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**What do business leaders do when they lead public policy?
Business improvement districts and the design of third party
governance**

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ABSTRACT

A micro-level analysis of framing by business leaders in business improvement districts (BIDs) in the US and UK challenges some of the motivational and behavioral assumptions of urban regime theory. Urban regime theory presumes that resource dependency and rational-instrumental logics of consequences prompt political and business elites to join forces in promoting specific urban development policies. This debate fails to capture how third-party governance through self-governing jurisdictions fosters decentralized "governance at a distance". A comparative analysis of established BIDs in the US and emerging BID forms in the UK explicates the constitutive micro-processes by which institutional designs succeed or fail to foster public-oriented action by business leaders. The analysis shows how the designs of self-governing jurisdictions affect the collective interest orientation of business leaders, and also reveals new insights into third party government.

What do business leaders do when they lead public policy?

Business improvement districts and the design of third party governance

Introduction

In this paper we address the question: What do business leaders do when they lead public policy? Specifically, we use a micro-level analysis of business leader involvement in business improvement districts (BIDs) in the US and UK to challenge some of the motivational and behavioral assumptions of urban regime theory. We argue that regime theory has taken insufficient account of how citywide alliances exercise their influence on populations and spaces, and propose that creation of new jurisdictions (such as BIDs) offers an explanation of the way in which a regime institutionalises self-governance by such populations. We show that the institutional design of BIDs creates incentives for business leaders to develop an other- rather than purely self-regarding orientation, enabling them to exercise third-party government from a position of enlightened self-interest. We show that the institutional design of BIDs creates the context for participating business leaders to develop a public- rather than purely self-regarding orientation, enabling them to exercise third-party government from a position of enlightened self-interest.

Urban regime theory, initially developed during the 1980s in the US, presumes that resource dependency and rational-instrumental logics of consequences prompt political and business elites to join forces in promoting specific urban development policies. Scholars continue to debate whether regime theory correctly describes public-private partnerships (PPPs) for urban (re)development outside the US. This debate is informative but fails to capture a key development of the two decades since the theory's basic premises were articulated: the growth of third party government, and the shifting significance of urban PPPs as policy tools. Third party government describes the use by government of non-state bodies for public purposes (Salamon 2002). The principal uses have been to manage the delivery of public services under contract (as in some types of PPP) and to undertake independent regulatory functions. However, there is also evidence of delegation of planning and rule-making to third party government (Justice and Goldsmith 2006; Weimer 2006). Thus, rather than using PPPs as instruments of substantive policy, governments and their private-sector partners now are adopting institutional designs for jurisdictional creation as the policies themselves, in the belief that appropriate institutions can foster decentralized "governance at a distance" through which the affected populations themselves will develop the substance of policies. BIDs are a prime example of this strategy. They have risen to prominence in the US over the past two decades, and in latter years there has been a process of international diffusion, including to the UK.

We use a comparative analysis of established BIDs in the US and emerging BID forms the UK to explicate the constitutive micro-processes by which institutional designs succeed or fail to foster public-oriented action by business leaders and to generate hypotheses for continuing empirical analysis of BIDs and similar institutional-design policies for urban renewal. The paper starts by setting out the place of business leadership in regime theory, and identifying two contemporary challenges. These challenges are first, the focus of regime theory on city-wide rather than sub-

city interactions; and second, the presumption of a coalition of actors working in concert. We propose that solutions may be found by drawing on the literature on governmentality, and understanding jurisdiction creation as a strategy available to city-wide regimes to incentivise governance at a distance. The paper then sets out a conceptual framework for understanding the micro-politics of business leadership. This uses Goffman's frame analysis to identify business leaders' decision-making orientations and motivations. We follow by explaining our research design and how we utilize the institutional analysis and development framework developed by Elinor Ostrom to investigate whether and how institutional designs may affect the individual frames and rationalities of business leaders. Comparative data on US and UK BIDs are reported in the next section. The paper concludes by outlining a more contextually grounded theory of business leadership for public policy that contributes to the developing literature on institutional designs for third party and nongovernmental governance.

Business leadership and urban governance: Problems and possibilities in regime theory

Over the past two decades, urban policy in both the US and the U.K. has sought to engage business leaders in coalitions with city governments. Business is regarded as a key actor in facilitating the regeneration of urban areas, and a variety of formal and informal governance arrangements have emerged to structure its relationship with city government. These include city-wide regimes, the focus of much analysis by US academics (e.g. Stone, 1989), as well as more localized public-private partnerships (PPPs) on which UK academics have concentrated (e.g. Skelcher, Mathur and Smith 2005). The analysis of urban regimes has generated a body of comparative empirical research, largely authored by US academics, using a methodology of paired empirical case studies of 'most-similar' cities (e.g. DiGaetano and Klemanski 1999; DiGaetano and Lawless 1999; Kanter, Savitch and Haddock 1997). This strand of research sets out to explain the endogenous processes through which urban development takes place as a function of coalition building between public and business interests. It has produced a related critical literature, largely authored by UK academics, that questions the applicability of such theories to the somewhat different institutional and political circumstances found in the UK (e.g. Harding 1999; Mossberger and Stoker 2001; Wood 2004).

Stone's study of Atlanta is widely regarded as providing the foundation for regime theory (Stone 1989). He explains the economic development of Atlanta over a forty-year period in terms of an accommodation between largely white business leadership and the African-American civic leadership, which at times also incorporated the leadership of various communities. In Stone's view, a regime is an informal but relatively stable arrangement for governing a locality. It reflects the idea that 'power to' rather than power over is the primary mode of governance in the politically, jurisdictionally, and socio-economically fragmented urban realm. Thus a regime brings together common purpose and complementary resources within a sustained mode of cooperation. Stone notes that access to institutional resources is a distinguishing feature of a regime. This observation is central to the propositions we develop in this paper, as we discuss below.

