

RIGA TECHNICAL UNIVERSITY

Faculty of Engineering Economics and Management  
Institute of Civil Engineering and Real Estate Economics  
Department of Civil Engineering and Real Estate Economics  
and Management

**JURIJS GRIZĀNS**

(Doctoral ID card № 011RIP003)

**COMPETITIVENESS OF THE BUSINESS  
ENVIRONMENT IN LATVIAN URBAN  
AREAS AND APPLICABLE TOOLS  
FOR ITS IMPROVEMENT**

**SUMMARY OF DOCTORAL THESIS**

Sector: Management

Sub-sector: Management of Entrepreneurship

Scientific supervisor  
Dr. oec., Professor Jānis Vanags

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## **DOCTORAL THESIS**

### **PROPOSED TO RIGA TECHNICAL UNIVERSITY FOR THE PROMOTION TO THE SCIENTIFIC DEGREE OF DOCTOR OF ECONOMICS (Dr. oec.)**

The Doctoral Thesis has been developed at the Department of Civil Engineering and Real Estate Economics and Management of the Institute of Civil Engineering and Real Estate Economics of the Faculty of Engineering Economics and Management, Riga Technical University. Public presentation of the Doctoral Thesis will be held at the meeting of RTU Promotion Council “P-09” on 24 April 2015 at the Faculty of Engineering Economics and Management of Riga Technical University, 6 Kalnciema Street, Room 309, at 12:00.

#### **OFFICIAL REVIEWERS:**

Dr. habil. oec., Professor Remiģijs Počs  
Riga Technical University (Republic of Latvia)  
Dr. oec., Professor Dzintra Atstāja  
BA School of Business and Finance (Republic of Latvia)  
Dr. oec., Professor Ivan Potravny  
Plekhanov Russian University of Economics (Russian Federation)

#### **DECLARATION OF ACADEMIC INTEGRITY**

I, the undersigned hereby, declare that the developed Doctoral Thesis has been submitted to Riga Technical University for evaluation in order to confer a Doctoral Degree in Economics. The Doctoral Thesis has not been submitted to any other university for obtaining the scientific degree.

Jurijs Grizāns \_\_\_\_\_

\_\_\_\_\_ March 2015

The Doctoral Thesis and the Summary of the Doctoral Thesis are available for evaluation at the Scientific Library of Riga Technical University, 10 Kipsala Street, Riga.

The Doctoral Thesis has been written in the Latvian language. It consists of an introduction, 3 chapters, conclusions and proposals, as well as bibliography. There are 29 figures and 17 tables in the Doctoral Thesis. The volume of the present Doctoral Thesis is 149, excluding 12 appendices. In the framework of scientific research, 140 reference sources have been used. The Summary of Doctoral Dissertation contains 41 reference sources.

You are welcome to submit reviews on the Doctoral Thesis to the Secretary of RTU Promotion Council “P-09” – professor Kārlis Ketners, Riga Technical University, 6 Kalnciema Street, Riga, LV-1048, Latvia, Email: [karlis.ketners@rtu.lv](mailto:karlis.ketners@rtu.lv); Fax: (+371) 67089345.

# CONTENT

General Overview of the Doctoral Thesis.....	5
Main Scientific Results of the Doctoral Thesis.....	18
1. Business Environment in Urban Areas and Its Competitiveness.....	18
2. Development of Business Environment in Urban Areas .....	22
3. Business Environment Competitiveness Improvement Tools, Selection and Use .....	26
3.1. Development of the Classification of Tools .....	31
3.1.1. Precondition for Development of Classification.....	31
3.1.2. Tool Classification Diagram .....	34
3.1.3. Elaboration of the Common Planning Approach for the Tool Selection and Use.....	43
Conclusions and Proposals.....	49
Bibliography.....	53

## **GENERAL OVERVIEW OF THE DOCTORAL THESIS**

### **Topicality of the Doctoral Thesis**

Each business activity is organised in a specific enclosed geographic area with its typical environment. Its quality and attractiveness are considered one of the most important elements for enhancing business competitiveness. This means that socio-economic and spatial environments in certain urban and/or rural area created for business development are closely linked to the rapid growth of the certain area in relation to the increase of the quality of life.

Approximately 99 % of the European Union (*EU*) businesses are small and medium-sized enterprises. Scientific studies generally focus on the flexibility and ability of the companies to adapt to the threats and opportunities prevailing in the external environment. Unfortunately, insufficient attention is paid to the changes in the economy, which leads small and medium-sized enterprises permanently to remain into increased “*stress*” conditions, especially in the instability of the economic development. Each adaptation to changes in the external environment is associated with the consumption of additional resources to be able to pay to their suppliers, to ensure timely payment of wages and to maintain a positive net cash flow.

Therefore, now the world’s attention is drawn to the development of favourable and attractive business environment in urban areas as an important prerequisite for the increase in the efficiency of the use of the resources available to the public and for the employment of an economically active population in the certain area.

Traditionally improvement activities of the business environment are focused on the simplification of the existing administrative procedures and improvement of legislation in a given geographical area. However, the world practice shows that creation of the favourable business environment does not only mean to improve laws and regulations, to reduce legal barriers to the market or to improve access of the entrepreneurs to public services and its quality. To create a favourable business environment also means to increase competitiveness of human settlement in attracting investments, to empower business diversification, to ensure stakeholders parity and mutual desire to act environmentally friendly, etc.

These efforts are closely linked to sustainable development of urban and rural areas. It provides creation of socio-economic and spatial prerequisites for business start-up and long-term development over a vast geographical area in accordance with the principles of sustainable development. Thus, improvement of the quality of life and working environment could make business opportunities in urban and rural areas more attractive promoting harmonious and balanced development.

Based on the fact that the largest number of the EU enterprises is currently concentrated in the cities and the most of the national wealth is produced there, the Doctoral Thesis focuses on the study of the socio-economic and spatial aspects of the business environment development in urban areas.

The city is rightfully considered to be the business card of any country. The city represents the most significant achievements of the country's economic growth, social welfare, culture, society and the environment. Urban development promotes national reputation and global competitiveness.

The city is the living environment of the most of the peoples in the modern world. Report "*State of World Population 2007: Unleashing the Potential for Urban Growth*" [40, pp. 1–2] developed by the United Nations (UN) Population Fund highlights that currently more than half of the world's population – around 3.3 billion people – lives in cities. There is a different degree of urbanization in the world. It is mainly determined by the country's economic growth rate. Countries with a higher level of industrialization and development are more urbanized. For example, in the Netherlands, where the gross domestic product (GDP) per capita is about 42.3 thousand euro, almost 90 % of the population lives in cities. On the other hand, in Ukraine, where GDP per capita is about 13 times less than in the Netherlands, the city's population is only 68.5 % [17, pp. 313–327].

It is projected that by 2030 the world's population in cities could grow to 5 billion people. This reflects the maintenance of the long-term socio-economic process of urbanization, which is characterised by concentration of the population and production in cities, increase of the urban population as well as growth of urban areas [11, pp. 12–13]. Consequently, the increase in the number of cities, increase of the urban population intensify urbanization trends with its inherent positive and negative effects.

Urbanization and the spread of urban lifestyle in the world are inevitable. History of human development shows that there is no country in the industrial age that has achieved significant economic growth without the help of urbanization process. The concentration of power, increase of derelict and contaminated sites, public social segregation, wealth concentration – these are negative trends of the modern urban development.

The European Parliament and the European Commission (EC) devote much attention to urban development and urbanization trends. Thus, in the report developed by the EC Directorate-General for Research "*Urban Research: Living in the "City of Tomorrow" Today*" [3, p. 4] is emphasized that, despite the overcrowding in urban areas and the problems associated with it, new innovative ideas to tackle the adverse socio-urbanization economic consequences and negative effects on the environment are created in our cities. The city inspires to new social and economic solutions, as well as environment protection. Issues related to urban development are now included in each sustainable development strategy.

The analysis of the demographic, economic and political processes in the world and their impact on development of contemporary business environment in urban areas shows that long-term public steady and sustained growth balances the business environment development processes in urban areas, but rapid transformations of the social and economic conditions produce substantial changes.

Years 2008–2009 were marked by the global economic recession. The financial downturn that influenced different regions and countries around the world raised many important issues. It forced to reevaluate aspects of the urban development growth, its trends

and impact on the stability of the process of development of business environment, positive and negative effects, as well as side effects.

There are 76 cities and towns in Latvia, of which 9 cities are major cities of national importance. Cities and towns are home to about 70 percents of the population. Approximately 60 percents of the companies are located in urban areas. More than 70 percents of the total national GDP is produced in cities and towns. The most important higher education and cultural institutions in the country are concentrated in the major cities.

The Parliament of the Republic of Latvia approved “*Sustainable Development Strategy of Latvia until 2030*” (Latvia 2030). It is the hierarchically highest long-term planning document of the Republic of Latvia that sets out prospects of the country’s future development. One of the long-term development priorities of Latvia is national spatial development. It is intended to promote development of cities as centres and driving forces of social and economic growth of the state, to reinforce mutual cooperation and interaction of cities and rural territories in provision of workplaces and services, to support establishment of functional networks for development centres [7].

World practice shows that successful execution of the above-mentioned tasks largely depends on the strategic approach to urban planning and management process. This is the basis for the improvement of living environment and conditions in the urban area as well as for the attraction of investments and promotion of competitiveness of a given territory. This approach should be oriented towards the elaboration, adoption or revision of the development policy, taking into account unique features and competitive advantages of the city. Taking into consideration, that the process of the development of each populated area is different, an urban development policy should be based on the detailed analysis of the present situation and prevailing trends in a given city or town. It should be aimed at achievement of the desired situation in a certain period in the economic, social, cultural, environmental, etc. areas. To achieve this, it is necessary to focus more on the business environment development and competitiveness improvement opportunities.

Nowadays a socio-economic situation requires from the business environment in urban areas the ability to adapt and adjust to demographic, ecological, political, etc. changes, as well as ensure the elaboration and implementation of business condition development policy in a way that more effectively maximizes the response to changes in the world.

Consequently, the policy of business environment development and competitiveness improvement in urban areas in Latvia must be provided by interacting state authority and administration institutions, businesses and citizens in accordance with the principles and priorities of sustainable development. Involvement of all interest groups in the business environment development planning is significant. Business environment development policy in urban areas should focus on resource use efficiency, improvement of operating and working conditions for city inhabitants, improvement of attractiveness and competitiveness of the business environment, etc.

Topicality of the Doctoral Thesis is determined by growing importance of urban areas in the national economy. Social and spatial mobility of individuals, integration of information

and communication technologies in business practices and other factors greatly expand the business choice of the place where to implement economic activities and to invest. Therefore, the identification of the opportunities of urban area local government for the development business-friendly and competitive environment becomes more significant.

### **The Aim and Tasks of the Doctoral Thesis**

Taking into account the topicality of the Doctoral Thesis, the following **aim** is defined – to focus research on the significant dimensions of competitiveness of the business environment in urban areas, to explore management tools available to local government for business environment competitiveness improvement as well as to provide recommendations to local administrations.

In order to achieve the aim of the Doctoral Thesis, the following **research tasks** have been defined:

- 1) To explore business environment in urban areas and to determine its development processes.
- 2) To analyse macroeconomic indicators of the development of business environment in urban areas.
- 3) To estimate positive and negative effects of development of business environment in urban areas.
- 4) To explore competitiveness of business environment and to evaluate the factors influencing it.
- 5) To analyse opportunities of improvement business environment competitiveness in urban areas.
- 6) To identify tools available for urban local governments to improve business environment competitiveness.
- 7) To develop classification of the tools for urban local governments to improve business environment competitiveness.
- 8) To elaborate a common planning approach to the selection and use of business environment competitiveness improvement tools.
- 9) To develop the information system model for enhancing strategic objectives of improvement of business environment competitiveness.
- 10) To develop proposals for urban local governments for the selection and use of the tools for improvement of business environment competitiveness.

### **The Object and Subject of the Doctoral Thesis**

The **object** of the Doctoral Thesis is business environment in urban areas. The **subject** of the Doctoral Thesis is the most significant aspects of improvement of business environment competitiveness in urban areas and the applicable tools.



## **Research Methods**

To achieve the aim and tasks of the Doctoral Thesis, the general **research methods** have been used, such as analysis and synthesis, deduction and induction, logical and historical approaches, classification, graphic, experts, as well as corresponding quantitative methods.

## **Theoretical Background of the Doctoral Thesis**

Theoretical background of the Doctoral Thesis consists of the following informative sources:

- Scientific studies and publications by Latvian researchers, such as A. Ābeltiņa, S. Babuškins, E. Dubra, I. Judrupa, I. Kasjanovs, I. Kotāne, M. Kļaviņš, O. Nikodemus, E. Vanags, I. Vilka, K. Mārtinsone, A. Neimane, I. Stūre, A. Ābele, J. Počs, J. Vanags, D. Bite, J. Daugavietis, I. Butulis, A. Zunda, J. Zaļoksnis, L. Apine, M. Pranka, etc.;
- Scientific studies and publications by foreign researchers, such as A. V. Bruno, R. Capello, V. Charles, p. Clark, p. Davidsson, M. Fritsch, D. B. Audretsch, N. Bosma, p. Cooke, M. Heidenreich, etc.;
- Statistical editions of Latvian and international organisations, such as the Central Statistical Bureau (*CSB*), Organisation for Economic Co-operation and Development (*OECD*), the World Bank (*WB*), etc.

To reflect legal and institutional framework in the area of scientific research, the following sources of information have been used:

- Regulations of the Republic of Latvia and the EU;
- Development planning documents of the Republic of Latvia and the EU;
- Development policy documents of the Republic of Latvia and the EU.

## **Scientific Novelty and Results of the Doctoral Thesis**

The most important scientific novelties and the results of the research are the followings:

1) Trends, challenges and prospects of the business environment development in Latvian urban areas have been determined. Survey of experts' and entrepreneurs' opinion on living and working conditions in urban areas has been implemented.

2) PESTE dimensions: P – political, E – economic, S – social, T – technological and E – ecological dimensions of competitiveness of business environment in Latvian urban areas have been studied and analysed. Business implementation threats and opportunities for its prevention have been identified.

3) Definition of the term “*urban area's business environment competitiveness*” has been developed. The definition combines the most important conditions, factors and preconditions in urban area that are necessary for implementation of commercial and public activities by companies.

4) Definition of the term “*urban area’s business environment competitiveness improvement tool*” has been developed. The definition explores voluntary initiatives, performance and support of urban area’s local government in order to improve the competitiveness of the business environment.

5) Classification of the tools for urban local government to improve business environment competitiveness has been developed. Classification is based on the competence and existing public functions of the local municipalities regulated by the law.

