

# SUSTAINABLE URBAN DEVELOPMENT: INTERACTION BETWEEN BUSINESS, SOCIETY AND STATE

Jurijs Grizāns<sup>1</sup>, Jānis Vanags<sup>2</sup>

<sup>1</sup>Riga Technical University, Latvia, jurijs\_grizans@yahoo.com

<sup>2</sup>Riga Technical University, Latvia, vanags.janis@gmail.com

## Abstract

The aim of this paper is to analyse the importance and the purposefulness of the exploitation of the interaction between business, society and state at the context of sustainable urban development. The article deals with the exploration of the possibilities of improvement of this interaction and the potential socio-economic benefits. The paper focuses on the study of the opportunities of improvement of significance of urban at the national economy. This is one of the most important questions in area of the state economic, social and political development. The hypothesis of the research – healthy and successful cities is one of the advantages of the country. An appropriate and sustainable urban development gives an opportunity to improve the positive impact of the cities on the state socio-economic development. Planned and well-organized interaction between business, society and state is fundamental for dynamic that drives and determines urban development. The research is based on the three methods: logically constructive, monographic and document analysis method. The results of the study show that prediction and planning of the interaction between business, society and state considering the aspects of sustainable development is as a basis for the investments attractions, improvement of the quality of life and environment.

*Keywords:* business, interaction, long-term relations, society, state, urban

## Introduction

The relations between business, society and state could be characterized as a constant interaction. Their relationships have been multifarious and changeable. The city is the field of the making these relationships, the witness of the historical events and the result of the human development. Business, society and state – this triad in the course of time has caused many problems which actuality is especially important in today's cities. These interest groups on the one hand could affect the city and its development but on the other hand could feel the consequences of the decisions and actions related to the urban planning and management. Fundamentally important is the harmonization of the interest of these groups which very often is in the state of confrontation. This could be explained by the fact that the above-mentioned interest groups could have completely different point of view and expectations regarding to the urban development. However, an effective urban development policy is impossible without the dialogue and cooperation between business, society and state. For the requirement of such cooperation the motivation, information and active actions are vitally important. In its turn more open, wider and more scientifically based dialogue is essential. It is a necessary precondition for the successful implementation of the sustainable urban development.

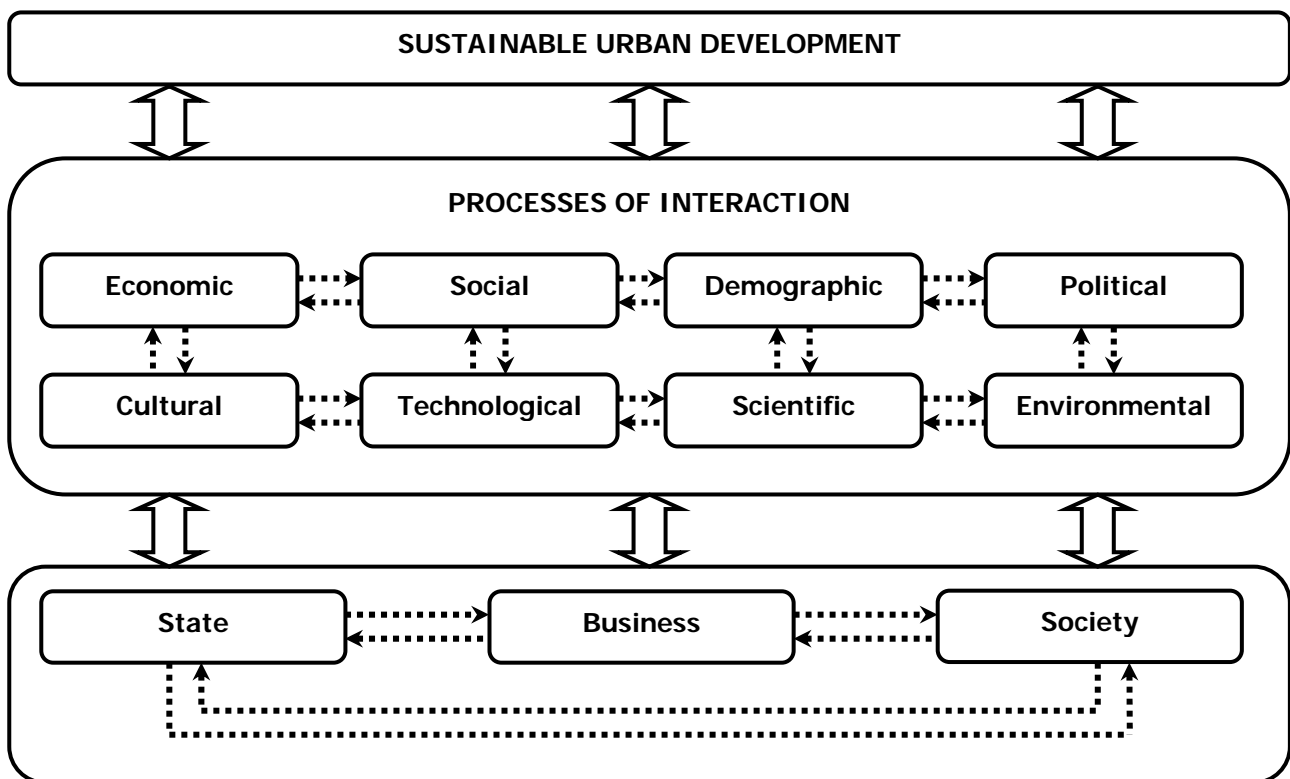
For the provision of the planning and prediction of sustainable urban development it is necessary to fortify perspectives of the urban economic, social and environmental development. Only such approach could provide the conformity of interaction between business, society and state to the principles of sustainable urban development which are determined by the regulatory laws and regulations, international agreements, recommendations and other kinds of documents. These principles define the integrity and continuity of the design of the system of planning and prediction of business, society and state relations. This in turn will serve foundation for planning and prediction of the perspectives of urban socio-economic and ecological development. It will also encourage the integrity, harmonization and mutual coherence of the urban development planning and prediction documents. In this perspective, planning and prediction of the interaction between business, society and state should become an active component of the national system. Relations between business, society and state at the context of sustainable urban development must be formed on the basis of evaluation of the objective long-term factors, existing socio-economic and environmental situation in the cities as well as future preconditions. It provides an actuality of the studied problem. The aim of this paper is to analyse the importance and the purposefulness of the exploitation of the interaction between business, society and state at the context of sustainable urban development. The article deals with the exploration of the possibilities of improvement of this interaction and the potential socio-economic benefits.

