

Tourism as a tool of sustainable regional development and the importance of clusters in Latvia: the example of Sigulda and Ventspils

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Abstract

The goal of this research is to evaluate the role of tourism in sustainable regional development in Latvia. The authors have focused on the identification and mapping of spatial structures in Latvia, choosing the most popular tourist destinations Sigulda and Ventspils cities as textbook examples of such territories. The concept of clusters has been chosen as the most appropriate theory for tourism as a tool of urban development and evaluating the spatial structure of tourism. The result of the research was the identification of a tourism cluster and mapped city influence zone in Sigulda and Ventspils, where spatial processes have developed differently. This research has not only confirmed the advantage of a cluster – the ability to attract new business innovations despite the existing competition in the area – but it has also showed the different character of urban development and integration with surrounding counties in accordance with sustainability principles.

Keywords: tourism cluster, sustainable urban development, spatial structures of tourism, creative milieu, regional planning.

1 Introduction

The importance of effective tourism planning in ensuring economic benefit and sustainability is now widely recognized. Tourism is a sector that is often seen as an opportunity for regional development. This is particularly true in areas with an attractive landscape and interesting aspects of culture and history, as well as local residents who are full of initiative. There are many such locations, and most



local governments are involved in supporting the tourism sector. This depends on the relevant duties, competences and priorities. Practice, however, shows that it is not rational to organise tourism efforts in a single local government territory and in isolation from contiguous territories. How is tourism in Latvia developing in the urban space and surroundings? In seeking answers to these questions, the authors researched the development of tourism in two regions of Latvia, where, in addition, administrative reforms are on agenda.

2 Background

Ventspils is the fifth largest city in Latvia, located in the Western part of the country at the Baltic Sea. The former city of Hanseatic League during the second part of 20th century became the main oil transit port of the Soviet Union. After regaining Latvia's independence, 90% of transit cargos still went through Ventspils, however, the amounts gradually decreased [6]. During the mid-1990s the municipality of industrial Ventspils city channelled significant resources towards city improvement and the development of new tourism products to be used by city visitors, as well by locals. Tourism is the third main industry in the city with 44 000 inhabitants, providing 7.3% of the city's income and employing 16% of employees [23].

Sigulda in its turn historically has been in the centre of events as a strategic place for the administration of regions. However, the dominant position of Riga and the appointment of Cēsis city as the centre of Livonia prevented rapid development of this place and Sigulda formed as a regional city with a beautiful landscape and its recreational role had already increased at the end of the 19th century. In the middle of the 20th century, Sigulda was an explicit tourism centre. The Gauja National Park, established next to the city, developed as a zone for intensive recreation – the number of visitors during a year reached up to 1.5 million [19, 24]. There are 16 679 registered residents in Sigulda nowadays. A total of 56% of these residents are of working age [19] – even than more in Ventspils.

The socio-demographic characterisation of both urban areas is one that suggests a high level of potential for economic activities. Considering that in Latvia more than half of economically active inhabitants live in Riga and its close surroundings, then the formation of a strong regional centre is an important aspect for developing a balanced and sustainable country. Both Sigulda and Ventspils nowadays are among the top 10 tourist places in Latvia [22]. Numbers of visitors describe the significance of tourism in both of these cities today: 53 800 visitors in 2007 used the Ventspils leisure ship [23], but 244 982 visitors attended the Turaida Museum Reserve [1].

3 Material and methods

3.1 Tourism cluster approach and the significance of social factors in sustainable regional development

Spatial structures of tourism cannot be described exclusively on the basis of physical parameters, even if their cornerstone is made up of them. Tourism is



based on social relationships and the values created therein. German geographer Schamp argues that the social sciences have a great role to play in explaining the contemporary processes of economic geography today [4, 5].

Technological processes and new research into the interaction between various areas have helped to enhance perceptions about geographic locations, emphasising the networking of people and the goods and services that they create as a means for organising modern production aimed at enhancing sustainable regional development. Myrdal [11], for instance, has argued that regional inequalities are a permanent thing and are dependent on levels of development. In accordance with his model, these manifestations are seen far more broadly in Latvia than just in the context of the tourism sector. Many young people are moving from the peripheral regions to the capital – Rīga. The labour force in the peripheral areas ages, and that limits opportunities for new activities to emerge. The result is that the inequality between the capital city and the periphery becomes even worse.

This correlates to the concept of growth poles, which was developed in the 1960s by Paelinc and Lasuén. They tried to deal with the idea that innovations are interrupted in time and space [9, 12]. In essence, this is in line with manufacturing clusters, which were described later, and with much precision, by Porter [13]. These authors believe that growth is possible in those areas where there is sufficient population density – something that basically coincides with population structures. Richardson [16] points to the reciprocal nature of polarisation, which shows growth opportunities for smaller centres in the periphery of the main centre. The cluster concept in particular emerged as a solution to facilitate economic development outside of major centres and to strengthen regional structures as such.