6) Common planning approach to the selection and use of the business environment competitiveness improvement tools has been elaborated. The planning approach is developed in accordance with the time factor as well as the aspects of the selection and use of the tools for business environment competitiveness improvement available to local authorities.

7) An information system model for enhancing strategic objectives of business environment competitiveness improvement in urban areas has been developed. The model notes groups and subgroups of key strategic objectives.

### **The Hypothesis and Thesis Statements to Be Defended**

Taking into consideration the definition of the object and subject, the following **hypothesis** has been defined – business environment competitiveness in Latvian urban areas is largely determined by the state regional development policy and by a range of the business environment competitiveness improvement tools available to local authorities as well as by effectiveness of correct choice and use of these tools in response to changes in local and global economic systems.

The following thesis statements have been proposed for the defence of the Doctoral Thesis:

**1<sup>st</sup> thesis statement** – use of the opportunities of PESTE analysis method into the study of competitiveness of business environment in urban areas could help Latvian local authorities to obtain a more complete picture of economic activity implementation conditions in urban areas.

**2<sup>nd</sup> thesis statement** – classification of the tools for improvement of the business environment competitiveness used by the urban local authorities can provide support to local municipalities for selection of more appropriate tools in response to changes in local and global economic systems.

**3<sup>rd</sup> thesis statement** – further action planning of business environment competitiveness improvement in urban areas in accordance with the developed planning approach and strategic objective information system model can contribute to the increase of the business environment competitiveness in Latvian urban areas.

### Scientific Publications

Results of the Doctoral Thesis are published in the following recognized peer reviewed scientific editions:

- 1) Grizāns J., Vanags J. The Role of the Construction Branch in Sustainable Urban Development // Scientific Proceedings of Riga Technical University. 3 ser., Economics and Business. – 17 vol., – Riga: RTU Publishing House (2008) – pp. 18–27, ISSN 1407-7337. Abstracted / Indexed: *VINITI RAN*, *EBSCO*, *CSA*;
- 2) Grizāns J. Urban Issues and Solutions in the Context of Sustainable Development. – Esbjerg: Department of Environmental and Business Economics University of Southern Denmark (2009) – 51 p. , ISSN 1399-3224;
- 3) Grizāns J., Vanags J. Environmentally Friendly Construction – Important Aspect of Development of Construction Industry // Scientific Proceedings of Riga Technical University. 3 ser., Economics and Business. – 18 vol. – Riga: RTU Publishing House (2009) – pp. 26–40, ISSN 1407-7337. Abstracted / Indexed: *VINITI RAN*, *EBSCO*, *CSA*;
- 4) Grizāns J., Vanags J. Sustainable Urban Development and Its Importance in State Economic Growth // 50<sup>th</sup> International Scientific Conference of Riga Technical University. Conference Proceedings – Riga: RTU Publishing House (2009) – pp. 325–333, ISBN 978-9984-32-173-8 (CD). Abstracted / Indexed: *VINITI RAN*, *EBSCO*, *CSA*;
- 5) Grizāns J., Vanags J. The Importance of Place Marketing for Sustainable Urban Development // Latgale National Economy research. Journal of Social Sciences – Rezekne: Rezekne Higher Education Institution, Faculty of Economics, Latgale National Economy Institute (2010) – pp. 142–156, ISSN 1691-5828;
- 6) Grizāns J., Vanags J. Perspectives of the Modelling of the Latvian Rural – Urban Partnership at the Context of Sustainable Development // Economic Science for Rural Development. Proceedings of the International Scientific Conference No. 23 – Jelgava: Latvia University of Agriculture (2010) – pp. 63–69, ISSN 1691-3078, ISBN 978-9984-9997-3-9. Abstracted / Indexed: *AGRIS*, *EBSCO*;
- 7) Grizāns J., Vanags J. Modern Aspects of Planning and Management of Sustainable Urban Development // Scientific Proceedings of Riga Technical University. 3 ser., Economics and Business. – 20 vol. – Riga: RTU Publishing House (2010) – pp. 51–58, ISSN 1407-7337. Abstracted / Indexed: *VINITI RAN*, *EBSCO*, *CSA*;
- 8) Grizāns J., Vanags J. Sustainable Urban Development: Interaction between Business, Society and State // Economics and Management: 2010, Kaunas: Kaunas University of Technology (2010) – pp. 1099–1105, ISSN 1822-6515 (CD), Abstracted / Indexed: *EBSCO*;

- 9) Grizāns J., Vanags J. Functional Transformation Tendencies of Urban Environment in the Period of Global Changes // 10<sup>th</sup> International Scientific Methodical Conference „*Human and Environment*”. Conference Proceedings. – Liepāja: University of Liepāja (2010) – pp. 54–60, ISBN 978-9984-864-28-0.
- 10) Grizāns J., Vanags J. Policentrism as the Strategic Priority of the European Union and Promotion of Its Development in Latvia // 52<sup>nd</sup> International Scientific Conference of Daugavpils University. Conference Proceedings. – Daugavpils: Daugavpils University (2010) – pp. 1048–1056, ISBN 978-9984-14-521-1 (CD);
- 11) Grizāns J., Vanags J. Possibilities of the Integration of the Method of the Ecologically Oriented Independent Scientific Research in the Study Process // Scientific Journal of Riga Technical University. Ser. № 13, Environmental and Climate Technologies. – Riga: RTU Publishing House (2010) – pp. 42–48, ISSN 1691-5208. Abstracted / Indexed: *AGRIS, EBSCO*;
- 12) Grizāns J., Vanags J. Cooperation between Local Authorities and Communities in the Area of Sustainable Urban Development // New Socio-Economic Challenges of Development in Europe 2010. Proceedings of the International Conference. – Riga: University of Latvia (2010) – pp. 285–291, ISSN 978-9984-45-363-7;
- 13) Grizāns J., Tambovceva T. Aspects for Assessment of Sustainable Rural Development in Latvia // Economic Science for Rural Development. Proceedings of the International Scientific Conference No. 26 – Jelgava: Latvia University of Agriculture (2011) – pp. 221–229, ISSN 1691-3078, ISBN 978-9984-9997-7-7. Abstracted / Indexed: *ISI Web of Knowledge, AGRIS, EBSCO*;
- 14) Grizāns J., Auziņš A., Vanags J. Green Infrastructure Development – Challenge of the Modern Urban Dynamic Growth // Scientific Journal of RTU. 3. Series., *Ekonomika un uzņēmējdarbība*. – 22. vol. (2012), pp. 51–58, ISSN 1407-7337, ISSN 2255-8756, Abstracted / Indexed: *EBSCO, ProQuest, Versita, VINITI*;
- 15) Grizāns, J., Vanags, J. Revitalization and Development of the Green Real Estate of Riga City // *Baltic Journal of Real Estate Economics and Construction Management*. Nr. 1, 2013, pp. 29–36, ISSN 2255-9604, ISSN 2255-9671.

### **Presentations at the Scientific Conferences and Seminars**

Results of the Doctoral Thesis are presented at the following international scientific conferences and seminars:

- 1) 50<sup>th</sup> International Scientific Conference of Riga Technical University “*Economics and Entrepreneurship*”. – Riga: Riga Technical University, October 14–16, 2009. Presentation “Challenges and Prospects of Social and Economic Development of Latvian Urban Areas”;
- 2) 11<sup>th</sup> International Scientific Conference of Latvia University of Agriculture “*Economics Science for Rural Development 2010*”. – Jelgava: Latvia University of

- Agriculture, April 22–23, 2010. Presentation “Perspectives of the Modelling of the Latvian Rural – Urban Partnership at the Context of Sustainable Development”;
- 3) 15<sup>th</sup> International Scientific Conference “*Economics & Management 2010*”. – Riga: Kaunas University of Technology, Kaliningrad State Technical University, Riga Technical University, Brno University of Technology, April 22–33, 2010. Presentation “Sustainable Urban Development: Interaction between Business, Society and State”;
  - 4) International Scientific Conference “*Development of the National Economy: Issues and solutions*”. – Rezekne: Rezekne Higher Education Institution, Faculty of Economics, Latgale National Economy Institute, April 15, 2010. Presentation “The Importance of Place Marketing for Sustainable Urban Development”;
  - 5) 52<sup>nd</sup> International Scientific Conference of Daugavpils University. – Daugavpils: Daugavpils University, April 14–16, 2010. Presentation “Polycentrism as Strategic Priority of European Union and its Promotion in Latvia”;
  - 6) 10<sup>th</sup> International Scientific Methodical Conference “*Human and Environment*”. – Liepāja: University of Liepāja, May 20–21, 2010. Presentation “Functional Transformation Tendencies of Urban Environment in the Period of Global Changes”;
  - 7) International Scientific Conference “*New Socio-Economic Challenges of Development in Europe – 2010*”. – Riga: University of Latvia, CEDIMES Institute, Ministry of Economics of the Republic of Latvia, October 7–9, 2010. Presentation „Cooperation between Local Authorities and Communities in the Area of Sustainable Urban Development”;
  - 8) 51<sup>st</sup> Scientific International Conference of Riga Technical University “*Economics and Entrepreneurship*”. – Riga: Riga Technical University, October 15, 2010. Presentation „Management of Sustainable Urban Development in the Conditions of the Modern Urbanization and Globalization Processes”;
  - 9) 4<sup>th</sup> International Scientific Conference “*Environmental Science and Education in Latvia and Europe: From Green Projects to Green Society*”. – Jelgava: Latvian Council of Environmental Science and Education, Ministry of Environment of the Republic of Latvia, Latvia University of Agriculture, October 22, 2010. Presentation “Possibilities of the Integration of the Method of the Ecologically Oriented Independent Scientific Research in the Study Process”;
  - 10) 12<sup>th</sup> International Scientific Conference “*ECONOMIC Science for Rural Development 2011*”. – Jelgava: Latvia University of Agriculture, April 28–29, 2010. Presentation “Aspects for Assessment of Sustainable Rural Development in Latvia”;
  - 11) 52<sup>nd</sup> International Scientific Conference of Riga Technical University “*Economics and Entrepreneurship*”. – Riga: Riga Technical University, October 4–7, 2010.

Presentation “Green Infrastructure Development – Challenge of the Modern Urban Dynamic Growth”;

- 12) 3<sup>rd</sup> World Congress of Latvian Scientists “*Science, Society and National Identity*”. – Riga: Latvian Academy of Sciences, University of Latvia, Riga Technical University, Riga Latvian society, October 24–27, 2011. Presentation “Facilities of the Incorporation of the Green Infrastructure’s Elements in the Modern Urban Environment”;
- 13) 53<sup>rd</sup> International Scientific Conference of Riga Technical University dedicated to the 150<sup>th</sup> Anniversary and the 1<sup>st</sup> Congress of World Engineers and Riga Polytechnical Institute/ RTU Alumni “*Scientific Conference on Economics and Entrepreneurship*” (SCEE’2012). – Riga: Riga Technical University, October 11–12, 2012. Presentation “Revitalization and Development of the Green Real Estate of Riga City” and presentation “Socially Economical and Ecological Aspects of the Interactivity of Development of Cities and Regions”;
- 14) International Scientific Conference “*Harbour and Fortress City Liepaja – Identity and Development*” dedicated to the 150<sup>th</sup> Anniversary of Riga Technical University. – Riga: Riga Technical University Liepaja Branch, October 31 – November 3, 2012. Presentation “Development of Riga as Port City”.

### **Practical Application of the Results of the Doctoral Thesis**

Results of the Doctoral Thesis are practically applied within the implementation of scientific research projects, within the elaboration of Riga City Development Plan, integrating knowledge into the study process, as well as raising public awareness about the competitiveness of business environment in urban areas and applicable tools for its improvement.

- **Implementation of the scientific research projects** – lessons learned about the business environment development opportunities in urban areas are put into practice within the scientific research projects of Riga Technical University (RTU) “*Socio-economic and Ecological Aspects of the Interaction of the Development of Urban and Rural Areas*” (FLPP-2011/28, (B2)) and “*Models of the Financing of the Renovation of the Dwelling Houses in Latvia*” (FLPP-2011/27, (B2)) in 2011;

- **Application of the research results for the updating of the local municipality development planning documents** – tool classification elaborated within the research was exploited for the elaboration of Riga Development Program for new planning period of 2014–2020, for the actualization of Riga Long-term Development Strategy till the year 2030 as well as for the development of the Thematic Plan of Business Function Territories within the framework of the development of new Riga Spatial Plan;

- **Integration of the research results in the academic environment** – integration of the scientific elaborations on business environment development in urban areas created within the framework of the research in the study course “*Management of Ecology Systems*”,

“Management of Ecology”, “Planning and Organisation of Building Construction” and “Construction Management” at the Faculty of Engineering Economics and Management as well as at the Faculty of Computer Science and Information Technology of RTU and in the several lectures of the study course “Corporate Social Responsibility: Stakeholder, Strategy and Practice” at the Faculty of Social Sciences of the University of Southern Denmark;

▪ **Presentation of the research results to the public** – for the creation of the direct link between the research and the society informative and visual materials on importance and possibilities of involvement in the management of sustainable urban development have been elaborated and disseminated within the projects “Creating Attractive Developed and Dynamic Societies together with Inhabitants” (CADDIES), “Baltic Challenges and Chances for Local and Regional Development Generated by Climate Change” (Baltic Climate) and “Execution of the Series of 16 Publications “Energy Efficient and Environmentally Friendly Construction – from Planning to Realization” in the journal “Būvinženieris” (“Civil Engineer”).