In order to achieve the set aim the following research objectives were defined: 1) To analyze an opportunities of the sustainable urban development based on the principles of the interaction between

business, society and state; 2) to study the functional significance and the opportunities of the providing of planning and prediction of the interaction between business, society and state; 3) to evaluate principles of the development and future perspectives of the cooperation between business, society and state; 4) to make conclusions and give recommendations for the promotion of the cooperation between business, society and state at the context of sustainable development. The research is based on the three methods: 1) logically constructive method – logical interpretation of the already published by the other author's data on the modelling of the cooperation of interest groups in area of sustainable urban development; 2) monographic method – interpretation of the data based on proven knowledge about the necessity of the scientifically based planning and prediction of the cooperation of business, society and state; 3) document analysis method – study and evaluation of the normative acts and scientific researches on the planning and prediction of sustainable urban development at the context of the aim and objectives of this research. The hypothesis of the research – healthy and successful cities is one of the advantages of the country. An appropriate and sustainable urban development gives an opportunity to improve the positive impact of the cities on the state socio-economic development. Planned and well-organized interaction between business, society and state is fundamental for dynamic that drives and determines urban development.

### Sustainable Urban Development through Interaction and Cooperation

Cities are socio-economic and territorial unit, where business and economic activities are done, jobs are created, innovation and new technologies investments are made etc. This in turn will create new opportunities for economic growth. Thus a sound foundation for business will be created and the chance to get a leader position in area of business will be given to the companies. Cities always have had a significant role in the state socio-economic development. Cities are the driving force that ensures balanced and sustainable national development taking into consideration all features of the territory of the state and its parts and reducing unfavourable differences between them as well as maintaining and developing natural and cultural characteristics and development potential of area. Historically, cities have been established as the centres of concentration of the manufacturing, financial, intellectual and innovative potential. Processes and rates of their development depends on many interrelated changes that schematically shown in Figure 1.



**Figure 1.** Interest groups involved in sustainable urban development and the processes produced by their activities (created by the authors)

As shown in Figure 1, dynamic that drives and determines urban development is based on the interaction between business, society and state. Processes of the interaction created by this triad affect urban development and determine its potential to participate and cooperate in the processes of sustainable development at the local, regional and national level. These contacts create an interaction between goals, interests and opinions.