Since Stone's study, regime theory has developed in a number of ways. Recently, Mossberger and Stoker (2001: 829) have provided a critical review of the literature in order to establish the following defining characteristics for a regime:

1. Partners drawn from government and nongovernmental sources, requiring but not limited to business participation;
2. Collaboration based on social production - the need to bring together fragmented resources for the power to accomplish tasks;
3. Identifiable policy agendas that can be related to the composition of the participants in the coalition;
4. A longstanding pattern of cooperation rather than a temporary coalition.

However it is also important to note that the city is the spatial unit of analysis that predominates in empirical studies of urban regimes. Empirical research concentrates on explaining the production and reproduction of governing coalitions in major cities, and thus the focus of analysis tends to be on their internal dynamics (Stoker 1995).

Mossberger and Stoker (2001) note that the inductive origins of regime theory in individual cases means that it originally had limited explanatory or predictive power. They propose that regime theory can be strengthened through integration with other perspectives and the accumulation and comparison of cases. Our paper reflects this approach. We draw on theories of governance and institutional design, and introduce within and between country comparisons.

For the purposes of our paper, we concentrate on two major problems of regime theory. The first problem is the focus of regime theory on city-level interactions. This leads to a question of how a regime interacts with the surrounding governance architecture, especially in jurisdictionally fragmented localities such as those found in many US and UK cities. One solution is to distinguish between actors whose interactions form the core of the regime and those on the periphery who are incorporated into or influenced by the core at particular moments. For example, neighborhood business leaders or community activists from particular ethnic minorities are incorporated into the regime at moments of crisis or when particular policy intentions are desired. But this supposes that the regime has panoptical qualities, enabling it to supervise and regulate the population of complex sub-urban political and jurisdictional spaces from its strategic vantage point, and also has the incentives available to motivate such incorporation.

The second limitation is that the definition of a regime offered by Mossberger and Stoker (2001) a priori presupposes a 'coalition' - an identifiable set of actors working broadly in concert. This coalition necessarily comprises civic and business leaders, but can be supplemented by other significant actors in the city (e.g. from not-for-profits, the media, and educational bodies). De Leon (n.d.) points out that regimes may be constituted on a non-coalitional basis. He refers to Krasner's (1982: 185) concept of a regime as "principles, norms, rules, and decision-making procedures around which actor expectations converge in a given issue-area." In other words, an institutional matrix may exist, constraining and shaping independent actors' preferences and decisions such that the effect is as if they were a unified group.

We offer a solution to these problems by returning to Stone's notion of 'access to institutional resources'. Institutional resources include the capacity to engage in rule-making and norm-shaping activities affecting the wider population of actors. We focus on the exercise of rule-making that creates jurisdictions – entities with self-governing rights subject to legal and other constraints imposed by the superior jurisdiction (e.g. the city government or relevant statute). We propose jurisdictional creation strategies are an institutional resource available to regimes in order to incentivise 'governance at a distance' by specific business populations within defined spaces. Thus, regimes institutionalise self-governance by populations in order to minimise costs of surveillance and intervention and reduce the risks of opposition. This theoretical development extends DeLeon's observation that "a theory of regimes that equates regimes with coalitions fails to acknowledge that coalition actors have incentives to institutionalize the fruits of their hard work and move on to other things..." (nd, 6). This insight points to the possibility of institutional design as a means of cementing a particular set of relationships or incentives that support regime goals, thus avoiding the need for continual oversight and intervention. It connects regime theory with the wider governance literature. Thus Rose and Miller (1992) for example argue that contemporary states are dependent upon technologies of knowledge and expertise for 'governing at a distance'. They do this by creating 'locales, entities and persons' who govern themselves within the dominant discourse.

Jurisdiction creation as a form of institutional design can thus be seen as a tool of government.¹ BIDs provide a valuable arena to explore these propositions. In creating a BID, both public officials and local businesses delegate some of their authority and resources to a jurisdiction on the expectation that it will promote their individual and complementary interests. From city government's perspective, these include the usual fiscal imperative of local economic development as well as anticipated direct public benefit from the enhancement of business districts. The BID is expected to realize these ends by mobilizing businesses' financial and creative resources, and exploiting their particular knowledge of and stake in the neighborhood. From the perspective of local businesses, BIDs are expected to enhance locational advantage thus generating additional sales and profits. They also offer the opportunity for business to undertake collectively financed and beneficial investments outside the formal structures and procedures of city government.

Viewing BIDs as a tool of government, then, the questions for institutional designers include whether and what kind of business leadership do particular institutional design features in a given context promote, and how that leadership can serve to advance a public interest as well as its own self-interest. In essence, our argument is that BIDs involve the creation of a legally sanctioned jurisdiction within which business exercises governmental functions over a particular space and population. Through the relevant authorizing statutes and set-up procedures, business constitutes its own collective self-governance. The institutionalized form of the BID contains procedures for decision-making and accountability to its business members, in some cases supplemented by a secondary accountability to residents or city government itself. This logic of appropriateness thus reinforces the collective interest of its members, and constrains the logic of

¹ Salamon's (2002) list of 15 tools of government action does not include the kind of jurisdiction-creation strategy represented by BIDs. Government corporations and government-sponsored enterprises are the most similar of the tools to BIDs, but there are enough differences in structure to treat BIDs as belonging to a distinct category.

consequentiality that predominates in individual, self-interested business behavior. In so doing, it facilitates self-governance by the affected population at a distance from the city-wide regime.