### **Content and Structure of the Doctoral Thesis**

The Doctoral Thesis is an individual scientific research. It has been written in the Latvian language. The Doctoral Thesis consists of an introduction, 3 chapters, 34 subchapters, conclusions and proposals, as well as bibliography. There are 29 figures and 17 tables in the Doctoral Thesis. The volume of the Doctoral Thesis is 149 pages, excluding 12 appendices on 37 pages. In the framework of scientific research, 140 reference sources have been used. The content of the Doctoral Thesis is the following:

Abbreviations .....	7
Definition of the Key Terms .....	8
Introduction .....	9
<b>1. BUSINESS ENVIRONMENT IN URBAN AREAS AND ITS COMPETITIVENESS.....</b>	<b>20</b>
1.1. Business Environment in Urban Areas and Its Development .....	20
1.2. Development of Business Environment in Latvian Urban Areas .....	24
1.3. Macroeconomic Indicators of Business Environment Development in Urban Areas .....	28
1.3.1. Dynamics of the Number of Employed Persons .....	29
1.3.2. Dynamics of the Number of Self-employed and Businesspersons .....	30
1.3.3. Dynamics of the Number of Enterprises .....	32
1.4. Business Environment Competitiveness in Urban Areas and Its Evaluation.....	35
1.4.1. Business Environment Competitiveness in Urban Areas in the Baltic States .....	35
1.4.2. Business Environment Competitiveness in Latvian Urban Areas .....	39
1.4.2.1. Political Dimension of the Competitiveness .....	42
1.4.2.2. Economic Dimension of the Competitiveness .....	45
1.4.2.3. Social Dimension of the Competitiveness .....	48
1.4.2.4. Technological Dimension of the Competitiveness .....	51
1.4.2.5. Ecological Dimension of the Competitiveness .....	54

## **2. DEVELOPMENT OF BUSINESS ENVIRONMENT IN URBAN AREAS .....57**

2.1. Models of Development of Business environment in Urban Areas.....	57
2.2. Business Environment Development Processes in Urban Areas .....	62
2.3. Analytical Approaches to Study Business Environment Development in Urban Areas	66
2.4. Systematic Approach to Business Environment Competitiveness Improvement in Urban Areas .....	70
2.5. Factors Affecting Business Environment Competitiveness in Urban Areas.....	73
2.5.1. Evaluation of Set of Factors .....	73
2.5.2. Long-term Development Planning of Business Environment in Urban Areas	77
2.5.3. Business Area Planning in Cities and Towns.....	81
2.5.4. Evaluation of an Impact of Business Environment Development in Urban Areas	85

## **3. BUSINESS ENVIRONMENT COMPETITIVENESS IMPROVEMENT TOOLS IN URBAN AREAS, SELECTION AND USE .....89**

3.1. Study of Business Environment Competitiveness Improvement Tools in Urban Areas	80
3.2. Development of the Classification of the Tools.....	94
3.2.1. Preconditions for Development of Classification .....	94
3.2.2. Tool Classification Diagram .....	97
3.3. Elaboration of the Common Planning Approach for the Tool Selection and Use ..	106
3.4. Linking Tools with Urban Development Strategic Objectives .....	112
3.5. Study and Expert Evaluation of the Tools Using Results .....	119
3.5.1. Determination of the Tools Using Priorities .....	121
3.5.2. Evaluation of the Resources Necessary for Tool Use.....	125
3.5.3. Opportunities of Prevention of Tool Use Inhibiting Factors.....	128
3.6. Quantitative Evaluation of Tool Use Results.....	130
Conclusions and Proposals.....	137
Bibliography.....	141

## **APPENDICES**

The **first chapter** of the Doctoral Thesis deals with theoretical aspects of development of business environment in urban areas, macroeconomic indicators of business environment development in Latvia's urban areas as well as with evaluation of dimensions of competitiveness of business environment in Latvia's urban areas.

The **second chapter** of the Doctoral Thesis focuses on the opportunities of the business environment competitiveness improvement in urban areas. Business environment development models and processes as well as competitiveness of business environment in urban areas and its influencing factors are explored.

The **third chapter** of the Doctoral Thesis presents results of the classification of the tools for the business environment competitiveness improvement in urban areas as well as



recommendations how to choose and use management tools more effectively, including relationships between management tools and urban area development strategic objectives.

**Final part** of the Doctoral Thesis contains conclusions, proposals, bibliography, and appendices.

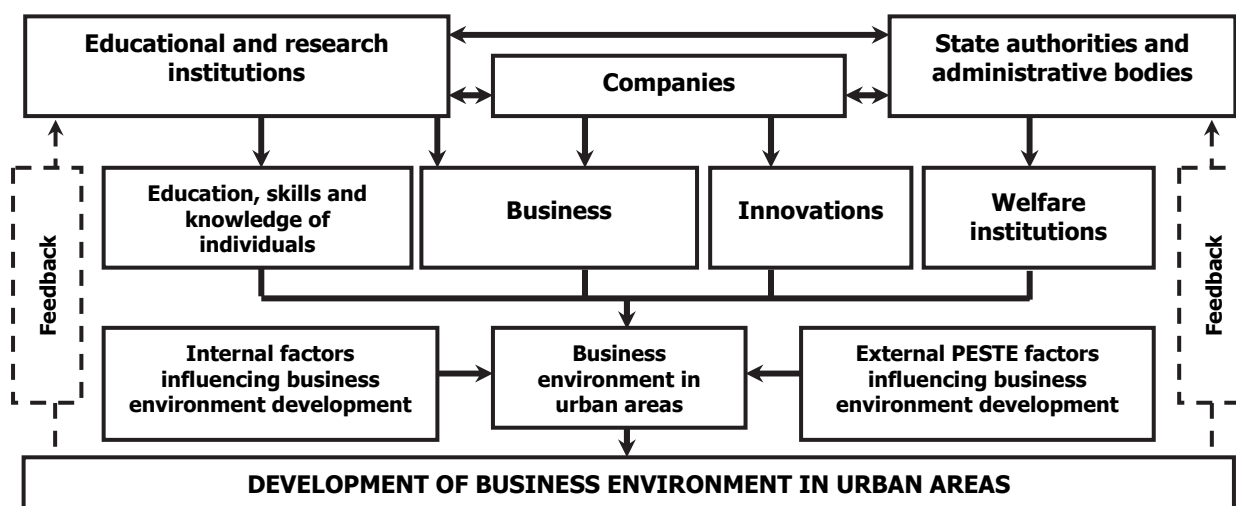
**Keywords:** business environment in urban areas, competitiveness of the business environment, local authorities, tools for competitiveness improvement.

## **MAIN SCIENTIFIC RESULTS OF THE DOCTORAL THESIS**

### **1. BUSINESS ENVIRONMENT IN URBAN AREAS AND ITS COMPETITIVENESS**

Foreign researchers such as E. L. Glaeser, S. S. Rosenthal and W. C. Strange [25, p. 1] emphasize that an environment, which is typical of urban areas, influences the choice of businesspersons of the business start-up and implementation site selection. By contrast, long-term business success contributes to the functioning of the local economy. Business environment is considered to be one of the most important components of modern economy in urban areas.

Foreign scientists such as p. D. Reynolds and R. T. Curtin [37, p. 3] draw attention to the fact that nowadays business is considered to be desirable elements of the urban system, permanently attached to the great public attention. Very often it is interpreted as a response to the wide range of socio-economic and environmental challenges faced by the modern city. Intensity of business level serves as an indicator, which shows correspondence of the city and the business environment to the operating purposes of entrepreneurs and investors. This means that the higher the level of intensity of business in urban area, and the greater the attractiveness of the business environment in a specific location, the higher tax revenue in the city budget, which can be used for socio-economic and ecological issues. It should be noted that in accordance with findings of the professor of the University of Southern Denmark A. P. Cornett [21, p. 238], urban growth is not an external and independent phenomenon, but rather a phenomenon that is more or less derived from the local entrepreneur's ability to build income. Professor of Otto Beisheim School of Management D. B. Audretsch [16, p. 179] points to the fact that traditional economic growth models focus mainly on labour and capital as drivers of development. Nowadays a much broader range of development drivers in the growth patterns is observed. They include both tangible and intangible factors. This means that the city's ability to implement innovation in the business environment is the most important factor for the socio-economic and spatial development of locality. For this reason, from the perspective of economics greater attention should be paid to the development of the environment that contributes to innovative business practices of small, medium and large enterprises. One of the key factors in this process is the ability of urban environment to promote entrepreneurship, as well as the ability of entrepreneurs to innovate in urban area and beyond. This approach to the development of the business environment in urban areas is schematically reflected in Fig. 1.1.



**Fig. 1.1. Drivers and factors of business environment development in urban areas**

Source – made by the author, using [19, p. 241]

As shown in Fig. 1.1, the main driving forces of the business environment development in urban areas are: 1) public education, skills and knowledge; 2) business; 3) innovation and 4) welfare institutions. It should be noted that in accordance with the Latvian scientists such as A. Tabuna, M. Dunska, p. Eglīte [12, p. 10], human education, skills and knowledge make up a set of person's abilities and skills, on which his or her economic and social activity and potential productivity depend. On the other hand, by the welfare authorities are understood state and municipal institutions, whose activities are focused on the improvement of living, working and recreational conditions in the urban area. The main participants who affect conditions of the formation and nature of the above-mentioned drivers are educational and research institutions, companies as well as public authorities and administrative bodies. In this context, innovations can be viewed both as an independent variable and a dependent variable with respect to policies to encourage innovative behaviour of business and the education sector. According to the findings of the Danish scientist A. P. Cornett [21, p. 238], it indicates a twofold role of knowledge and innovation in the development of business environment in urban areas. In the near future, the creation of innovation and knowledge will become a necessary tool for urban adaptation to an industrial change process in the form of settlement's desire to create a competitive business environment. In the long-term, innovation and knowledge are prerequisites for the successful restructuring of the city's economic base at local and regional levels. Thus, the city can reasonably be regarded as the business environment system, forming macroeconomic scale factors and processes affecting the company's business operations, its constituent elements and micro-scale processes. City as a human system operating environment is not a homogenous mass. Its structural complexity is determined by a wide range of constituent subsystems – social, economic, environmental, legal, institutional, technological, creative environment, etc. According to the findings of Latvian scientists such as K. Mārtinsone, A. Pīpere, D. Kamerāde [9, p. 16], focusing on the environmental reality aspects allows asking and addressing different research questions and obtaining different answers on what an environment is.

This means that issues related to the city as business environment development, need to be examined from the perspective of different sciences. In opinion of the professor of Columbia University S. Sassen [38, p. xiii], the study of the processes ongoing in urban areas requires integration of the different science approaches and views.

Analysing the current knowledge of the management of business environment development in urban areas, it is necessary to note a number of fundamental studies, within which theories are formulated and the correlations between business conditions and the level of intensity and scale of economic activities in a particular geographically enclosed area – city, region, country – are explained. It is also necessary to draw attention to a series of applied research, which applies results of the basic research on the management of business environment in urban areas for practical purposes, to deal with specific functional tasks in order to improve quality and attractiveness of the economic activity environment.

According to the classification proposed by foreign scientists such as D. R. Gnyawali and D. S. Fogel [26, pp. 43–62], all the most important and recent studies can be divided into the following research groups:

**Group 1** – case analysis studies on the general business environment conditions in urban areas.

**Group 2** – descriptive studies of the business environment in urban areas.

**Group 3** – correlation and comparative studies on public policy in the development of the business environment in urban areas.

In accordance with the opinion of the professor J. Mitra from the University of Essex [33, p. 125], the first group of studies identify and evaluate the legal and institutional framework of the business environment. It may contribute to an increase in the operating efficiency of the private companies, operating results of experienced entrepreneurs, accessibility of skilled workers, suppliers and distributors, opportunities for new customer acquisition and output in emerging markets, as well as inter-company competition level, supporting government policies and the development of corresponding infrastructure.

Studies of the following foreign scientists as A. V. Bruno and T. T. Tyebjee [18, pp. 288–307], professor of the University of Victoria M. S. S. El-Namaki [22, pp. 98–106], professor of Clemson University W. B. Gartner [23, pp. 696–706], etc. can be attributed to the studies of Group 1.

By examining descriptive and empirical studies of the business environment, it is concluded that they point to the low level of the rules and regulations, to the wide range of tax and other business promotion incentives, as well as training and consulting services to facilitate the beginner's prospects. The analysis of the research results shows that the lack of financial assistance, information on business development issues, high tax rates and inflation conditions may adversely affect the business needs and the ability to start new businesses and to implement commercial activities within a given urban area.

On the other hand, existence of such factors as universities, which provide training and research, the quality of the urban environment, a wide range of financial assistance, etc. can contribute to a high level of entrepreneurial intensity in urban areas.

Finally, the third group of studies analyses and evaluates how the various national policy measures (for example, venture capital fund rules, state and municipal procurement programmes, intellectual property protection, investment in education) can promote entrepreneurship in urban areas [32, pp. 879–891]. The studies of the following foreign scientists as the professor of Durham University p. Westhead [41, pp. 103–122], American scientist B. Mokry [34, p. 169] and others can be attributed to the third study group.

Focusing on study of the importance of the business and the associated innovation in regional development, professor J. Mitra [33, pp. 125] notes that studies of all three groups of studies mentioned above have shown that considerably more new business start-up may exist in the conditions contributing to the development of an attractive and favourable business environment in the urban areas. These conditions greatly increase people's confidence; first of all, thanks to a wide range of options. Second, thanks to the merger of skills, access to information and financial assistance, it becomes much simpler to use the existing options. In some ways, these conditions indicate the stability of the business environment in a specific populated area.

Currently, issues related to challenges of the business environment competitiveness in urban areas are widely discussed in the international political and academic circles in order to develop the knowledge and practical solutions to improve the competitiveness of the business environment in urban areas. This is evidenced by a wide range of scientific research, which demonstrates positive impact of urban socio-economic and spatial growth factors on the increase of the business environment in urban areas.

OECD studies [35, pp. 53–81] and [36, pp. 39–53] show that the most significant factors that affect business environment competitiveness in urban areas are basic conditions for business start-up and implementation, professionally developed government policy, cultural environment support level, etc.

Analytical assessment of scientific discussions of Latvian scientists such as R. Kīlis, K. Klāsons, S. Mūriņš [13, pp. 113–133], L. Kūle, U. Osis, I. Stālidzāne [15, pp. 31–35], A. Zobena, T. Tisenkopfs, A. Kalniņa [14, pp. 16–19] on matters affecting the formation and development of the business environment in urban areas, allows concluding that business environment competitiveness and applicable tools for its improvement are a relatively little studied issue of economics and management science in Latvia. The Doctoral Thesis has been developed and implemented on the basis of the above-mentioned studies – accumulated knowledge, formulated conclusions and developed proposals, etc.

The research implemented within the framework of the Doctoral Thesis is conducted as a logical continuation of studies carried out in the previous years. The aim of the research is to acquire new knowledge, ideas and solutions to the improvement of the business environment competitiveness in Latvian urban areas.

## **2. DEVELOPMENT OF BUSINESS ENVIRONMENT IN URBAN AREAS**

As shown by the results of the study implemented by foreign scientists such as E. Hamplová and K. Provazníková [27, p. 1225], the process of creation of business-friendly environment can be explained not only as a strategically important objective for settlement's economic growth but also as a reflection of the interests of the local community in its numerous life and economic activities. A competitive business environment that is able to attract domestic and foreign businessperson's attention and arouse interest in initiating and implementing economic activities in certain urban areas is an important prerequisite for employment, innovations, increase of the revenue volume into a municipal budget, etc.

