritizing the greater goal.

When the political dynamic in city hall changed and the right-wing party entered the coalition, pressure was put on the collaboration to dismiss Pablo Otaola. As a result, there were also conflicts regarding the master plan designed by Cesar Pelli, but the mayor acted as a mediator and solved the problem.

**Key Leaders’ Roles in the Transformation of Bilbao**

Ortuondo	Borrell	Areso	Otaola	Others
<p>- ready to give away political credit if this allowed him to bring resources to the City</p> <p>- had a vision and stuck to it but was also flexible. (e.g., Guggenheim location)</p> <p>- ready to fight with powerful actors but also to negotiate and bring them back to the table (e.g., Cesar Pelli)</p> <p>- politically savvy: (i) had alliance with the Socialist Party in the city hall to get support from the central government (ii) was able to build relationships with other leaders even before election</p> <p>- not charismatic, more of a manager and what Bilbao needed; history has been hard on him</p>	<p>- able to bring together traditionally siloed entities at the central government level</p> <p>- had strategic vision and generosity in the institutional design of Bilbao Ria 2000 (giving chairmanship to the mayor).</p> <p>- imaginative and creative, proposing the limited liability form as a backbone for the collaboration</p>	<p>- always working behind the scenes, away from the flashing lights but making things work</p> <p>- the true brain behind Bilbao’s urban plan</p> <p>- a genuine public servant, ready to serve the City and the party</p> <p>- intelligent and generous with his successor during the transition from Azkuna to Aburto</p>	<p>- in tandem with Ortuondo, the true negotiator and consensus builder in Bilbao Ria 2000</p> <p>- able to create value among all participant entities</p> <p>- smart designer of settings to build trust among collaborators, and to earn the trust of all the public entities</p> <p>- able to create and manage a team that delivered on a very ambitious vision and complex project implementation</p> <p>- even became too powerful, making mistakes such as changing Cesar Pelli’s master plan</p>	<p><b>Azkuna</b> – collected all the prizes, but also instilled a soul and pride in the City; less charismatic mayor might not have leveraged the transformation to give it meaning and connect with citizens’ hopes and aspirations</p> <p><b>Pradera</b> – the real visionary regarding the Guggenheim; also had the “power of the purse” and used the fiscal powers of the province smartly and strategically</p>