Business leadership at the micro-level: conceptual framework

A number of observers have commented on the variety of institutional forms exhibited by urban (re)development and revitalization PPPs in both the UK and the US (e.g., Lowndes & Skelcher, 1998; Ysa, 2007). Writing from the perspective of "business leadership coalitions," Austin and McCaffery (2002) observe that at any given time and locale, US urban business leaders' engagements with public-sector partners are multiple and diverse. They suggest that business actors' multiple motives (such as direct interests or community betterment) lead them to choose different "activity foci" (social, economic, or and/or political) and to employ "various partnering configurations" which include but are not limited to urban governing regimes. From a business perspective, then, institutional designs are selected in order to accomplish specific, exogenously determined goals. This purely instrumental perspective is consistent with many of the arguments advanced about the reasons for business support of BIDs by BID skeptics (e.g., Mallett, 1993) as well as enthusiasts (e.g., Mac Donald, 1996).

Contemporary approaches to the revitalization and preservation of urban downtown and neighborhood business districts adapt techniques of suburban shopping center and office park management in emphasize the social as well as physical construction of commercial spaces. One element involves managing a place's physical characteristics and image through programs of sanitation, security, marketing and promotion, and urban design. An equally important element comprises the behavior of individual property owners and business operators—especially the ground-floor retailers whose storefronts create much of the visible environment of a commercial district. Unlike suburban facilities, urban business districts generally lack a single owner who has the ability to compel businesses, local governments, and other stakeholders to contribute financially to common improvement and marketing efforts, or to observe common or complementary operating hours, visual merchandising practices, product lines, or building upkeep standards, and to coordinate these individually produced outputs with the collective provision of common spaces. The collective-action problem of commercial-district management is thus twofold. It involves not only financing and providing collective goods but also mobilizing individual stakeholders to produce their own behavioral contributions—governance.

Across a wide range of variations in the details of their design, BIDs in their archetypal form are distinguished by two central characteristics: (1) compulsory finance through supplemental special assessments, and (2) a leading role for the business-sector partners in planning and overseeing the improvement and service programs undertaken by BIDs. Thus, business leaders may see BIDs as ways to borrow governmental legal authority in order to pursue collective action aimed at improving profitability or other objectives which can be pursued effectively only through collective action. Although research suggests that both small and large retailers are motivated to participate in commercial-district management efforts mainly in order to benefit their own businesses (Medway, Warnaby, Bennison, & Alexander, 2000), there is at least

some support for Austin and McCaffery's suggestion that businesses may be moved to partner with local governments in order to achieve more socially oriented goals as well.

In a study of the owner-managers of small and medium-sized enterprises (SMEs) in the UK, Spence and Rutherford (2004) used Goffman's (1986) frame analysis approach to identify some of the dimensions of business operators' decision-making orientations and motivations. Spence and Rutherford identified four major frames, which could be distinguished empirically on the dimensions of profit orientation (maximizing versus satisficing) and ethical or social practices (self- versus socially interested) (table 1). Significantly, they found that business owners moved among the frames, both over time and according to the contexts in which specific practices and decisions were situated. They also found that the profit-satisficing frames ("subsistence" and "social") were more common than the profit-maximizing frames among the UK owner-managers in their sample. This is consistent with the orientations of many of the "mom-and-pop" independent retailers and service providers who occupy much of the downtown and neighborhood commercial space in the U.S. For managers of commercial districts, a social orientation is likely beneficial, but it is better if accompanied by a more or less profit-maximizing orientation, so that business stakeholders are inclined to cooperate in an "enlightened self-interest" model of cooperatively and enthusiastically pursuing profit.

PPPs by definition reflect the participation of public sector as well as business actors. In the case of self-governing BIDs, although the formulation of specific local policies is delegated to business actors, the institutions that influence their motivations and choices are in large part designed by local and supra-local governments. From the perspective of public representatives, BIDs are also readily portrayed as instruments of policy that seek to advance public goals of sublocal revitalization primarily by altering the behavior of the actors comprising the business side of the partnership. In large part, this reflects the regulative character of BIDs—the compulsory finance of sub local collective improvements and services. Sociological and social-constructionist understandings of institutional analysis, as well as regime theorist Stephen Elkins' perspective on the constitutive characteristics of institutions, however, suggest that individual motivations and self-understandings might themselves be shaped by prevailing institutional designs (Elkin, 1985; Scott, 1995). Further, from the perspective of business-sector stakeholders, local governments and their subdivisions are important actors whose active cooperation with business goals is necessary, since they exercise significant control over the physical, social, and perceptual features of public spaces and facilities.

Thus a central question for this paper is whether—and if so, how and under what circumstances—the institutional design of BIDs generates the "power to" enhance public spaces. Specifically, what kind of business leadership of public policy is promoted by BIDs? How from a micro-perspective, and under what circumstances, does this happen? In other words, how do informal and formal institutions at various scales interact with actors' characteristics to shape individual and collective action in context? A hypothesis consistent with our premises is that social power is generated through alterations of the participants' motivations and self-understandings—framing and reframing—as well as through the mobilization of private-sector economic resources to supplement local governments' service financing efforts.