Analyzing the interaction between processes, it should be noted their diversity and the possibility of a diametrically opposite character – they could promote or prevent development. The processes which impact sustainable urban development are the intersection of the various areas of human activity: economy, social sphere, environment protection, culture, politics, law, science, etc. Mutually covering and reinforcing each other they determine the nature and growth dynamic of urban development.

Leipzig Charter on Sustainable European Cities define that the European cities which have evolved throughout history, regardless of their size is immense and unique economic, social and cultural value. (Leipzig Charter on Sustainable European Cities, 2007) This inevitably suggests that for the future growth of Europe cities, for the improvement of their competitiveness and attractiveness it is necessary to firmly support the principles of sustainable development in area of economic growth, social welfare and environmental protection, which are governed by Sustainable Development Strategy of the European Union, Lisbon Strategy, European Charter on Sustainable Urban Development, etc.

The above mentioned documents which regulate sustainable development provide team-work in different areas, such as security, improvement of public health, promotion of social integration, cohesion strengthening, prevention of the biodiversity loss, improvement of the quality of soil, water and air, etc.

Consequently, in the planning and prediction of the future urban growth it is important at the same time and in equal measure to take into account all aspects of sustainable development. They include economic prosperity, social balance and a healthy environment. At the same time attention should be paid to cultural and health aspects, as well as to the city's institutional capacity.

The study “What makes Cities grow? The Baltic Geography of Creativity” stresses the importance of successfully developed cities for the dynamic development of the European economic area in the future. Successful and well-planned development of the cities means that cities will act as engines of economic growth, which together with the regions could assert themselves as attractive places. (Könönen & Stiller, 2009) Analyzing the validity of this aspect, it should be noted that it is operative taking into account the increasing mobility of people and enterprises, increasing internationalization of the economy and accelerated structural change in knowledge management. Dynamic cities and urban areas are recognized as one of the most important guideline for regional development. Urban development should promote the improvement of the existing socio-economic and territorial development potential of regions and effective use for increase of the quality of life in the state. Fact sheets on the environmental policy of the European Union published by the Ministry of Environment of Republic of Latvia emphasise attention to the fact sustainable development city as well as region or country development is impossible without the participation of all interest groups. There must be a dialogue between governmental and municipal institution, business and society. For successful cooperation it is necessary a motivation, information and active participation of all interest groups. Cooperation of the various sectors and resource pooling will bring an opportunity to achieve the best possible results. (The Ministry of Environment, 2006)

Sustainability at the context of urban development means necessity to solve a very wide range of issues: the use of resources, energy conservation and efficient use, focusing on the restorative power sources, the new use of the protracted construction of structures and old buildings, the distance from work to home, as well as efficient public transport system, re-use of materials, organic waste composting and the provision of cyclical movement, etc. It is important to note, that urban development planning taking into considerations sustainability principles is the basis for investment attraction, improvement quality of life and environment. Sustainable urban development discovers resources and predicts opportunities of the economic development of the area, analyzes social processes and helps to preserve natural and cultural heritage. Thus sustainable urban development could be as a positive driving force for economic and social progress at the national level. This is a strategy that is beneficial for all: business, society and state. Addressing specific problems it is necessary to deal with a great number of various issues. The tendencies of urban development are directly linked and that is why it is necessary to continue to study interaction between interest groups as well as different sectors policies for effort to ensure the uniform system.

Talking about sustainable development at the context of sustainable urban development, it is important to note, that sustainable development is focused on human beings and aimed at improving the living conditions of humans by preserving the nature and the environment, therefore it is necessary to have respect