The content of the term "*business environment competitiveness*" is very broad, and there is a wide range of factors influencing it. Thus, the results of the research of Latvian scientist E. Dubra [2, p. 15] suggest that, in assessing the evolution of the concept of competitiveness, it is evident that the overall process perception of the society and the epoch values have an extremely large impact on the definition of the term "*competitiveness*".

It is stressed in the IMD World Competitiveness Yearbook 2003 published by the International Institute for Management Development [28, p. 609] that competitiveness is one of the basic concepts of modern economic thinking and its major contribution to the classical economic theory is that competitiveness contains economic consequences of uneconomic categories (for example, education, science, political and value system). It is characterised by a dynamic and systemic approach to providing long-term well-being of the population.

By contrast, in the IMD World Competitiveness Yearbook 2012 [29, p. 502] competitiveness is seen as a research field of economic science, which analyses the conditions affecting the nation possibilities to create and develop an environment that allows providing more benefits for entrepreneurs operating there and more prosperity for people living there. In other words, with the help of competitiveness it is possible to define and evaluate how successful and creative nations succeed in managing their resources and capabilities to enhance public welfare and the level of prosperity.

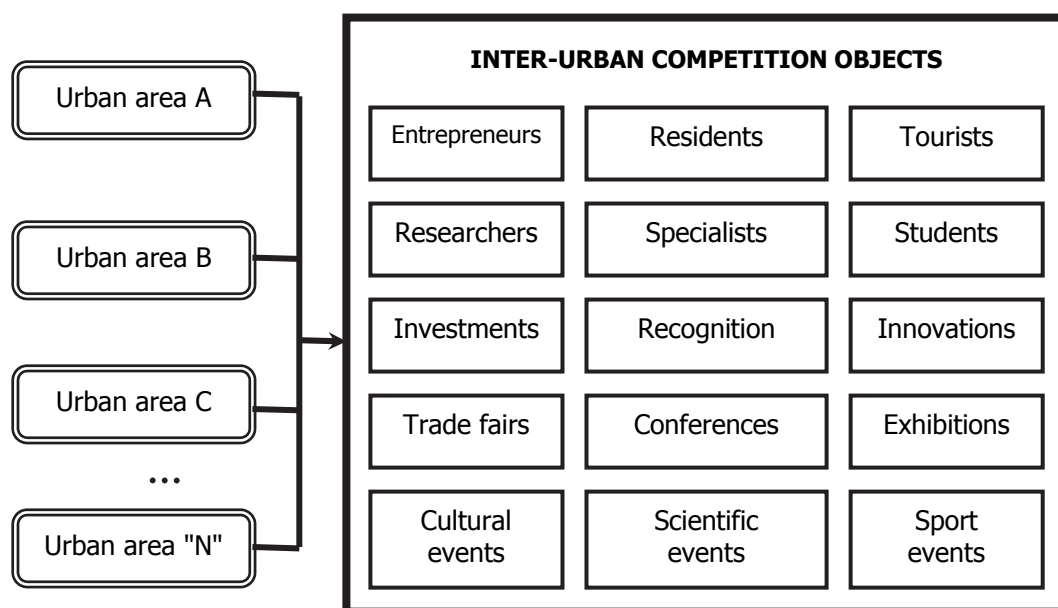
Latvian scientist I. Judrupa [4, p. 17] expresses the view that competitiveness is a multi-level concept. A wide range of subjects compete in the market – companies, organisations, industries, cities, regions, countries, etc. Essence of the competition at all economic levels is the same – contest. Only the object of competition at each economic level will be different – residents, businesses, investments, events, etc.

Exploring the study results of foreign researchers such as V. Charles and L. F. Zegarra [20, pp. 5371–5381], S. Singhala, S. Mc. Greal and J. Berry [39, pp. 214–222], Y. Jianga and J. Shenb [30, pp. 167–174] and performing their synthesis with the findings of the thesis, the following definition of the term "*urban area's business environment competitiveness*" has been developed:

*Urban area's business environment competitiveness is an ability of a set of political, economic, social, technological, legal, ethical, cultural, aesthetic, environmental and economic*

*sectors structural conditions, factors and preconditions necessary for implementation of business activities and localized in cities and towns to ensure a favourable environment for business start-up and implementation in a long-term perspective.*

Competitiveness typical of the urban area affects strategic decision-making in business start-up, implementation and development in a specific city or town area. Results of the study implemented by the professor of Indiana University T. F. Gieryn [24, pp. 463–496] suggest that the business activity area is not just a spatial (geographical/graphical) phenomenon. Business activity area is a place located in a specific geographic location in relation to other geographic locations. It consists of physical infrastructure (buildings, roads, industrial areas, industrial parks, etc.) and people's daily travel, accommodation and operational trajectories, as well as commercial significance attached to the specific area. Latvian scientists such as D. Bite, J. Daugavietis, I. Lāce, etc. [1, pp. 98–100] express the view that nowadays scales and practices of the spatial attracting of the individuals are changing rapidly. Due to the growing social and spatial individual mobility, people have more opportunities to choose where to live, and where to make businesses – to choose the place where to implement economic activities and to invest. Therefore, urbanized areas compete with each other and with the rural areas. The major objects of the inter-urban competition are schematically shown in Fig. 2.1.



**Fig. 2.1. Summary of inter-urban competition objects**

Source – made by the author

As shown in Figure 2.1, the major inter-urban competition objects are essential resources for urban socio-economic and spatial development – residents and tourists, students and highly qualified specialists, investments and companies, the significant scientific, cultural and sport events. To develop a business-friendly environment in urban areas, local governments focus on the creation and strengthening of the competitive advantages of business environment. This opinion is based on the operating site preference approach.

Foreign scientists such as C. Karlsson and R. Nilsson [31, pp. 25–28] indicate that the company's operation within a particular city administrative territory is mainly determined by the fact that a given urbanized area relative to other urban centres has a comparative advantage (for example, availability of resources, well-developed business infrastructure, informational support from the local government, etc.).

Based on the above-mentioned scientific findings, local authorities of urban areas more often start to take over and use principles and techniques typical of business. At the spatial dimension these principles and techniques are focused on the following priorities:

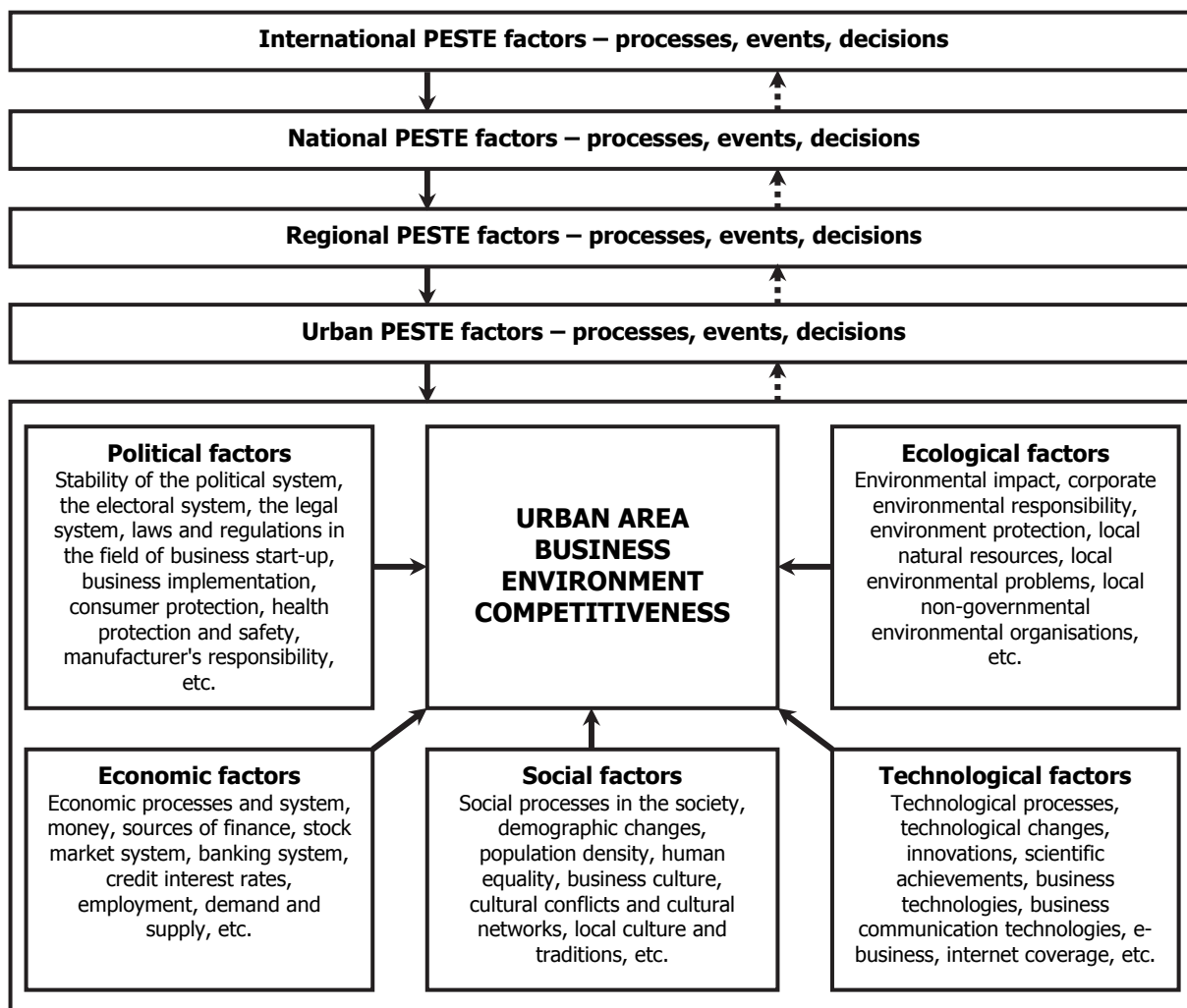
- Identification and improvement of the business environment competitive advantages for the successful promotion of long-term urban development;
- Identification and support of the competitive and urban growth positively influencing sectors of the economy;
- Attraction of foreign investments to urban area and implemented economic, social and environment protection projects;
- Development and implementation of business start-up support measures as well as increase of the attractiveness of the business environment among potential domestic and foreign participants;
- Development of networking between entrepreneurs, educational and research institutions in order to promote implementation of joint projects;
- Promotion of urban area recognition, supported popularity of urban area uniqueness and experience. Cultural and historical traditions and peculiarities, as well as modern and innovative global values are essential to reach this objective [5, p. 199].

Foreign scientists such as C. Karlsson and R. Stough [31, pp. 1.–21] have pointed to the fact that since the second half of the 20<sup>th</sup> century significant changes have been observed in business environment development concepts in urban areas. Urban areas are increasingly studied not as elements of the state administrative territories and populated areas system, but rather as independent markets that are linked with inter-regional and international trade. Dynamic interaction between geographic markets – urban areas and companies that choose these sites for the implementation of their economic activities create comparative advantages in certain cities and towns. Thus, increasing income is localized in the specific area, for example, as a result of formation and development of networks between entrepreneurs, educational and research institutions, etc. It shows that development of the modern national economy is mainly dependent on the economic specialization of cities and towns and on urban area business environment competitiveness. Based on the above, the Doctoral Thesis focuses on research and analytical assessment of urban area business environment competitiveness and its affecting factors, using PESTE method.

The method of all the systemic methods of analysis mentioned in the Doctoral Thesis that most closely matches the Thesis aims and tasks is PESTE method. It covers the most important study dimensions – political, economic, social, technological and ecological. The



system of factors affecting urban area business environment competitiveness is shown in Fig. 2.2.



**Fig. 2.2. System of factors affecting urban area business environment competitiveness**

Source – made by the author

As shown in Fig. 2.2, a wide range of PESTE factors affects the ability of structural conditions, factors and preconditions necessary for implementation of business activities and localized in cities and towns to attract attention of businesspersons and investors and to provide a business-friendly environment in a long-term perspective. PESTE set of factors can be divided into several levels depending on the impact scale. Local authorities have a great importance in the process of urban area business environment competitiveness promotion. Activities of local authorities should focus both on balancing of PESTE factors at the level of urban area and on the protection of urban area's interests at the regional, national and international levels using available planning and management tools.

### 3. BUSINESS ENVIRONMENT COMPETITIVENESS IMPROVEMENT TOOLS, SELECTION AND USE

Ongoing socio-economic and spatial development processes in urban areas significantly affect business environment competitiveness in Latvian urban areas.

Nowadays planning and management of development of business environment in Latvian urban areas are increasingly focused more on condition regulation for implementing business activities of micro, small, medium and large companies and balancing their socio-economic, functional and structural components. It demonstrates the need to interpret the business environment system in the urban area as a dynamically changing research object rather than a today's outcome of development process. Evaluation of the study results of Latvian scientists such as D. Lapāne and L. Kūle [8, p. 13] as well as assessment of business environment development strategies of the different EU and world urban areas allow identifying the following five general tools for the improvement conditions for business activity implementation in urban areas:

- **Increasing the proportion of the persons involved in business** – improvement of living, working and recreation quality in urban areas, as well as integration of various vulnerable social groups into labour market and society, such as people with disabilities, seniors, young people, the long-term unemployed, etc., especially in large cities, where the exclusion trends of the above-mentioned social groups are observed;
- **Development of business areas** – management of areas used for the implementation of business functions, fostering previously used for commercial needs and built-up, but now rundown and depressed areas for business needs, preventing urban sprawl and supporting urban space economy;
- **Reduction of business risks** – implementation of such business environment development policy measures in urban areas that reduce the uncertainty and risks in the business environment and promote high employment levels and sustainable economic growth, creating the material basis for the population and the city's welfare;
- **Improvement of business resource use efficiency** – smarter and more careful resource management and use in urban areas, in particular for non-renewable natural resources;
- **Promotion of business with cultural and natural heritage assistance** – protection and increase of the value of cultural and natural heritage in urban areas taking into account that cultural and natural heritage is an important prerequisite for the development of business in human settlements, stimulating economic recovery and job creation.

The following main characteristics describe business environment competitiveness improvement tools in urban areas:

- 1) Selection and use of the business environment competitiveness improvement tools appropriate to the prevailing conditions provide local authority opportunities to create political,

economic, social, technological, scientific, ecological, etc. advantages for entrepreneurs who have already implemented their economic activities in the urban area or for those entrepreneurs who are planning to start their business.

2) Use of the business environment competitiveness improvement tools in urban areas is not a permanent solution to a specific city or town business environment development problem. Their use is terminated.

3) Use of the business environment competitiveness improvement tools in urban areas expects focusing attention of local authorities on a solution of specific business environment development-related issues.

4) Selection and use of the business environment competitiveness improvement tools in urban areas need providing of personalized and innovative approach to solution of specific business environment development-related issues.