Analyzing business leadership in BIDS

Theoretical perspective

For this research, we employed an analytic framework grounded in the institutional analysis and development framework (IADF) developed and refined by Elinor Ostrom and colleagues over the past two decades (Kiser & Ostrom, 1982; Ostrom, 1999), but with a key difference. The IADF is conceived by Ostrom and colleagues explicitly as a rational-choice framework in which actors' motivations are taken to be exogenous, independent variables. While the application of that framework has led to powerful insights concerning the efficacy and sustainability of self-governing regimes for collective action, its rational-choice perspective leads to some apparent puzzles or paradoxes in trying to explain that efficacy in the face of rational incentives for free-riding behavior (Justice, 2006). The tension between collective action and free-riding is particularly significant for our analysis for two reasons. First, the notion of governance at a distance implies that the institutional rules constituting the jurisdiction motivate a concern with public (other-regarding) rather than private (self-regarding) behavior. Second, in terms of Spence and Rutherford's typology, business leaders might be expected to demonstrate profit maximization or satisficing priorities over enlightened self-interest or social priorities. We therefore chose explicitly to consider whether and how the individual frames and rationalities of business participants might be altered by the design of district revitalization institutions. Our micro-analytic approach focuses on the mechanisms by which individual and shared understandings both lead to institutional design decisions and are constituted by the designed institutions.

Understanding individual rationality as subject to framing effects and capable of becoming (or ceasing to be) "enlightened" under certain circumstances complicates the analytic model. Individual self-interested rationality now becomes an intervening as well as an independent variable as we seek to explain the processes and outcomes of collective action. But at the same time, it allows a more straightforward explanation of the observed efficacy of self-governance by collective actors: certain institutional arrangements can alter stakeholders' understandings of their self-interest and how to realize it. To the extent public policy design takes the form of institutional design, with authority over operational planning and the details of governance delegated to the newly created institution and its decision makers, the policy-design task becomes how to design an institution that fosters the most desirable decisions and behavior with the lowest costs of information, monitoring, and sanctioning of undesired behavior.

BIDs are a useful case for examining this model of policy delegation in that as an ideal type the BID is explicitly designed to hand over the planning and provision of sub local improvements to non-governmental actors. Yet there is significant variation in the enabling statutes and local design choices that establish the framework for BIDs' institutional design. Every state in the U.S. has adopted a distinctive enabling statute, and many of them further allow for great differences in the institutional design of individual BIDs. This variation facilitates tests of the importance and effects of different design variables, including the self-governance feature, in a range of political and geographic contexts. The framers of the recently adopted BID statute and regulations

adopted for England as well as those developed or under development elsewhere in the UK have selected a combination of characteristics that reflects the broad American experiment but with adaptations to reflect the difference context of the UK. As BIDs are formed and operate in the UK, this offers the opportunity to examine BIDs with broadly similar design premises and features in comparative contexts.

Research design and methods

Our data come from four in-depth case studies of U.S. BIDs conducted in 2002 and 2003, and from secondary sources, documentary evidence, and interviews with stakeholders in several operating or planned BIDs in the UK during 2005 and 2006. The US data and analysis focused on the framing effects of BIDs' self-governance in particular. The UK data allowed us to assess the differences between the American and English contexts for BIDs and other revitalization partnerships, in order to generate our concluding predictive hypotheses for continuing comparative research.

All four US BIDs were in the same state, but because of that state's very flexible enabling statute, two of the cases had self-governing designs, with operational governance by boards selected by business people within the districts, while two were governed by boards appointed by local government officials. Together with data from direct observations, documents, records, and secondary sources, in-depth, the case studies involved conducting semi-structured interviews with a non-probability sample of 52 business operators, property owners, BID staff people, and public officials. The interview data were used to help us understand the ways in which different institutional designs and contexts influenced participants' frames and interactions. The selection of interview participants focused on identifying local stakeholders who were prominent in published accounts, organizational records, and the attention of other local stakeholders, as active BID supporters or opponents or for other reasons that made them stand out locally.

In order to avoid "contaminating" interviewees' responses, the interviewer advised participants that he was interested in understanding local stakeholders' experiences of the revitalization efforts and of conducting business in the four business districts, but not specifically that the research was testing the effects of different institutional designs on actors' motivations and self-understandings (Babbie, 1995; Wengraf, 2001). Most of the interviews were tape recorded and later transcribed verbatim. Contemporaneous handwritten notes were also taken and later reviewed in conjunction with the preparation and analysis of the interview transcripts.

We wanted to understand how participants and other stakeholders in the four revitalization efforts used "typifications" and "conventional understandings" to "cope . . . with experience" and to answer the question, "What is it that's going on here?" (Goffman, 1986, pp. 14-15). This was a way to assess the degree to which the BIDs did or did not facilitate governing at a distance and/or the adaptation of public officials' framing of business-district issues. Consistent with the results—although not the rational-choice assumptions—of Elinor Ostrom and colleagues, we hypothesized that the particular interpersonal interactions and roles required for the (self-) governance of BIDs would promote understandings such that stakeholders in the self-governing BIDs would be more likely to take for granted the importance of collective action and

partnership among individual businesses as well as between business leaders and local government to the achievement of specific as well as shared objectives.

Empirical cases: US BIDs

Cases and Contexts

The four U.S. cases illustrate different institutional-design responses by local governments and business people to similar economic situations. In each case, we found evidence that formal institutional designs and other local rules-in-use influenced the frames and behaviors of stakeholders, at the same time as they reflected the composition and predilections of the business people and public officials who established them. (table 2)

All four of the U.S. cases were Main Street BIDs, both in the literal sense of encompassing the traditional central business districts of small cities and in fitting within an intermediate category of budget size and scope of activities compared to the very large, "Corporate" BIDs or small-scale, "Community" BIDs found in bigger cities (see Rogowsky & Gross, 2000, for the typology). All four communities were within a major U.S. metropolitan area, but not dominated by extensive direct commuter ties to the area's central city. Three of them—including both of the self-governing cases—were traditionally commercial centers serving regional markets beyond their own residential populations of 10,000 to 12,000 each with mayor-council governments (cases A, B, and C). Municipalities A and B were also county seats, with county headquarters facilities located at the hearts of their business districts. The fourth case was an area initially developed as the retail and civic center for a 20th-century residential suburb of more than 50,000 residents with a commission-form of government (case D). State law governing all four cases empowers municipalities to designate BIDs at their discretion, and to assign the governance and management of the districts to district management corporations (DMCs) of nearly any type. DMC forms observed statewide at the time of data collection ranged from municipal commissions to formally autonomous, membership-controlled nonprofit groups.