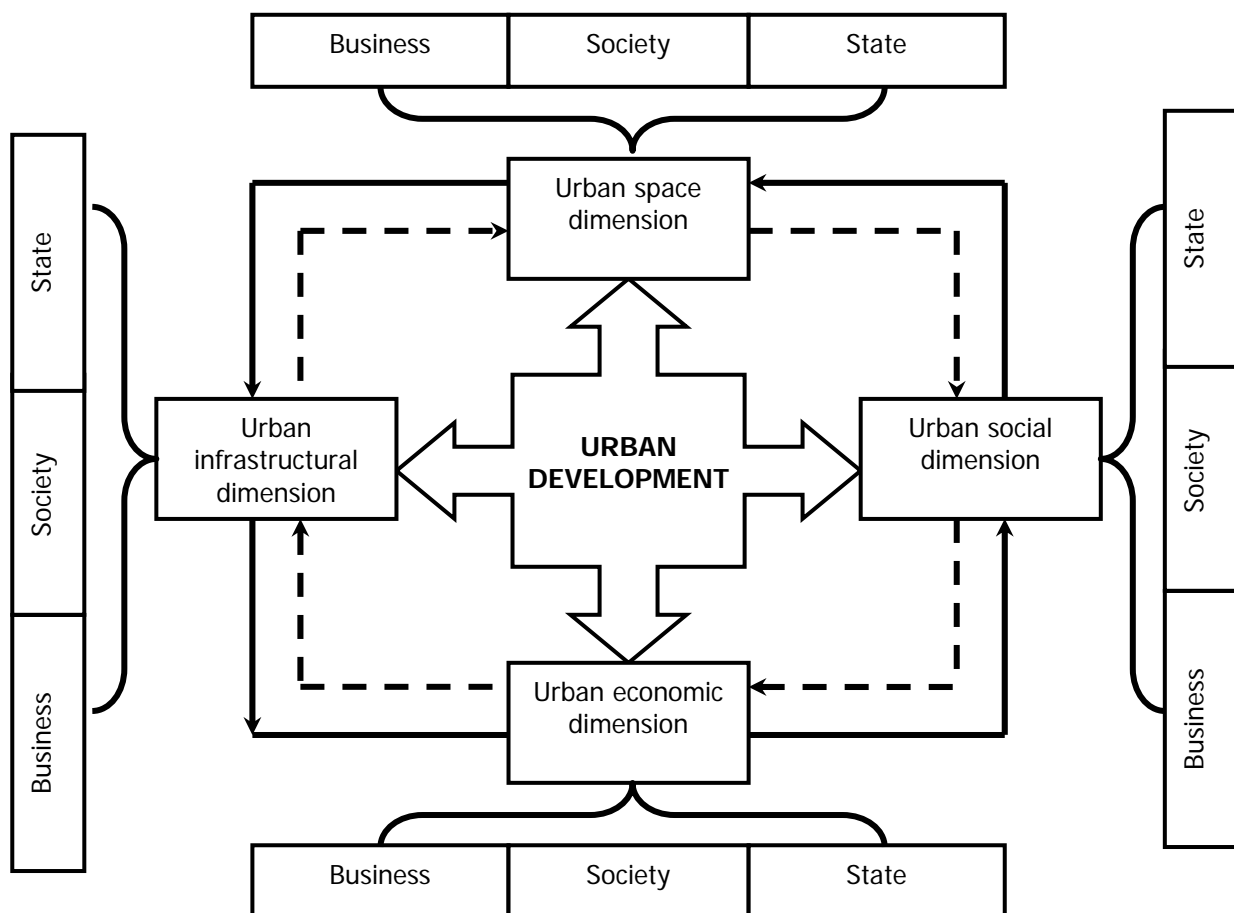
towards the nature, which is providing humans with resources and all what is required for living. In light of the above, a sustainable development means the qualitative improvement of living conditions of humans, achieved not exceeding the supporting capacity of the ecosystem. (The Ministry of Environment, 2002)

### Business, Society and State Interaction and Cooperation Planning and Prediction

It was stressed at the scientific conference „Perspectives of the Interaction between Business, Society and State” hold in 2008 in Omsk that there are three constructive and creative forces that affect urban development:

1. State (authority) – the main functions are management, diversion, allocation, coordination and control;
2. Business – the main functions are to create material values and to earn financial resources;
3. Society – the main function is to help to the state to solve various social problems. (Ханох, 2008)

Analyzing the above mentioned interest groups it is important to note that at today's economic development stage interaction between business, society and state and its impact on urban finds expression in all four spheres of urban development as it is schematically shown in Figure 2.



**Figure 2.** Structural model of the interaction between business, society and state in the urban development dimensions (created by the authors)

As shown in Figure 2, interaction between business, society and state and its impact on urban area finds expression in four dimensions of urban development – space, economic, social and infrastructural. Urban development in these four dimensions constantly is in the centre of attention of the business, society and state. Analyzing the city development as a system development it is important to note that all four subsystems based on the major problems of the city and growth objectives, are closely related with each other.