5) Selection and use of the business environment competitiveness improvement tools in urban areas need solving of specific business environment development-related issues as well as municipal action result – feedback.

6) Selection and use of the business environment competitiveness improvement tools in urban areas need providing of mutual cooperation among all parties involved in solution of specific business environment development-related issues.

Evaluating conformity of business environment competitiveness improvement tools in urban areas to an applied object it is necessary to take into account the nature and characteristics of object. Promoting business environment development and improving its competitiveness, local authorities should be able to address a wide range of issues, from the socio-economic and ending with ecological. For this purpose, the local government should be aware of business environment competitiveness improvement tools in urban areas available for them as well as they should be able to choose and use complementary these tools in a response to changes in local and global economic systems. For the selection of the appropriate tools for solution of the current major business environment development issues local authorities should be able to orient in a wide range of tools applicable for business environment competitiveness improvement in urban areas.

Based on the research results within the Doctoral Thesis, as well as on the results of the study of the Ministry of Regional Development and Local Government [6, pp. 1–10], it is possible to conclude that currently Latvian municipalities more often use such business environment competitiveness improvement tools as provision of actual information to businesspersons and organisation of business development conducive events. Electronic catalogue with information about investment opportunities and production companies is maintained at the official website of the Municipality of Daugavpils City. By completing the questionnaire at the official website of Jelgava City Council, local businesses and individuals can post their notices about space and land rent or sale, if it is intended for commercial activities. Also, at the municipal website the database with cooperation offers is available,

where you can find potential partners for starting a business or its development. With a view to provide information on the EU Structural Fund co-financing opportunities for business development and enhance the competitiveness, information section “*EU and development*” is maintained and updated at the official website of Liepaja City Municipality. With the help of this information section companies operating in Liepaja could find useful information about EU programmes in Latvia in order to find business partners and clear up about bank support for business development, etc.

To support local entrepreneurs, Latvian local authorities regularly organize fairs, seminars, networking and exchange of vacancies, thematic conferences, etc. Supporting local businesses, Rezekne City Council in collaboration with Rezekne’s Entrepreneurs Society hold an annual company multidisciplinary exhibition-fair “*Rezekne’s Businessperson*”.

Riga City Council annually offers to companies the opportunity to participate in the international investment forum “*MIPIM*”. Every year Riga City Council within the framework of the international exhibition for mechanical engineering, metalworking, automation, electronics, electrical engineering, supplies, tools and innovated technologies “*Tech Industry*” organises a business forum “*Industrial Riga*”. The aim of the forum is to highlight the importance of the sector, to inform entrepreneurs about Riga development plans, etc.

In addition to the above-mentioned business support tools, to promote economic activity in their administrative territory Latvian municipalities focus on the support for retraining the unemployed and various training organisation as well as reconstruction and development of transport infrastructure. Ventspils City Council, promoting cooperation between entrepreneurs and local governments in subsidized job creation, participates in the implementation of employment measure “*Paid Temporary Public Works*” by providing subsidized job creation in the private sector, local authorities, non-governmental organisations (NGO), etc. In 2010, 4 employers in Ventspils city and district created 6 jobs for people with disabilities. Valmiera City Council implemented an integrated project – “*Reconstruction of Matisu Highway between the Streets of Riga to Valmiera City Boundary and Construction of Production Facilities in Valmiera Business and Innovation Incubator*”. Thus, a qualitative network of streets is built in the city, contributing to attract investors by promoting accessibility of services.

Slightly less than a half of the surveyed municipalities provide support to existing and potential entrepreneurs in area of labour recruitment in the administrative territory, as well as organise regular discussions on topical business issues. For the creation of the attractive business environment and providing support for entrepreneurs in Jekabpils City, local municipality has entered into a collaborative agreement with the Employers’ Confederation of Latvia, Free Trade Union Confederation of Latvia and Jekabpils Entrepreneur Association. In some municipalities, such as Daugavpils, Jurmala, Valmiera, business promotion councils, business issues working groups and business associations successfully operate to ensure co-operation and exchange of views between the business community and local government.

Approximately 40 % of the surveyed municipalities, in order to promote entrepreneurship in their administrative areas, use the property tax reliefs under the law. Jurmala City Council granted discounts of up to 90 % of the entities owned real estate in the administrative territory. The major support from the municipality can be obtained by companies related with the resort industry. Such a distribution is largely related to tourism and resort as one of the most important sectors in the development of Jurmala, and therefore the municipality as one of the priorities puts forward the development of these industries and opportunities for improvement. A lower percentage of the number of local governments promotes economic activity in their administrative territory with the development of industrial areas, as well as with the implementation of marketing activities for business promotion. Riga City Council is currently developing a thematic plan for areas necessary to ensure business functions. This thematic plan together with the other ten thematic plans will serve as a basis for the development of new Riga Spatial Plan of 2018–2030. Each year Jelgava City Council in collaboration with Jelgava Manufacturers and Traders Association organises the competition “*The Best Jelgava's Shop-keeper and Pub-keeper*”. The winners are nominated to the competition “*The Best Trader of Latvia*”, which is a major professional competition in trade and allows identifying and promoting the best companies throughout the Latvia. Ventspils city is one of the city authorities of Latvia, which widely uses tools for the promotion of the city’s recognition and for the strengthening of the city’s identity, etc.

Study and analytical assessment of the spatial development planning documents, paying particular attention to the development plans and investment plans, allow concluding that the most mentioned planned actions of Latvian municipalities for the development of the business environment and enhancement of the competitiveness can be divided into the following four groups [40, pp. 1–10]:

**Group 1 – Management improvement:** Daugavpils, Jekabpils, Riga City Councils gradually introduce e-government and promote accessibility of e-services, including e-signature, data protection, dealing with common databases, internal network development, etc.

**Group 2 – Development of business infrastructure:** for the promotion of the attractiveness of the living and working conditions Liepaja City Council has launched construction of a multi-purpose centre “*Liepaja Amber*”. Within the framework of the project, it is planned to create a modern multifunctional centre in Liepaja. The centre will be actively used for organisation of educational and business events, exhibitions, congresses, etc.

**Group 3 – Providing of actual information for entrepreneurs:** Jelgava City Council provides consulting services to existing and aspiring entrepreneurs. Riga City Council maintains a website – a roadmap for business in Riga to share information on business and investment opportunities in the administrative territory.

**Group 4 – Local government support for business start-up:** Liepaja City Council with the help of its official website provides information support to Kurzeme’s Business Incubator, which offers support and business advice to new businesses. Since 2009, the

Municipality of Riga in cooperation with JSC “*Swedbank*” has been implementing a grant program “*Take-off*” which aims to encourage development of small and medium-sized enterprises.

Analyzing the current experience of Latvian local municipalities in promoting economic activity in their administrative territory, it is necessary to note that very often action of local authorities can be indirectly related to the opportunities to support entrepreneurs and create a favourable business environment in the urbanized area. Research results show that relatively often activities of Latvian local municipalities cannot be a certain measure of business environment development implementing local governance, ensuring regulatory statutory functions, performing tasks given by the Cabinet of Ministers as well as through voluntary initiatives, in accordance with national and local interests of citizens. But with the help of these actions local authorities can indirectly promote favourable conditions for business start-up and for implementation in a long-term perspective as well as for increase of the competitiveness of the business environment. For example, according to the requirement of the law “*On Local Governments*” one of the autonomous functions of Latvian municipalities is to provide the education for local residents. Encouraging and supporting the education, information and promotion of various skills of different population groups, people are motivated to social and economic activity, which indirectly contributes to the development of business environment [6, pp. 1–10]. In fact, all Latvian urban local municipalities implement activities for the support of entrepreneurs and creation of business-friendly environment. However, a range of the business environment development and competitiveness improvement tools currently used by Latvian municipalities is not broad enough. Latvian municipalities are characterised by differences in the level of promotion of business development as well as in the selection and use of implemented initiatives, activities, events, support, etc. Some of the business support measures implemented by local authorities have an unsystematic character. It is determined by competence and experience of local municipalities in business environment development, interest of local administration in creation of conditions favourable for business start-up and implementation in a long-term perspective, availability and adequacy of funding for implementing autonomous and delegated functions and administrative tasks, etc. It indicates untapped potential of the business environment development and competitiveness improvement tools in urban areas. The main reasons of such situations are the lack of official state vision for the business environment development and competitiveness improvement, lack of funding, weak cooperation between state, local government and the private sector, lack of knowledge of the business environment competitiveness improvement tools, as well as the inability to find more appropriate tools. Taking into consideration the above-mentioned discussions, the classification of business environment competitiveness improvement tools has been developed within the framework of the Doctoral Thesis. The main goal of the development of the classification is to provide support for local authorities in selection and justification of a broader range of the business environment competitiveness improvement tools.

### 3.1. DEVELOPMENT OF THE CLASSIFICATION OF TOOLS

#### 3.1.1. PRECONDITIONS FOR DEVELOPMENT OF CLASSIFICATION

The level of the development of administrative territories of urban local authorities in Latvia is an important prerequisite for the country's economic competitiveness. The main task of the local urban governments in the country's economic development is promotion of the competitiveness of the economy of local municipalities, providing support for business, attracting investment and creating new jobs. Stimulation of the economy's competitiveness of urban municipalities largely provides promotion of the investment attraction, development of business environment as well as initiation, preparation, promotion and implementation of the local municipality's project. It means that for the solution of the actual business environment competitiveness improvement issues local governments can use a very wide range of the tools. Therefore, it is very important to develop the classification of the business environment competitiveness improvement tools available to Latvian local municipalities in urban areas. Thus, the information system applied to Latvian local municipalities will be established.

Before the development of classification of business environment competitiveness improvement tools, it is necessary to give the definition of the term *“urban area's business environment competitiveness improvement tool”*.

On the basis of the research results, the following definition of the term *“urban area's business environment competitiveness improvement tool”* is given:

*Urban area's business environment competitiveness improvement tool\* is an activity implemented by the local authority within its competence for the improvement of the business environment competitiveness in accordance with the national and local interests of the residents with the aim to create favourable conditions for business start-up and long-term implementation in a given area.*

*\* The term “activity” includes the city's local government initiatives, actions, events, etc.*

Business environment competitiveness improvement tools available to Latvian urban local authorities are selected as classified objects. Based on the given definition of the term *“urban area's business environment competitiveness improvement tool”*, classification of the business environment competitiveness improvement tools is developed using a systematic approach to the urban area as a special social environment of human existence, economic, mental and physical growth in which the constant interaction between the individual, society and nature takes place in social, economic, political, cultural and ecological processes. This approach is chosen, taking into account the complex interaction of the urban development processes. It allows exploring and appreciating not only the relationship between urban development causes and consequences, but also feedback.

Classification of the business environment competitiveness improvement tools is developed on the basis of the functions of the local authorities in accordance with the

requirements of the law “*On Local Governments*” [10, p. 3], including autonomous functions prescribed by laws, delegated state administration functions, autonomous functions that are implemented as a voluntary initiative, etc.

Taking into consideration functions of the Latvian urban local authorities, the classification of the business environment competitiveness improvement tools is being developed with the aim to create an information system that can be used for the development of local action policy and business environment development decision-making, in order to promote business development in the relevant administrative territory. Classification of the business environment competitiveness improvement tools is developed through the following stages:

**Stage 1** – identification of the business environment competitiveness improvement tools available to Latvian urban municipalities.

**Stage 2** – study, mutual comparison and analytic evaluation of the business environment competitiveness improvement tools available to Latvian urban municipalities.

**Stage 3** – identification of the main classification features for organising in groups business environment competitiveness improvement tools available to Latvian urban municipalities.

**Stage 4** – classification of the business environment competitiveness improvement tools available to Latvian urban municipalities using the classification features identified above.

**Stage 5** – study and analytical evaluation of the results of classification of the business environment competitiveness improvement tools available to Latvian urban municipalities.

Next precondition for the development of classification of the business environment competitiveness improvement tools is identification of the classification features. Business environment competitiveness improvement tools can be classified using different features. The most significant classification features of business environment competitiveness improvement tools in urban areas are summarized in Table 3.1.

**Table 3.1**

**Classification Features of Business Environment Competitiveness Improvement Tools in Urban Areas**

<b>Tool classification feature</b>	<b>Groups of business environment competitiveness improvement tools</b>
<b>1. Type of the Tool</b>	1.1. Political dimension tools
	1.2. Economic dimension tools
	1.3. Social dimension tools
	1.4. Technological dimension tools
	1.5. Ecological dimension tools



Table 3.1 continuation

Tool classification feature	Groups of business environment competitiveness improvement tools	
<b>2. Tool Application Sector</b>	2.1. Financial resource management sector	
	2.2. Property management sector	
	2.3. Welfare provision sector	
	2.4. Education development sector	
	2.5. Culture development sector	
	2.6. Sport development sector	
	2.7. Housing management and development sector	
	2.8. Environmental protection sector	
	2.9. Urban development and spatial planning sector	
	2.10. Traffic and transport development sector	
<b>3. Tool application subject</b>	3.1. Local government council	
	3.2. Local government structural unit	
	3.3. Local government institution	
	3.4. Local government capital company	
	3.5. Local government society or foundation	
<b>4. Tool function</b>	4.1. Administrative and legislative function	
	4.2. Informative and educational function	
	4.3. Supportive and motivation function	
	4.4. Communicative and organisational function	
	4.5. Interest representation function	
<b>5. Tool use and affecting area</b>	5.1. All local government administrative area	
	5.2. Part of the local government administrative area	
	5.3. Outside the local government administrative area	
<b>6. Tool use and affecting duration</b>	6.1. Short-term use and affecting tools (up to 3 years)	
	6.2. Medium-term use and affecting tools (up to 7 years)	
	6.3. Long-term use and affecting tools (up to 25 years)	
<b>7. Resources necessary for tool use</b>	7.1. Material resources	7.1.1. Natural resources
		7.1.2. Infrastructure resources
		7.1.3. Financial resources
	7.2. Non-material resources	7.2.1. Political resources
		7.2.2. Social resources
		7.2.3. Cultural resources
		7.2.4. Entrepreneurial skills
		7.2.5. Information resources

Source – made by the author

As can be seen from Table 3.1, business environment competitiveness improvement tools can be classified using features, that characterise type of the chosen tool, tool application sector and subject, as well as tool function. Tool application sectors mean local government function implementation areas, where the selected tool can be used. In contrast, tool application subject is a local government entity, which decides on the selection and application of the appropriate business environment competitiveness improvement tool. In addition, business environment competitiveness improvement tools can be classified using features that characterise tool use and affecting area, tool use and affecting duration as well as resources that are necessary for tool use.