Institutional Designs

The DMC in A was incorporated by local business people as a membership organization, with ten of its 14 voting board members elected by the larger membership, which comprises all the district's property owners and any business operators and residents who take the step of registering as members. The other voting board members represent residents, and the municipal and county governments. DMC B's board includes 22 members elected by the district's property owners (who can delegate their votes to tenants if they choose) and eight appointed to represent local government; residents; and the local hospital, arts council, and chamber of commerce. The DMC in case C was established as a municipal commission, unambiguously designed to be a subordinate unit of municipal government, with all of its six members appointed by local government. In D, the DMC was incorporated, with governance assigned to an eight-member board appointed by the local government.

In each of the four US cases, the initial leadership of revitalization efforts came from municipal government, and the impetus to organizational change was related to apparently high commercial vacancy rates and other symptoms of competition from outlying retail spaces, combined with the effects of an early-1990s recession. In case A, local business leaders—some of whom were also local elected officials—proposed the BID as a way to sustain the efforts begun with publicly funded capital improvements in the business district. In case B, a joint committee of the local council and local business people proposed the BID as the initial solution to perceived economic decline. In both case A and case B, the new BID organization supplanted previously existing retail business associations. In case C, where local officials adopted the BID in order to finance a program of capital improvements, the appointed BID board shared its staff and several of its members with the local voluntary retail and professional-office association. In case D, there was no evidence of a prior retail organization or of close working links between the BID and any organization other than the municipal government, with which it shared its staff.

The four cases' revitalization programs each included a range of relevant promotional, design-oriented, and business-recruitment/development activities. In cases A and B, board members, committees, and other local volunteers played leading roles in the planning and management of revitalization strategy and activities as well as in organizational governance. In case C, board members were active in planning strategy and activities but with little involvement by other stakeholders, and they largely delegated the management of activities to staff, vendors, or the cooperating business association. The appointed board in case D had primarily an oversight and outreach role, with most activities planned and managed by staff. Partly because of their greater need for volunteers, the activist core groups in A and B were much more aggressive in recruiting new participants for committees, board membership, and other involvements in the BIDs.

Actors

Typically for US Main Streets, the commercial life of all four districts was dominated by independent owner-operators, with few chain stores. Most of the property owners in the districts had relatively small and predominantly local holdings, and many of them were current or former business operators in the districts, as well. Cases B, C, and especially A had significant numbers of business operators who owned their premises, while the properties on prime block in case D nearly all belonged to two landlords (the heirs of a former single owner).

Simplifying assumptions about profit-maximizing *homo economicus* notwithstanding, it is as much a truism among commercial-revitalization specialists in the US as it is "an enduring reality in the UK economy" (Spence & Rutherford, 2004, p. 53) that SME owner-operators are not consistently or even predominantly profit-maximizers. In the U.S., BID and other commercial-revitalization managers and board members sometimes describe a pervasive "retail mentality" very similar to Spence and Rutherford's subsistence frame. Thus many revitalization programs, including but not limited to efforts that involve BIDs, include extensive merchant- and landlord-education efforts, which seek to impart a more maximizing orientation as well as specific marketing and merchandising skills and a greater appreciation for the interdependence of the businesses that share a commercial district. Many landlords are similarly less than perfectly

"rational" in their pursuit of profits. One local participant in case A characterized the initial positions of most local business people this way:

What you're talking to is entrepreneurs. You are talking to people maybe who are second and third generation in the business. And nobody told their father what to do, and nobody told their grandfather what to do, "and you're not telling me." They're independent store owners. If they weren't so independent, they'd be in the mall. (Marketing consultant)

Institutions and Actors Together

Business people interviewed in cases A and B were more likely than those in C and D to frame their goals as centrally including the active pursuit of economic success and their situations as requiring cooperative action with other business people and local public officials. In terms of Spence and Rutherford's typology, they were profit maximizers and socially active. Viewed only in cross section, this result could be a result of selection bias in the participant sampling, and/or evidence that more profit-oriented and collective action-oriented business people sought out self-governing forms of organization. However more compelling evidence for the effects of institutional arrangements on stakeholders' outlooks came in the form of narratives many interviewees provided of how involvement in BIDs and revitalization efforts reinforced or altered their perspectives on their individual business goals and on the importance of cooperation with public officials and other business people in their efforts to achieve those goals. Interviewees in self-governing cases A and B tended to describe how they and others came to take it for granted that they needed to be socially active in order to be successful in their own businesses. The major mechanisms of transformation appeared to be repeated face-to-face interactions with other participants and the role expectations associated with participants' collective and individual "ownership" of and governance responsibility for the BIDs. In addition, the greater apparent legitimacy of self-governing BIDs in the eyes of business people skeptical about the motivations and "business sense" of local governments seems to have made them readier to accept that responsibility.

More implicitly, many interviewees' remarks indicated that the orientations of many participants as well as other business people in the BIDs turned from subsistence towards profit maximizing. For example, numerous participants in both the self-governing BIDs (cases A and B) described the contagious effect of seeing other businesses opening on Sundays, participating in promotional activities, or improving their storefronts and merchandise displays.