In the case of space dimension attention of all three interest groups is drawn to the link between spatial planning and urban socio and economic development – to suit residents', businesses' and investors' interests. At the same time the urban spatial structure significantly affected in the dynamic of the ongoing socio-

economic processes. Talking about social dimension of the city it is important to talk about its importance among the urban population. Exploring the contemporary changes of the urban population and urban social structure it should be noted that they set many parameters of the city infrastructure development and spatial planning. In addition today's good practice examples show that the social development of the city becomes not only an indicator of economic success but rather its driving force. Analyzing the development of urban economic dimension, it is important to note that it depends from the dynamic of the development of the companies that operate in the city. Emphasizing the economic activities the nature of the urban use or spatial planning, the structure of the population employment (social development), the need for engineering and transport infrastructure are defined. In turn the development of urban infrastructure dimension always has been considered as a guaranty of the socio-economic development of the city. Well-developed urban infrastructure provides the advantages for the establishment and maintenance of the marketing, logistical and other forms of economic relations of the city as well as gives an opportunity to the city to become as an element of the transnational network. Harmonization of the interests of business, society and state ensuring sustainable urban development in all of the four above mentioned dimensions should be based on the scientific provision of the planning and prediction of the urban development as well as cooperation between all interest groups. For the scientific provision of the planning and prediction of the sustainable urban development it is necessary to fortify with scientific facts perspectives of the urban economic, social and environmental development. Only under such conditions the planning and prediction of the interaction between business, society and state will be in line with sustainable urban development defined by the regulations of sustainable cooperation.

These principles identify integrity and continuity of the design of the developing of the planning and prediction system of the cooperation between the business, society and state. This in turn will serve the basis of the planning and prediction of the urban socio-economic and environmental development perspectives as well as encourage the integrity, harmonization and mutual relations of the development planning and prediction documents. In this perspective planning and prediction of the cooperation between business, society and state should become a component of the national system of the planning and prediction of the state development. Cooperation between business, society and state at the context of sustainable development should be structured at the basis of evaluation of the long-term factors, the existing socio-economic and environmental situation in the city as well as the future prerequisites. (Хаюх, 2008)

Academician of Academia of Sciences of Russia Alexander Granberg at the book „Regional Development: Russian and European Union Experience” include to the long-term factors of the urban development such factors:

- The geographical and geopolitical location of the city, its impact on the costs rate in the production and circulation of the goods, aspiration for the various regional markets, for the circumstances of the links of the foreign economic;
- Climatic conditions, their impact on the costs of living, production and construction;
- Socio-historical specificities, distribution of population, its impact on the structure of the social sphere and the costs of the national budget, the employment of the population;
- The level of economic development, specialization and division of labour, the level of the diversification of the economy. (Гранберг, Бусыгина & Введенский, 2000)

Contemporary urban socio-economic and environmental characteristics should be based on the analytical data of the current situation. Analyzing existing situation it is necessary to focus on the achievement of the following objectives:

- Assessment of the results and the tendencies of the economic urban development;
- Evaluation of the results and the tendencies of the social urban development;
- Assessment of the ecological situation in the city and the identification of the ecological problems;
- Evaluation of the external economic relations with the other cities;
- Assessment of the progress of the ongoing social and economic reforms and their impact on the urban development;
- Evaluation of the progress of the ongoing special-purpose programmes (local, regional, national programmes);
- Assessment of the results of the state regional and urban development policy;
- Evaluation of the city's financial situation and the city's budget.

Assessment of the results and tendencies of the urban social, economic and environmental development should become a platform for planning and prediction of the cooperation between business, society and state. This will encourage the improvement of the cooperation to achieve a common goal – to ensure the cities to become economic centres, increasing their economic capacity and competitiveness. Cities should become a driving force for the development of the each region and the whole state.

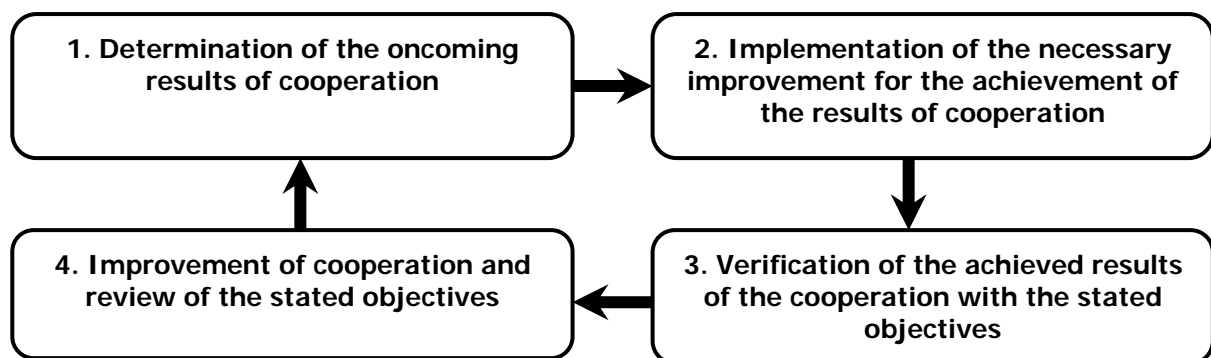
The improvement of the quality of the urban environment will provide aesthetically and functionally suitable and safe living space for the city inhabitants; will create preconditions for investment attraction, business development and cultural heritage preservation. (The Ministry of Regional Development and Local Government, 2010) For the achievement of the above-mentioned goals taking into account aspects of the planning and prediction of the interaction between the interests groups involved in the sustainable urban development it is very important to explore perspectives of the possible cooperation between business, society and state.