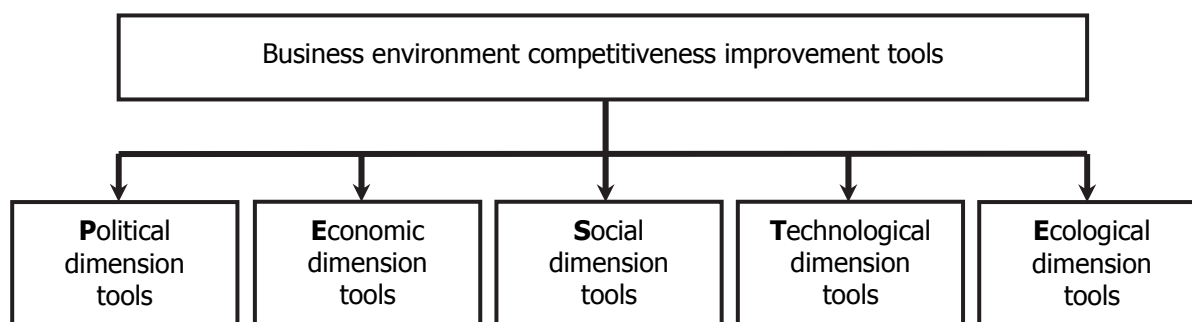
One of the most topical problems for Latvian urban communities is the lack of knowledge of the business environment competitiveness improvement tools as well as the inability to navigate quickly enough a wide range of the tools in response to changes in local and global economic systems. It demonstrates the need, first of all, to pay attention to classification of business environment competitiveness improvement tools available to Latvian urban municipalities by classification feature – type of the tool using PESTE dimensions. Granting priority to the above-mentioned classification feature will provide an opportunity to Latvian urban governments to gain an initial idea of the available business environment competitiveness improvement tools and will help to better navigate in a wide range of the tools.

Based on the information above, the further attention of the study is devoted to the classification of business environment competitiveness improvement tools available to Latvian urban municipalities by classification feature – type of the tool.

### 3.1.2. TOOL CLASSIFICATION DIAGRAM

Evaluating opportunities of classification of business environment competitiveness improvement tools available to Latvian urban municipalities by classification feature – type of the tool, all tools are classified according to the business environment PESTE analysis dimensions and business environment competitiveness factor groups.

Classification of the business environment competitiveness improvement tools by classification feature – type of the tool is schematically shown in Fig. 3.1.



**Fig. 3.1. Groups of the business environment competitiveness improvement tools by type**

Source – made by the author

As can be seen in Fig. 3.1, business environment competitiveness improvement tools available to Latvian urban municipalities can be classified by classification feature – type of the tool into PESTE groups. These groups can be sub-divided according to different tool use directions. The character of tool use direction in each PESTE group may be different.

Results of the classification of **political dimension** tools of business environment competitiveness improvement are summarized in Table 3.2.

**Table 3.2**

**Results of the Classification of Political Dimension Tools by Use Directions**

Tool PESTE group	Division of political dimension tools by use directions	
Political dimension tools	Business support tools	Informative support activities
		Consultative support activities
		Direct cooperation initiatives
		Export promotion activities
		Trade opportunities services
		Foreign investment attracting activities
		Priority economic sector development promoting activities
		Entrepreneur educational activities
		Cooperation with industry associations
		Business site selection activities
	Business environment recognition tools	Information availability activities
		Representation activities
		Public relation development activities
		Business environment recognition promotion activities
	Business management support tools	Stability management tools
		Entrepreneur involvement activities
		NGO and public group involvement activities
		Local resident involvement activities
	Business strategic and spatial planning tools	Local government development planning tools
		Urban structure and building environment development activities
		Public involvement in development of planning process activities
		Public awareness on development of planning promotion activities

Source – made by the author

As can be seen from Table 3.2, all business environment competitiveness improvement political dimension tools by use direction can be divided into four major groups – business support tools, business environment recognition tools, business management support tools and business strategic and spatial planning tools. Each of them brings together a number of specific activities. It is necessary to note that the group “*business strategic and spatial planning tools*” includes both the long and short-term activities with regulatory and creative expression-enhancing character. Multi-dimensional nature of activities and initiatives included into the above-mentioned group of political dimension tools of business environment competitiveness improvement provides a wide range of options to choose the most appropriate tools for improvement of business environment competitiveness in urban areas.

Results of the classification of **economic dimensions** tools of business environment competitiveness improvement are summarized in Table 3.3.

**Table 3.3**

**Results of the Classification of Economic Dimension Tools by Use Directions**

Tool PESTE group	Division of economic dimension tools by use directions	
Economic dimension tools	Business fiscal support tools	Taxes and fees
		Tax and fee exemptions
		Municipal budget expenditure
		Municipal procurement organisation activities
	Business idea support tools	Support funds and programmes
		Grants programmes
		Oriented investments
		Earmarked grants and scholarships

Source – made by the author

As can be seen from Table 3.3, Latvian urban municipalities can use business fiscal support tools and business ideas support tools for business environment development and competitiveness improvement. Evaluating the range of the tools in the above-mentioned economic dimension tools and their applicability degree, it is necessary to take into account the autonomy of urban area’s local government in area of taxes and other revenue. Study of the existing situation provides an opportunity to conclude that the currently implemented state tax policy largely determines the stability of economic situation in Latvian municipalities.

Results of the classification of **social dimensions** tools of business environment competitiveness improvement are summarized in Table 3.4.

**Table 3.4**

**Results of the Classification of Social Dimension Tools by Use Directions**

Tool PESTE group	Division of social dimension tools by use directions	
Social dimension tools	Employment development tools	Job and training activity creation initiatives
		Activities on integration into the labour market
		Work skills development activities
		Family and working life harmonization activities
		Informative and consultative support activities
		Employment project and activity financing competitions
	Education development tools	Activities on improvement of material and technical basis of educational institutions
		Education availability ensuring activities
		Education and practice linking promotion activities
		Educational project and activity financing competitions
	Culture development tools	Activities on improvement of material and technical basis of cultural institutions
		Cultural life events
		Library service availability ensuring activities
		Cultural process availability ensuring activities
		Cultural project and activity financing competitions
	Sport development tools	Activities on improvement of material and technical basis of sport institutions
		Sport life events
		Sport life availability ensuring activities
		Sport project and activity financing competitions
	Health care development tools	Activities on improvement of material and technical basis of health care institutions
		Health care service availability ensuring activities
		Health protection and disease prevention activities
		Health protection project and activity financing competitions

**Table 3.4 continuation**

<b>Tool PESTE group</b>	<b>Division of social dimension tools by use directions</b>	
Social dimension tools*	Social service development tools	Activities on improvement of material and technical basis of social care and social rehabilitation institutions
		Social service availability ensuring activities
		Social protection promotion activities
		Tools on providing social and material support
	Society integration promotion activities	Integration of newcomer promoting activities
		Voluntary work promotion activities
		Intercultural dialogue promotion activities
		Tolerance promotion activities
		Intergenerational cooperation activities
		Family strengthening activities
	Public order ensuring tools	Informative and educational activities
		Road user safety improvement activities
		Resident safety improvement activities
	Housing development tools	Housing condition management activities
		Municipal housing infrastructure maintenance and development activities

Source – made by the author

As can be seen from Table 3.4, all social dimension tools of business environment competitiveness improvement can be divided into nine major groups by use direction. Each of them consists of several sub-groups.

Employment development tools are mainly focused on job creation, development of citizens' entrepreneurial and work skills for integration of local residents into the labour market as well as on family and professional life harmonization. Education development tools available to Latvian urban municipalities provide opportunities to ensure children to acquire pre-school, primary and general secondary education as well as to provide links between educational process and business.

Culture development tools available to Latvian urban municipalities can be divided into five sub-groups. Culture support activities are mainly focused on the city's cultural life diversity and availability promotion. The implementation of the measures described above becomes particularly relevant in the context of 2014, when Riga carries out functions of the European Capital of Culture.

Sport development tools can be divided into four sub-groups – sport life events and sport life availability activities, incentives for improvement of material and technical basis of sport institutions, etc. It is necessary to note that successful implementation of the above-mentioned activities may provide support to sport and ensure availability of sporting opportunities for Latvian city residents and visitors.

In the area of health care development, attention of Latvian urban municipalities is primarily focused on the provision of high level health protection services for local residents. The current situation can be characterised by both health care services and their quality as well as by health promotion and disease prevention activities implemented by local governments.

Currently in the area of social service development, Latvian urban municipalities implement social service availability promotion and social protection incentives. It is also necessary to highlight importance of the material and social basis improvement activities of social care and social rehabilitation institutions as well as social and material support providing incentives in Latvian urban areas. Planning and implementing social service infrastructure maintenance and development activities, it is necessary to take into account that some Latvian urban areas offer unique health care, education and culture services. They attract the recipients from all over Latvia.

Society integration promotion activities can be divided into six sub-groups – intercultural dialogue and tolerance promotion activities, voluntary work promotion activities, intergenerational cooperation and family strengthening incentives, etc. It is necessary to note that a range of issues that should be addressed to Latvian urban municipalities in choosing the appropriate tools is quite wide – tolerance of different mitigation, development of intercultural dialogue, raising the level of citizens' awareness of their rights in cases of discrimination, etc.

To ensure public order in Latvian urban areas, currently the following informative and educational events are implemented – information campaigns, meetings of the representatives of operational services with urban areas residents, road safety and infrastructure improvement activities, mutual coordination of road users and the flow rate.

In the area of housing development, the attention of Latvian urban municipalities is primarily focused on the improvement of living conditions of local residents. The current principal activities are promotion of the affordable housing supply, provision of local government-owned housing renovation and infrastructure maintenance and improvement, provision of new multi-family houses, housing adaptation of persons with disabilities, etc.

Results of the classification of **technological and scientific dimension** tools of business environment competitiveness improvement available to Latvian urban municipalities are summarized in Table 3.5.

**Table 3.5**

**Results of the Classification of Technological and Scientific Dimension Tools  
by Use Directions**

Tool PESTE group	Division of technological and scientific dimension tools by use directions	
Technological and scientific dimension tools	Business support tools	E-governance
		E-services for entrepreneurs
	Business infrastructure development tools	New business promotion incentives
		Knowledge and technology transfer process activities
		Business infrastructure creation
	Transport system development tools	Cycling development activities
		Eco-friendly transport development activities
		Transport infrastructure maintenance and development activities
		Public transportation system development activities
	Engineering infrastructure development tools	Engineering infrastructure maintenance activities
		Engineering infrastructure development activities
	Information and communication technology infrastructure development tools	Information and communication technology infrastructure maintenance activities
		Information and communication technology infrastructure development activities

Source – made by the author

As can be seen from Table 3.5, all technological and scientific dimension tools of business environment competitiveness improvement available to Latvian urban municipalities can be divided into five groups by use direction. At present, the business infrastructure development activities are mainly implemented by higher education and research institutions operating in Latvian cities. One of the current issues is the creation of physical infrastructure in urban municipalities for business development.

Currently, transport system development tools used in Latvian urban areas are mainly focused on solving of such transport system development problems as reduction of transport overloading at the separate phases of the street network, reduction of road accidents, minimization of vehicle environmental pollution, etc.

The group “*engineering infrastructure development tools*” includes infrastructure systems – water supply, decontamination, heat supply, etc., maintenance and development activities. It is necessary to characterise activities included in Table 3.5 by several criteria, including coverage of engineering services in the municipality, service quality, the number of connections, etc.



Latvian urban municipal action in the area of information and communication technology infrastructure development must be implemented in order to ensure easier access to public services, efficient municipal administration and business environment, practical learning, better health care, high-quality lifelong learning processes as well as easy access to cultural heritage. It is necessary to note that in comparison with other regions, Riga region is currently the best-equipped Latvian region with information and communication technologies.

Results of the classification of **ecological dimension** tools of business environment competitiveness improvement available to Latvian urban municipalities are summarized in Table 3.6.

**Table 3.6**

**Results of the Classification of Ecological Dimension Tools by Use Directions**

Tool PESTE group	Division of ecological dimension tools by use directions	
Ecological dimension tools	Greenery and natural area system development tools	Public involvement activities
		Park and garden infrastructure maintenance activities
		Park and garden infrastructure development activities
		Greenery protection activities
		Revitalization of derelict and contaminated sites
		Greenery and natural area development projects and activity financing competitions
	Ecological quality of the environment improvement tools	Biological diversity protection activities
		Air quality improvement activities
		Climate change prevention activities
		Municipal housing energy efficiency improvement activities
		Water quality improvement activities
		Waste management system development activities
		Environmental protection projects and activities financing competitions
	Public open space development tools	Public open space diversification activities
		Public open space accessibility providing activities
		Public open space quality improvement activities
		Public involvement activities in public open space development
		Public open space development projects and activity financing competitions

Source – made by the author

As can be seen from Table 3.6, all ecological dimension tools of business environment competitiveness improvement by use direction can be divided into three groups. Each of them can be divided into several sub-groups.

Analysing the current situation, it is necessary to note that for the promotion of greenery and natural area system development in Latvian urban areas the main attention must be focused on the maintenance and development of park, garden and square infrastructure as well as on creation of new green spaces. For this purpose, as one of the alternatives the revitalization of derelict and contaminated sites should be evaluated. Such an approach could reduce the harmful effects of degraded areas and enhance the availability of natural environment in urban municipalities.

The range of the public open space development tools currently available to Latvian urban municipalities is quite wide. Nowadays, public open space is recognized as an important element of any urban area. Therefore, ensuring improvement of its functional and aesthetic qualities, selecting and applying appropriate tools should be achieved through creative and original expression of the contest and festival organisation, public open space service diversification, promotion of good practice examples, etc.

Use of the ecological quality of the environment improvement tools provides support to Latvian urban municipalities to reduce the negative anthropogenic impact on the environment from urbanization, technical progress, human business activities, etc.

Classification results mentioned above give a comprehensive picture of a wide range of business environment competitiveness improvement tools available to Latvian urban local authorities. The use of these tools can help to promote business environment development and competitiveness improvement in Latvian cities and towns.

Knowledge of the classification of business environment competitiveness improvement tools can be applied through the following major objectives:

- Planning and implementation of business environment development and competitiveness improvement in urban areas;
- Study planning and implementation of business environment development and competitiveness improvement in urban areas;
- Resource management necessary for business environment development and competitiveness improvement in urban areas;
- Forecasting of business environment development and competitiveness in urban areas;
- Promotion of business environment development and competitiveness in urban areas;
- Reduction of business environment development negative impact on the environment;
- Improvement of the competence of local authorities in the area of business environment development and competitiveness improvement in cities and towns.