One second-generation owner-operator with stores in both of the self-governing cases (a BID organizer and participant in one case, but non-participant the other) as well as a third in a nearby shopping center described two important ways in which a participatory BID reframes business problems and orientations for participants and (re)structures their relationships. First, he observed, the BID approach is "the best idea they ever found. It forces business people to think like a mall, in a lot of ways. . . . And now . . . the other jewelry store in town is not my competition: he's my ally, where 25 years ago, we would hate each other, because they were taking money out of my pocket." Restaurateurs in cases A and B offered accounts similar to those of retailers: formerly hostile rivals became caught-up in the BID-fostered environment of

collaborative self-determination, formed cooperative arrangements, and learned to support each other.

Second, BID implementation provided the opportunity for a new generation of cooperation- and profit maximization-oriented business operators and property owners to break into local leadership roles. Prior to the BID in case A, the jeweler noted, young people who wanted to be active in the local business leadership were frozen out by the old-line leaders of existing organizations, and so either became frustrated or formed competing organizations. "So you had multiple businessmen's associations, that all had 15 people in 'em" and so had little chance of accomplishing collective projects or of influencing local government effectively to act in their interest.

Participants in the governance of BIDs A and B consistently recounted developing close bonds of interpersonal loyalty in tandem with their growing assumption of personal responsibility for contributing to the joint governance of place. This loyalty tended to be explicitly associated with social bonds based on expressed "camaraderie," "spirit," "community," or "hometown" feelings and identifications. (Note that one business leader in A, who spoke repeatedly and heatedly about A as a "hometown" lived several towns away and had never been a resident of A.)

The self-governing districts also provided opportunities to tap into the talents and predilections of established as well as newer or younger business people. A number of interviewee anecdotes involved the co-optation of formerly antagonistic business people into assuming leadership roles in the BIDs, and some local leaders described being co-opted themselves from self-involved to collectively involved frames. One activist in case A described convincing antagonists that BID arrangements required business stakeholders not only to "put their money where their mouth was" but also to follow up their mandatory financial contributions by participating constructively and voluntarily in the governance of the district (retailer, case A). Another described his motivation to become involved instead of antagonistic as simply an effort to keep an eye on where his money was going. A retailer in case B described being "indoctrinated, brainwashed" into abandoning her vocal public criticism of the BID and its leaders, and being induced to take on a leadership role in the BID by a BID staffer who "begged and pleaded and worked with me to join them."

This "brainwashing" extended to the co-optation of local officials, as well. One BID activist in B said of the formerly skeptical chief municipal administrator, "He is now one of us, in the sense that he's been exposed to it enough [that] now he's sold" (property developer/manager, case B). In all the U.S. cases, local officials interviewed tended to be highly supportive of the BIDs and their business leaders (administrator, case A; council member, case C; mayor, case B; municipal attorney, case A). At the same time, local officials in cases A and B observed that the tight social bonds and unity of purpose among business leaders occasionally fostered a kind of groupthink and failure to grasp fully that local government was responsible to more constituencies and geographic areas than only those represented by the BIDs. While a most business people in each U.S. case expressed frustration with some aspects of local government attitudes and behavior, those in the self-governing districts appeared more likely to believe that they would be able engage officials in mutually constructive dialogue to address their concerns.

By contrast, interviewees in cases C and D sometimes observed that their externally governed BIDs perpetuated, or failed to support efforts to change, the more introverted and satisficing orientations among local business people. Both of these BIDs had evidently capable and committed boards and staff people, but because of their governance designs and lack of committee structures provided few opportunities for widespread participation. One activist in C expressed frustration with the municipal officials, BID staff, and other BID board members who called an end to her program of engaging merchants in the hands-on maintenance of planters, and thereby allowed business people to retreat back into the subsistence frames from which the maintenance effort had roused them:

No, you're missing the point. Now because we have the money for someone else to do it, we should pull the merchants away from taking pride? . . . You can't expect anybody to come in and revitalize your town, and you can't expect the town to revitalize your town. I think you have to do it as a merchant. . . . You have to do it yourself. . . . You have to have pride. (board member, case C)

In both externally governed cases, other BID board and staff members expressed considerable frustration at the subsistence orientations of their business constituents, but did not appear to see participatory planning and governance as an available option. A comparable, and similarly self-fulfilling, sense of powerlessness with respect to collective action and the revitalization of the business district as a whole was apparent among business people in general. One retailer and BID board member in D observed,

"I think merchants in [case D] are depressed. We need Prozac or something. I do think when you're busting your ass, and you're putting in 80 hours a week, and you're still not seeing anything, you get discouraged, absolutely. . . . You have to say to yourself, 'Come on,' or get out. And I think some of them should just get out. They should close and move aside.

Another locally popular and respected merchant in case D, not a member of the BID board, described his own disappointment with the policies and practices of the BID, as well as his fears of being visibly opposed to what he appeared to view as an organization controlled by vengeful politicians who would punish rather than co-opt him for speaking up. In fact, this retailer appeared to have moved from a more maximizing and collectively oriented posture toward the subsistence frame. While it seems somewhat unlikely that the BID was primarily responsible for this transformation, it was clear that the BID did nothing to prevent or reverse it.

In both C and D, business people consistently saw the BIDs as extensions of local government and so, except for the handful who were members of the BID board, described their roles in the business district-revitalization efforts as simply financing and consuming the collective goods produced by the BIDs. Even the most dissatisfied among them appeared not to consider direct engagement in the organization's activities to be a viable response to their dissatisfaction.