### Perspectives of the Development of the Cooperation between Business, Society and State

Analyzing the perspectives of the cooperation between business, society and state it would be important to take into consideration the following principles of the development perspectives:

- The development perspective should be as a long-term development vision and operational framework of the sustainable, balanced, economically based and socially acceptable development of the state space;
- The relationship perspective should predict spatial focusing of the forces and the resources of the Latvian national development (natural and human) in the functionally complex parts of the territory of Latvia; the use of the creative scientific and technological knowledge for the need of the promotion of the national energetic and environmental safety;
- The relationship perspectives should mark the topics of the spatial responsibility of the state, the branches of the national economy; interests of the cross-border cooperation. (Ezmale, Skinkis & Puzulis, 2009)

Taking into account the above-mentioned principles cooperation between business, society and state should based on the mechanisms of the development that schematically shown in Figure 3.



**Figure 3.** Cooperation between business, society and state development mechanisms (created by the authors)

As shown in Figure 3, as a basis for the cooperation between business, society and state it is possible to use the Quality management model created by the American scientist Williams Edward Deming. The models provide to divide all activities into four groups: 1) Plan/Prepare; 2) Do/Establish; 3) Monitor/Control; 4) Act/Improve (“Deming Cycle”, 2006) Cooperation between interest groups should begin with a commitment to work together to achieve common goals and to work out cooperation policy. As a next step should be noted summarization of the regulations and normative acts, commitment on common goals and tasks. The next step is establishment of the structure of cooperation, responsibility sharing between the interest groups, creating communication system and operational management. As a further important step should be noted the comparison of the achieved results of the cooperation with the stated objectives as well as realization of corrective and prevention actions. In consequence of the verification it is necessary to make a decision about the improvement of cooperation as well as implementation of the necessary improvements and review of the stated objectives for the next period. It is very important to provide the cyclical nature and continuous improvement of the cooperation between business, society and state.

In conclusion, we wish to quote the former president of the Republic of Latvia Madam Vaira Vike Freiberga: "Our relations are constantly improving – through the many close links and contradictions in the past, through the dynamic development and interaction today, they focuses on preservation of our common values in united and safe Europe." (Vike-Freiberga, 2003) It is possible to relate the message of these words about importance of cooperation between states and communities to the relations between business, society and state at the context of sustainable development.

The short term goal which should be pursued should be acknowledged and accepted by all interest groups involved into sustainable urban development – is the necessity of creation of the partnership between business, society and state in key growth areas including – sustainable urban development.

### Conclusions

1. Taking into account the scale of the sustainable urban development problems very important becomes the ability to evaluate and to use the experience, knowledge and skills of each members of the community. Sustainable urban development requires an active complementary cooperation between all interest groups. The structure of the interest groups could be different in each individual case. However in terms of sustainable urban development the major interest groups are business, society and state.
2. The changes of the urban development criteria and factors impact an assessment of the rationality of the existing distribution of the production resources as well as request for a new substantiate methods and opportunities of improvement. It determines the usefulness of the research of the cooperation process. The main goal of this research is to identify the urban problems and economic, social and environmental crisis situation as well as to assess the potential of the city to attract investments, the progress of the economic and social reforms and other issues.
3. Urban development management institutions activities should be based on an objective assessment of the natural and economic potential of the city, national economy structure, demographics and employment, financial situation and city's budget, progress of the reforms, etc. Increasingly important becomes the need to analyze spatial planning of the state and to evaluate existing situation in the city. Such approach would help to find solutions for the following problems: disposition and use of the natural resources and natural potential, demographic changes, cooperation between cities, the differences between urban development, etc.

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