### **3.1.3. ELABORATION OF THE COMMON PLANNING APPROACH TO THE TOOL SELECTION AND USE**

In order to improve urban local government skills in business environment development, a common planning approach to the selection and use of the business environment competitiveness improvement tools is elaborated. Planning approach is developed based on the knowledge of the business environment in Latvian cities and towns acquired in the previous chapters of the Doctoral Thesis as well as on the research results. Planning approach is developed through systematic analysis principles, taking into account that an urban business environment is constantly in the interaction between the individual, society and nature. Diverse range of processes takes place in an urban business environment. Systematic analysis principles allow evaluating not only relationship between causes and consequences of development of urban business environment, but also feedback.

Planning approach is elaborated in order to improve urban business environment development planning and management processes in Latvia as well as to prevent deficiencies.

Within the planning approach, PESTE dimensions of Latvian urban business environment are assessed in two ways: 1) competitiveness dimensions are compared to any other urban business environment in the same region, country, abroad and/or 2) are evaluated from the point of view of the time factor with the same urban area some time ago.

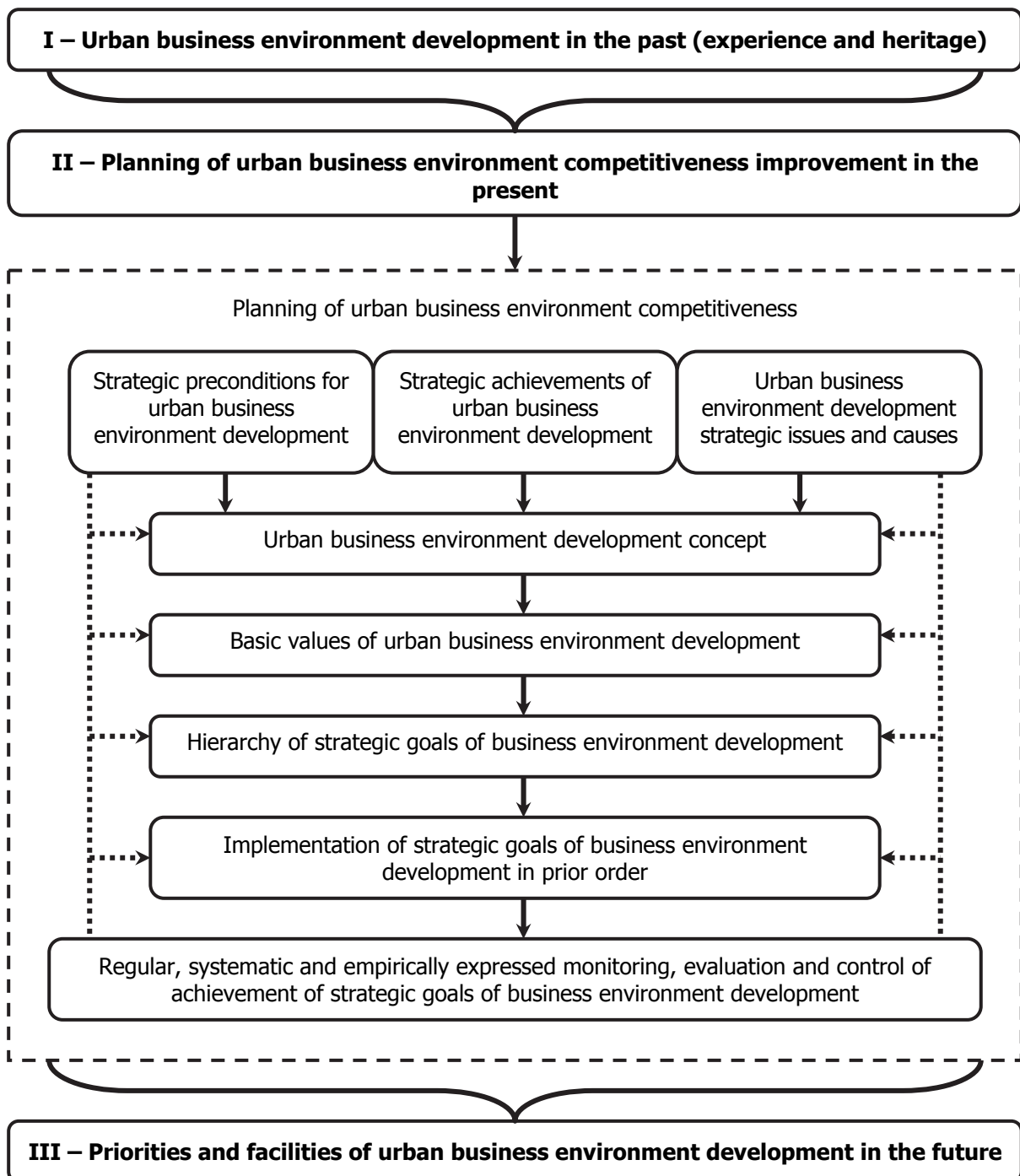
Recognizing that each Latvian urban business environment is different and special, a time factor is selected as a unifying element of urban business environment development. Links between Latvian urban business environment development in the previous period, current growth processes, and future challenges serve a basis for the planning approach. Integration of time factor into the planning approach emphasizes a dynamic nature of Latvian urban business environment development process.

Changes in the PESTE dimensions of urban business environment create and define competitiveness of business operating conditions of the relevant urbanized area.

Latvian urban business environment development and increase of the competitiveness are a long-term process. It requires mutual accountability, succession and inheritance. For planning and forecasting of urban business environment in the future, it is necessary to identify and understand the preconditions for development and interrelationships in the past and present. Nowadays planning and management of Latvian urban business environment must be able to deal dynamically with a wide range of issues. It means that urban business environment development planning and management must change with the times.

These measures are based on a number of fundamental challenges related to the improvement of business activity conditions, reduction of business environmental impact, increase of business resource use efficiency, etc.

Figure 3.2 schematically shows the planning approach of urban business environment development and competitiveness improvement elaborated within the research.



**Fig. 3.2. Graphic scheme of the planning approach of urban business environment competitiveness improvement**

Source – made by the author

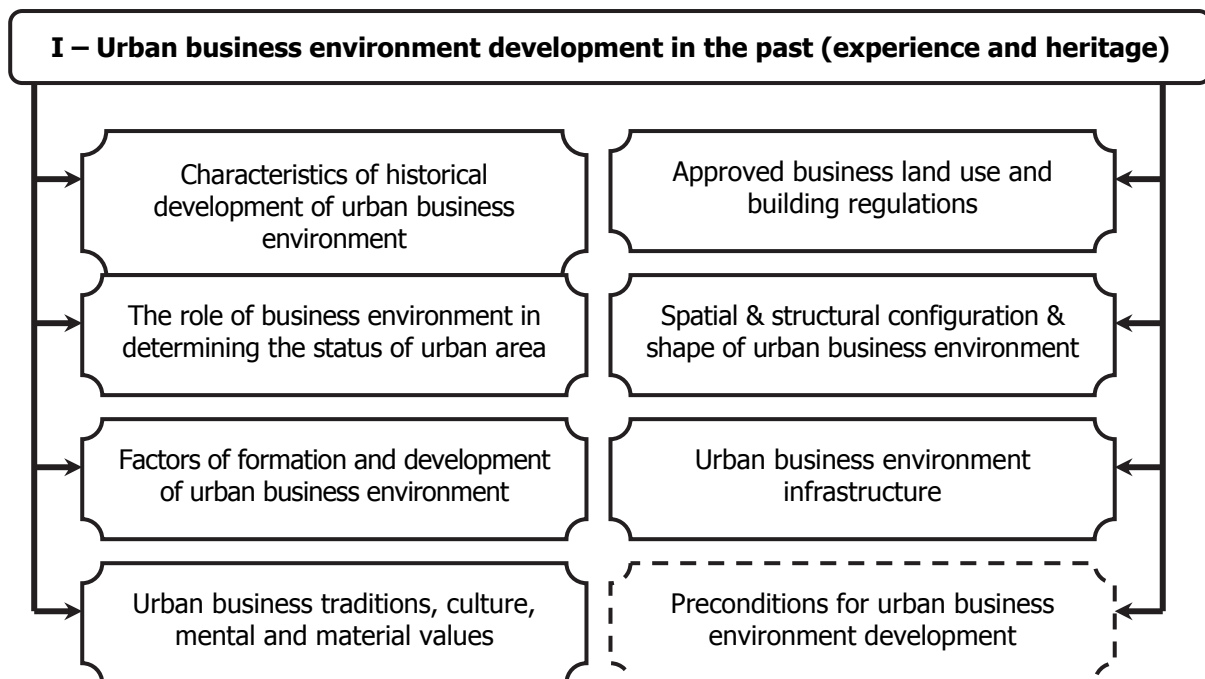
As shown in Fig. 3.2, the planning approach of urban business environment competitiveness improvement consists of three time periods that are significant for business environment development in cities and towns – past, present and future. They are interrelated. Each of the previous urban business environment development periods serves as a

prerequisite for the next one. Each of the future next urban business environment development periods results from the previous one. Such an arrangement provides subordination and succession of the periods of urban business environment development.

Taking into consideration the time factor involved in the planning approach, strategic planning and management of urban business environment competitiveness improvement takes place in the present time. Strategic planning of urban business environment is a connection stage between the former and planned urban business environment development over a long period of time. Strategic planning and management prescribes the identification and evaluation of strategic prerequisites and achievements of urban business environment development as well as identification and evaluation of strategic issues and sources in a particular time and space.

The process of strategic planning of urban business environment development comprises the elaboration of the concept of urban business environment development, identification and hierarchical arrangement of urban business environment values as well as of the implementation of the strategic goals. One of the most important elements of urban business environment development planning process is the regular, systematic and empirically expressed monitoring, evaluation and control of achievement of strategic goals. It provides feedback between the definition and achievement of urban business environment development goals.

Characteristics of the most significant analytic aspects of urban business environment development in the **past period** are schematically shown in Fig. 3.3.

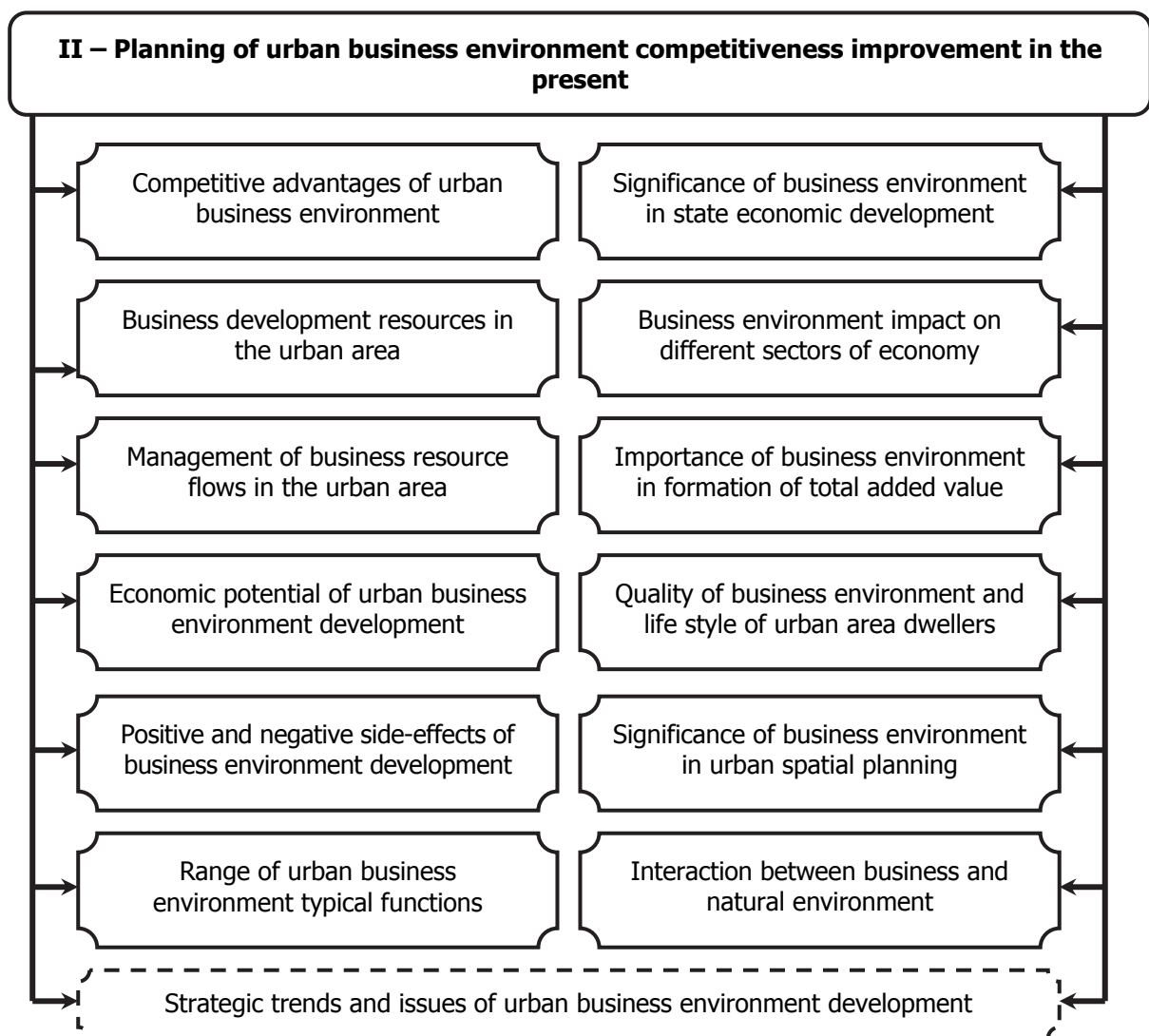


**Fig. 3.3. Module of the most significant analytic aspects of urban business environment development in the past period**

Source – made by the author

As shown in Fig. 3.3, a data set of the most important analytic aspects for the past period of urban business environment development consists of information about characteristics of historical development of urban business environment, the role of business environment in the process of determining the status of urban area, factors of formation and development of urban business environment as well as business traditions, culture, mental and material values in the urban area. In addition, data on business land use and building regulation, spatial and structural configuration and shape, and infrastructure are significantly important for urban business environment development planning. These analytic aspects create a basis for the study of preconditions of urban business environment development. Degree of their twinning indicates the progress of implementation of urban business environment development.

Characteristics of the most significant analytic aspects of urban business environment development in the **present period** are schematically shown in Fig. 3.4.