Empirical cases: UK BIDs

Legislation enabling the creation of BIDs patterned largely after those in the US took effect for England and Wales in 2005, and nearly three dozen BIDs have been created since then. While most of the basic institutional-design elements are broadly similar, there are several key differences of context between the US and UK which both serve as motivations for the importation of the BID model and appear likely to lead to different outcomes from BID implementation in many cases. Obstacles to regime formation and business local business leadership in the U.K. have included both formal and informal institutions: differences in national fiscal structures (Davies, 2002), as well as differences in business and political cultures (Wolman & Stoker, 1992) and in the local dependence of dominant business and political actors.

Differences in legal and economic structures include the much greater centralization of the revenue system in the UK, which tends to reduce local governments' fiscal imperatives for local economic development, and the greater centralization of government authority, which tends to reduce their discretion in pursuing revitalization; the prevalence of chain stores in urban retailing in the UK, which means local business constituencies are likely to be less locally dependent compared to SME-dominated US business districts; and that property taxes—and so BID assessments—are levied on the occupants rather than on the owners of commercial properties. All of these considerations can be expected to diminish the involvement in district governance of precisely the three constituencies most active in US BIDs: property owners, merchants, and local governments.

Still, national- and local-level promoters of BIDs in the UK have emphasized their ostensibly self-governing features as a central element in the institutional design, with the apparent intent of encouraging businesses to feel some sense of ownership of BIDs and to assume active and responsible roles in revitalization. Most if not all BIDs to date in the UK have been sponsored by existing town centre management (TCM) partnerships, often working in concert with local authorities, and many have been outgrowths of a national government-funded pilot program. Our review here of three developing cases illustrates the considerable flexibility of the UK's statutory design and the adaptability of the basic BID form to a variety of applications and models of delegated governance. Research was undertaken in the early stages of the BIDs, and thus the results are indicative at present. Nevertheless, what these cases have in common is that the accountability of BIDs to businesses tends to resemble corporate governance more than participatory self-government. To some degree, then, they more closely resemble the externally governed US cases C and D than the self-governing ones (cases A and B) in terms of day-to-day practice and decision-making. (table 3)

In case H, a Main Street-type BID encompassing the central business district (CBD) of a market town, the existing TCM partnership sponsored the BID proposal and exercises significant influence over the BID company through several interlocking board memberships. The BID company is effectively a service-financing and delivery arm of the TCM company. The programmatic focus for this BID is a very basic "clean and safe" approach of supplemental security and sanitation services, rather than modifications of business people's understandings or behaviour. The managing director did report, however, that by the time of the first annual general

meeting business operators had begun to call the BID office with service requests, and one had put himself forward at the first annual general meeting successfully to become a board member.

In case G, the BID—Main Street in budget, but with retail accounting for only about 40 percent of its business base—encompasses a large section of a market and cathedral town. The BID company in this case represents the evolution of the TCM company, as it was planned to do. Although the BID company's board was initially controlled by the same institutional actors as its predecessor, the board structure appeared to allow for a bare majority to be formed by elected business representatives plus the "investor-members": local property owners and other contributors of significant voluntary funding. The staff director in G described two major anticipated advantages of the BID form over the TCM model: that there would be more "engagement" of local businesses, compared to the only ten percent who were involved with the TCM company; and that its independent funding base would allow the BID company to be more assertive in negotiating with the local authority.

In case E, one of two BIDs proposed for the center of a large city had already been established by 2006, and its specific goals did appear to include modifying the beliefs and behavior of some business operators. In this case, the BID sponsor was the city centre partnership company which appeared to be the formal organizational vehicle for a fairly well-established US-type urban governing regime led in significant part by major property interests. The district encompassed by the BID includes a convention center and other tourist attractions; corporate offices and a large, upscale mixed-use development; and a number of large bars—some of them branches of national chains—popular with binge-drinking youths. The drunken young people were troublesome for the area's image and perceived safety. In this case, the regime appears to have sought to use the BID both to provide the usual array of safety, cleaning, marketing and beautification, and to secure the cooperation of bar operators in better controlling their customers and environment. In this case, aggressive door-to-door work by the recently hired BID manager in tandem with the local police appeared to be gaining the cooperation of the bar operators. The BID board in the first year of operation here included a plurality of non-retail and non-bar business occupiers, and was chaired by the developer of the largest single-owner development in the city center.

Although the English legislation and the rhetoric surrounding it have emphasized the significant role of business participants rather than local authorities in defining and leading BIDs, many early applications of the BIDs law as described by others appear to focus more on the ability of BIDs to serve as instruments of basic service provision than on the constitution of stakeholder relationships or the reframing by business people of their roles in business districts' governance. Still, our cases appear to indicate some potential for more transformative results from BIDs in the UK, paralleling their effects in some, although by no means all, American applications. Time will tell whether this potential is realized, in these cases or elsewhere in the UK.

Business leadership, institutional design and public governance

What, then, do business leaders do when they lead public policy? What do they, as well as local government leaders and other local stakeholders, *think* they are doing? On balance, the active participants in BID governance in all four of the US cases tended to express strong normative

commitments to one another and to the collective enterprise of revitalizing the business district. The designs of the self-governing jurisdictions motivated broader participation in governance and thus tended to increase the number of stakeholders who took for granted the importance, efficacy, and desirability of collective action, not just to advance a joint interest or public good, but also as a means to serve their own immediate, more particular interests. In the UK cases, there was some evidence that institutional designs might motivate a socially-active business leadership due to the enhanced resources and autonomy available to the BIDs in comparison with the earlier TCMs. However the impact on profit maximizing behavior is uncertain due to the different retail and business context in UK cities rather than the governance design. Chain stores predominate in UK cities, and thus business strategies (including profit maximization) are largely determined at a corporate level.

Business leaders' engagement with the U.S. BID partnerships in our sample led them to form strong normative commitments to one another and to an ideal of place. By providing a greater number of opportunities for participation in and leadership of revitalization planning and implementation, the BIDs in the self-governing cases further provided opportunities for business people and officials to understand one another as natural and inevitable partners in the management of business districts. The development of shared understandings in the cases responded to the nature of the governing responsibilities shared by participants as well as to their having engaged in repeated face-to-face interactions over extended periods. Local business leaders in the UK cases already had a mechanism for developing a collective interest through the TCM structures. This provided a platform on which the subsequent, and more powerful, BIDs were able to build. It is likely that the BIDs will enhance normative commitments in the public (or at least collective) interest, but updated research is needed on this point.

There was in the U.S. cases some association evident between business leaders' engagement in BID governance and their pursuit of socially active practices in the somewhat altruistic sense described by Spence and Rutherford (2004). But for the most part, business people and other local stakeholder in each case portrayed business people's engagement specifically with a BID and its management of the business district as being motivated by a desire to preserve or increase business profitability, property values, and rents. Thus the reframing associated with BID participation by business people tended to move them toward maximizing as well as toward collective action. More purely socially-motivated activities by business-sector BID participants in several instances were clearly attributable to normative commitments to place developed in the course of BID participation, but rarely involved the BIDs or business districts themselves.

These tendencies might not always translate directly to U.S. corporate-BID or British settings, however. In the case of corporate or otherwise highly professionalized U.S. BIDs, opportunities for face-to-face interactions, participatory governance, and so for individual stakeholders' reframing of their situations and roles are likely to be no greater than in the externally governed BIDs in the U.S. sample analyzed above. For all types of BIDs in the U.K., the prevalence of chain-store retailing in urban centers, the lack of a clear role for landlords (who are generally among the leading actors in most US BIDs), diminished fiscal incentives for local government, and the twin historical legacies of business disengagement and professionalized town-center

management all represent potential obstacles to the diffusion of governmentality within localities and subdistricts.

This difficulty in generalizing the reframing effect of delegated governance is somewhat ambiguous normatively. To the extent the activities of BIDs may lead to benefit externalities in form of better public spaces and greater civic activism, we have reason to lament the difficulty of reproducing the reframing effect achieved in cases A, B, and E. Less desirably, however, that same reframing mechanism may also turn local officials more toward businesses and away from citizens, and it may also empower profit-maximizing businesses to create spaces that are different—more focused on maximizing exchange values and less on inherent interestingness or broad accessibility to a variety of visitors, for instance—to how citizens might have designed them (see Lofland, 2002, pp. 25-26).

Our analysis of the causality between institutional design features of US BIDs and the orientations of local business leaders leads to some predictive hypotheses about the future for BIDs in the UK. Our evidence suggests that BIDs in the UK will in at least some cases foster the development of informal coalitions and shared understandings between business leaders and local governments, as they frequently have in the US. But the US experience also shows that BIDs can also be effects rather than causes of informal institutions, or can be effectively dominated by either their private or public "partners." We anticipate that BIDs in the U.K. are likely to lead to the development of enlightened self-interest and cooperative business activism in enough cases to constitute success for the national policy of fostering BIDs, partly because of and partly in spite of the national policy design.

In conclusion, the paper casts new light on the development of third party governance as a mechanism for private rule making and substantive policy development. It shows that rule making is constrained to some extent by the prevailing legal framework, but despite this third party government has taken on a new role in relation to the governance of cities, populations and neighborhoods. This opens up a number of academic lines of enquiry and possibilities for applied research. In particular, it poses questions about the legitimacy and democratic performance of self-governing jurisdictions constituted outside the norms of representative government and that engage actors on the basis of special rather than public interest motivations. It also challenges a reconsideration of theories of urban governance under conditions of greater jurisdictional complexity.

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| <i>Table 1. Frames found among SME owner-managers by Spence & Rutherford (2004)</i> | | |
|---|--------------------|------------------------------|
| | Profit orientation | Ethical practice/orientation |
| 1. Profit-maximization priority | maximization | socially inactive |
| 2. Subsistence priority | satisficing | socially inactive |
| 3. Enlightened self-interest | maximization | socially active |
| 4. Social priority | satisficing | socially active |

| <i>Table 2. Characteristics of US case study BIDs</i> | | | | |
|---|---|---|--|--|
| BID | A | B | C | D |
| Type of BID | Main Street | Main Street | Main Street | Main Street |
| Organization type | Membership-controlled, IRC sec. 501(c)(4) | Membership corporation, IRC sec. 501(c)(3) | Appointed municipal commission | Appointed board, IRC 501(c)(3) corporation |
| Leadership source | Local business leaders | Local business leaders in concert with government | City government, commission members and local voluntary business group | City government |
| Business type | Independent owner-operators | Independent owner-operators | Independent owner-operators | Independent owner-operators |
| Impact on profit and socially active orientations | Strong evidence | Strong evidence | Limited evidence | Limited evidence |

Table 3. Characteristics of UK case study BIDs

| BID | E | G | H |
|--|---|---|---|
| Type of BID | Main Street plus tourist area | Main Street plus historic district | Main Street plus CBD |
| Corporate type | Company limited by guarantee | Company limited by guarantee, evolved from TCM partnership | Company limited by guarantee—linked to TCM partnership |
| Leadership source | Town centre partnership linked to urban regime | City government, business, and religious and educational institutions | Town centre partnership of city and county governments and business leaders |
| Business type | Predominance of chain stores | Mix of independents and chain stores | Mix of independents and chain stores |
| Impact on profit maximization and socially active orientations | Too early in life of BID to determine, but expectation that improvement on TCM institutional design will produce these benefits | Too early in life of BID to determine, but expectation that improvement on TCM institutional design will produce these benefits | Very limited evidence at this early point in the BID's life |