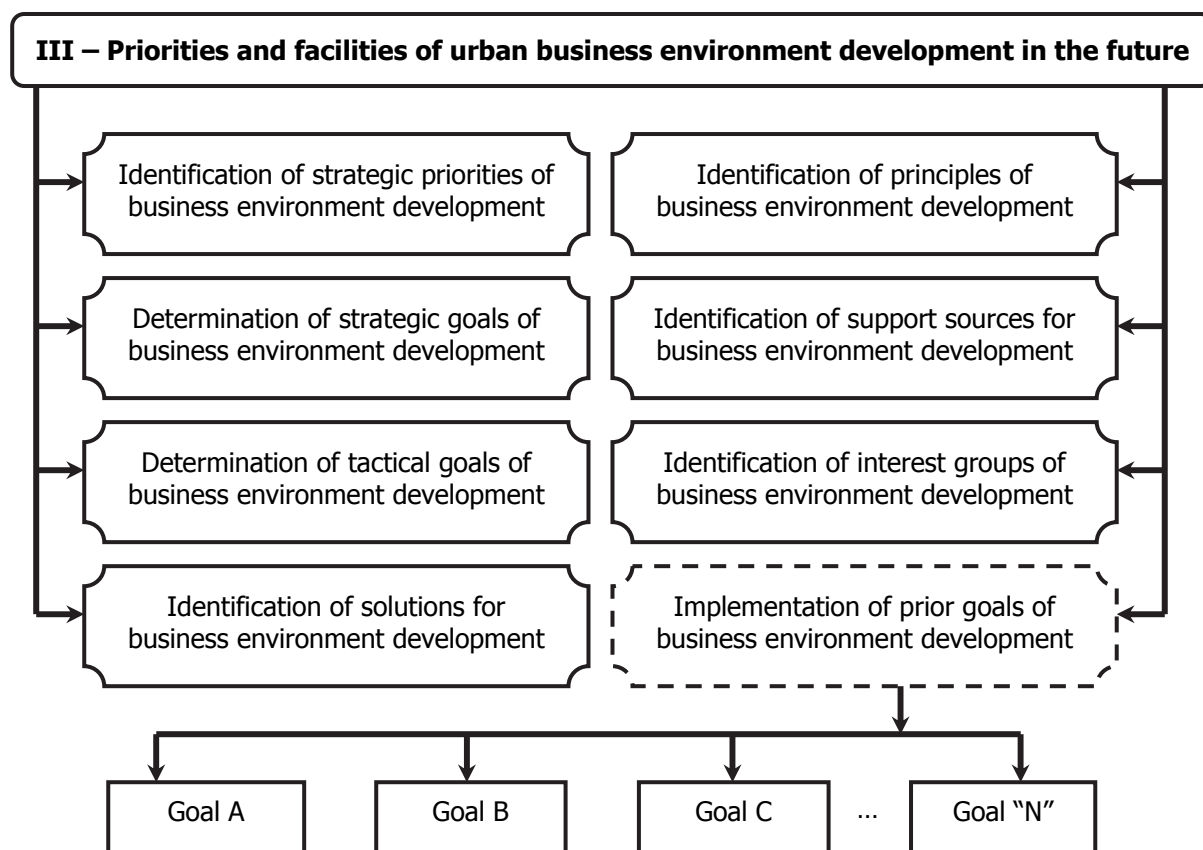


**Fig. 3.4. Module of the most significant analytic aspects of urban business environment development in the present period**

Source – made by the author

As shown in Fig. 3.4, a data set of the most important analytic aspects for the present period of urban business environment development consists of information about competitive advantages of urban business environment and business development resources in the urban area. Management of business resource flows includes the assessment of resource use efficiency in the urban area. It is determined by economic activities of companies operating in cities and towns as well by resource consumption. In addition, data on the economic potential and positive and negative side-effects of urban business environment development are important for urban business environment development planning. From an economic point of view, information about the range of inter-linked and complementary functions typical of urban business environment as well as functional significance in the state economic development is significantly important. These parameters determine the impact of urban business environment area on the different national economic sectors as well as on formation of total added value. For the evaluation of the strategic tendencies and achievements of urban business environment development as well as for the identification of existing problems and their sources, it is necessary to recognize the quality of business environment, life style of urban dwellers, importance of an urban business environment in spatial planning as well interaction between business and natural environment.

Characteristics of the most significant analytic aspects of urban business environment development in the **future period** are schematically shown in Fig. 3.5.



**Fig. 3.5. Module of the most significant analytic aspects of urban business environment development in the future period**

Source – made by the author

As shown in Fig. 3.5, a data set of the most important analytic aspects for the future period of urban business environment development is formed on the basis of the information obtained during two previous periods of time – identification of the preconditions of urban business environment development, evaluation of strategic tendencies and achievements of business environment development in the urban area, as well as the identification of existing problems and sources. It is necessary to note that the projection of urban business environment development implementation is typical of this module of analytic aspects. Planning and projection are based on the identification of strategic priorities of urban business environment development, determination of strategic and tactical goals, establishment of solutions for implementation of business environment development in the urban area, identification of the principles of implementation, as well as determination of the support sources and interest groups.

The final step is the implementation of each individual prior goal and the whole process of urban business environment development based on regular, systematic and empirical monitoring, evaluation and control of strategic objectives.

Integration of time factor in the strategic planning process of urban business environment development provides an opportunity to ensure succession, subordination and continuity over a longer period of time, implementing urban business environment competitiveness improvement goals. The planning approach developed within the Doctoral Thesis could contribute to the increase of long-term responsibility of the actors and institutions involved in the planning and management of urban business environment competitiveness improvement. It is one of the most important business environment development obstacles in Latvian urban areas.

In assessing the feasibility of urban business environment development using the elaborated planning approach, an important issue is measurement and evaluation of progress in terms of quantitative and qualitative indicators. This requires accurate, objective and timely information. Its content may vary, depending on the information addressee. It is necessary to note that it is difficult to measure, to reflect graphically and to apply indicators to many of the business environment development and competitiveness improvement processes. Therefore, it is very important to recognize the need for new indicators specific to the urban business environment related fields. This, in turn, determines the requirements for new data and information for future assessments of business environment development.

Developing quantitative and qualitative indicators for measurement and assessment, it is necessary to take into consideration individual characteristics of socio-economic and spatial development of each Latvian urban area, thus, ensuring an individual or urban area oriented approach.

Before the development of indicators, it is necessary to identify and analytically assess specific Latvian urban area issues, taking into account that the elaboration of urban business environment development indicators is a cyclic process, but problem identification is a single phase of a full operating cycle.



## **CONCLUSIONS AND PROPOSALS**

Based on the results of scientific research, the following **conclusions** can be made:

1) Business environment development planning and management in Latvian urban areas are closely related to the assessment, planning and forecasting of the growth of the different sectors of the state economy. Therefore, it needs a complex approach, integration into the strategic and operative development plans as well as harmonization of the interests of the different stakeholders. It must be implemented taking into consideration not only basic effects of urban business environment development process, but also positive and negative side effects.

2) Ongoing social, economic and spatial processes in Latvian urban areas have a significant impact on the competitiveness of business environment in Latvian cities and towns. Planning and management of business environment development in Latvian urban areas are increasingly focused more on business condition regulation for micro, small, medium and large-scale companies as well as on harmonization of socio-economic, functional and structural components of business environment.

3) Latvian accession into the EU had a positive impact on the macroeconomic indicators of business environment development in Latvian urban areas in the period from 2004 to 2014. Latvia's membership in the EU has provided funding opportunities to businesspersons in Latvian urban areas to improve business infrastructure, to introduce new products and technologies, to acquire new trade markets, etc. Further business environment development in Latvian urban areas will depend not only on new investments, but also on the state, local government and business partnership in the new programming period for the Cohesion Policy 2014–2020.

4) Activities of Latvian local authorities can be indirectly related to the opportunities to support entrepreneurs and create a favourable business environment in the urbanized area. Quite often operation of Latvian local municipalities implementing local governance, ensuring regulatory statutory functions, performing tasks given by the Cabinet of Ministers as well as through voluntary initiatives, in accordance with national and local interests of citizens can not be a certain measure of business environment development. However, with the help of these actions local authorities can indirectly promote favourable conditions for business start-up and for implementation in a long-term perspective as well as for increase of the competitiveness of the business environment.

5) Latvian urban local authorities provide support to entrepreneurs and creation of business-friendly environment. However, the range of business environment development and competitiveness improvement tools is not broad enough. Latvian urban municipalities are characterised by differences in the level of promotion of business development as well as in the type of selected and used initiatives, activities, events, etc.

6) Some of the business support activities implemented by local authorities have an unsystematic character. This is determined by competence and experience of local municipalities in business environment development, interest of local administration in creation of conditions favourable for business start-up and implementation in a long-term perspective, availability and adequacy of funding for implementing autonomous and delegated functions and administrative tasks, etc.

7) Currently, some weaknesses are identified in business environment development and competitiveness improvement activities implemented by Latvian urban local authorities. The main reasons of such a situation are the lack of official state vision for the business environment development and competitiveness improvement, lack of funding, poor cooperation between state, local government and the private sector, lack of knowledge of the business environment competitiveness improvement tools, as well as the inability to find more appropriate tools.

8) Business environment development and competitiveness improvement in Latvian urban areas are a long-term process. It requires mutual accountability, succession and inheritance. Planning and forecasting business environment dynamic in the future, it is necessary to identify and understand development preconditions and interrelations in the past and present. This means that business environment development planning and management should change with the times.

9) The planning and management process of business environment development and competitiveness improvement is based on the elaboration of business environment development concept, identification of business environment development values, hierarchical arrangement of identified values into strategic objectives system, as well as on the implementation process of objectives. One of the key elements of this process is regular, systematic and empirically expressed monitoring, evaluation and control of business environment development results.

10) Identification of the groups of fundamental business environment development and competitiveness improvement planning and management objectives provides an opportunity to navigate better in a wide range of objectives, grouping them into an information system. Such an approach could provide to Latvian urban municipalities support for the planning and implementation of business activity condition improvement documents, selecting and applying more appropriate tools by local authorities in response to changes in local and global economic systems.

Based on the above-mentioned conclusions, the following **proposals** for business environment development and competitiveness improvement in Latvian urban areas have been developed:

1) In the Latvian business environment assessment studies, it is necessary to focus not only on the regulatory framework and administrative procedures, but also on the assessment of other important conditions, factors and preconditions in urban areas that are necessary for

the implementation of commercial and public activities by companies (political, economic, social, technological, ethical, cultural, aesthetic, environmental, etc.). This approach provides integration of PEST, PESTE, PESTLE, STEEPLE and SPECTACLES methods into analytical activities of evaluation of the business environment in Latvia.

2) It is recommended that Planning Region Development Councils within their competences, ensuring regional development planning, coordination and cooperation with other public organisations, pay more attention to the promotion of the mutually beneficial economic partnership between administrative territorial units in various spheres of life. It is important to support the creation of network of the institutional and volunteer cooperation with the help of the coordination of development of the planning regions.

3) It is recommended that promoting “*best practice*” examples of entrepreneur support and business-friendly environment development in urban areas, it is necessary to establish closer cooperation between local and foreign governments, thus, seeking to operate at the EU level, focusing on long-term cooperation for local economic development, social inclusion of residents, environmental protection, education and culture development.

4) It is recommended that the Alliance of Latvian Towns and the Latvian Association of Large Cities strengthen the position of associations and build a stronger position and arguments, representing their views of the business environment development issues at the national and EU levels. An important future task is to attract new members, implementing activities to achieve the objectives of associations, to search for new cooperation and fundraising opportunity for business environment competitiveness improvement in Latvian urban areas.

5) It is recommended that for business environment competitiveness improvement and promotion of positive international recognition, Latvian urban local governments cooperate with the Latvian Institute, organising image promotion activities of Latvian urban areas in Latvia and abroad. For this purpose, it would be appropriate to use professional place marketing opportunities, positioning Latvian cities and towns as a favourable and friendly environment for living, implementation of business activities and recreation.

6) It is recommended that the Investment and Development Agency of Latvia pay more attention to the improvement of business environment competitiveness and attractiveness by cooperation with local urban governments. It is necessary to educate more local residents about opportunities to start business and implement investment projects, providing support for export promotion as well as consulting about opportunities to get support from the state financial support programmes administrated by the Investment and Development Agency of Latvia.

7) It is recommended that local government structural units, directly or indirectly involved in the process of business environment development and competitiveness improvement planning and management, pay more attention to the mutual accountability and action succession of stakeholders involved in the overall process, as well as to continuity of created

material and nonmaterial values, thereby, contributing to significant positive changes in Latvian urban areas for improvement of the individual and community life and economic conditions.

8) It is recommended that the Ministry of Environmental Protection and Regional Development implement systematic informative and educational activities for various interest groups in order to increase the use of business environment competitiveness improvement tools among Latvian local governments in urban areas. It is necessary to organise regularly information sharing and experience exchange activities. This initiative and participatory approach requires cooperation among the state, local governments and the private sector in order to improve the knowledge, experience and to promote interest in creation of business-friendly environment.

9) It is recommended that for planning and implementation of business environment development and competitiveness improvement in accordance with the concept of sustainable development, Latvian local governments should assess the opportunity to engage more actively in the Network of European Sustainable Cities. Also it would be advisable that Latvian local authorities examine the possibility of using a toolkit for the integrated approach *“Reference Framework for European Sustainable Cities”* to develop planning documents, to monitor development progress, to plan and implement projects, etc.

10) It is recommended that Latvian local governments plan business environment development and competitiveness improvement activities on the basis of study and analytical assessment of the mutual relationship between the local government budget spending, which directly or indirectly affects the quality of the business environment and the development of the prescribed administrative territory, and the macroeconomic indicators, characterising business environment development in urban areas.

Within the framework of The Doctoral Thesis, exploring the business environment in Latvian urban areas and assessing its competitiveness, the classification of business environment competitiveness improvement tools available to Latvian local governments has been developed. The classification is based on the acquired knowledge about the business spatial development theory and practical aspects of sustainable urban development. The research results have shown that the integration of hierarchy, succession and created value inheritance principles into planning and management of business-friendly conditions can positively affect business environment development and competitiveness improvement in Latvian urban areas. Based on the above-mentioned findings, the main business environment competitiveness improvement objectives and priority directions have been identified. It helps to raise awareness of local authorities for further action steps towards the business-friendly environment in urban areas. The theoretical findings of the research have been applied in practice.

Finally, it is necessary to note that urban areas act as engines for regional development, for creation of innovations and jobs. Today it is important that the business environment in urban areas, regardless of its size, is attractive to entrepreneurs and investors. It is important not only to cities, but also to the medium-sized and small towns, as their socio-economic and spatial development is very often decisive for region and national growth.

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