Porter referred to the British economist Marshall, who 100 years ago (in 1890) proposed ideas about the local relationship among companies that carried out different functions. Porter defined a cluster as a group of companies, suppliers, service providers and institutions that are interrelated in a single sector, are in geographic proximity, and engage both in mutual competition and co-operation [13]. The European Commission's regional policies particularly emphasise the principle of clusters. It is defined as any concentration of interrelated companies in a single sector or in adjacent sectors in a small geographic space, thus leading to the emergence of a network which has a potential for joint innovation [4, 14]. The German researcher Kiese [8] has pointed to the broad interpretations that are found in various sources as to the scope and structure of a cluster. Clusters can be described through three elements – spatial proximity, networking and external accessibility [5]. Growth-based cluster policies include spatial and economic conditions, the specific conditions of a cluster, as well as regional organisational capacity within the framework of the cluster [13, 14]. The specific requirements for a cluster emphasise an identification of the initial size and the level of development, the level of interaction among strategic companies, and the intensity at which new companies emerge. So-called cluster machines are among the prerequisites – major companies that turn on the cluster [10].



Networks among businesspeople become a “socioeconomic system” [2] – one that demands common values, behaviours and intentions, one that emerges from related structures, neighbourly relations, and other forms of co-operation and collectivism [17]. The concept of the creative milieu seeks to explain why some economic regions are more successful than other. The emphasis here is on the idea that important factor for sustainable regional development is a special level of quality in co-operation among the senior officials of different companies and organisations in the relevant area. Of particular importance are informal contacts that are based on mutual trust, as well as relations among individuals. When this kind of a contact network is established, the exchange of regionally necessary information occurs more quickly, and the innovation potential of companies is based on social relationships [2]. A creative milieu is defined as a set of close socio-informational relationships that emerge among qualified decision makers. This shapes a positive image both in internal and external terms, and it leads to a sense of community and belonging at the regional level. Those who are involved in such a system pursue collective learning processes and enhance opportunities for local innovations [2], but also for more sustainable business, as case studies have proved. Porter, referring to other authors as well, expresses the view that regions that have established clusters in specific sectors develop more successfully than others do [15].

The concept of clusters encouraged these authors to conduct this research with the goal: To identify the spatial structure of the tourism sector and to map it out in the context of the cluster theory and sustainable urban development. The authors identified as their hypothesis the assumption that if tourism is one of the leading economic sectors, then there must be a network of tourism companies which are typical of a cluster, and the spatial boundaries of this structure are outside the a priori defined town boundaries and tourism development can be regarded as a tool to achieve sustainable urban development.

3.2 Methods

The authors used a combination of several methods, including both – qualitative and quantitative methods. First there were seminars with the previously established initiative group in relation to tourism in the area – the Sigulda Region Tourism Association. One of the initial research methods involved two sequential focus group interviews. Next there were partly structured interviews with local businesspeople in both regions. The methodology was based on recommendations about qualitative research in the field of tourism that were developed by the Australian researcher Jennings [7] and the British researcher Thomas [22]. Participation in the introduction and development of regional tourism innovation in this area allowed the authors to use the observation method according to the British researcher Cole [3] in terms of its advantages in comparison to other methods. A total of 88 businesspeople from the both areas of tourism took part in the two sections of the research and altogether 194 visitors were surveyed. Cartographic methods were used to define the cluster. Perceptual regionalisation was based on the work of Gunn and Worms [cited in 20]. The region's compactness index and connectivity index were calculated



[cited in 20]. The dynamics of the establishment of new companies were used as an indicator to describe the structure of the cluster [8]. The data were supplemented with qualitative information from the development plans and strategies of tourism organisations in the region.

4 Results

The authors of the present research studied co-operation among tourism companies and the extent to which this co-operation has been organised in terms of spatial considerations. Co-operation is implemented by the establishment of a non-governmental Sigulda Region Tourism Association, which is broadly represented in Sigulda region. The association's basic goal is to facilitate growth in the tourism sector in qualitative and quantitative terms and sustainability in that growth is a leading concept, which is described in their strategy. The co-operation level between tourism enterprises in Ventspils city is high and still developing, but more within the city centre – narrower than in Sigulda region. There is none joining nongovernmental organization for Ventspils tourism businesspeople, but there are several municipality initiatives and an apparent tourism information centre activity in the territory of the city.

The focus group that interviewed businesspeople in Sigulda allowed the authors to determine the most important internal factors that are of key importance in the development of tourism in the region. One of the frequently stated thoughts focused on the need for innovation in terms of tourism products and the tourism infrastructure. One innovation is a project involving magnetic privilege cards in Sigulda region, creating a new foundation for co-operation. The operating zone for the innovation was determined on the co-operation bases, entrepreneur's personal relations and consensus of perceptual mapping of the action zone.

The defined zone of operations has a radial contour with the distinct centre of Sigulda itself. The high value on the compactness index (0.89) shows that this is an optimal form for the territory – one that makes it more possible to engage in physical communication and to expand the availability of interrelated tourism services. This is confirmed by the high value on the connectivity index (0.71). This indicates that there is a fine road infrastructure in the region. Cooperation zone in Ventspils became apparent on a more narrow scale. Entrepreneurs outside city feel affiliated to Ventspils region but they almost do not have business contacts with entrepreneurs from the city centre. Ventspils area of influence defined by entrepreneurs outside city stretches to distance up to 45 km from the centre which is explained due to the size and economic activity of the city, as well as, due to more distant location of other strong centres.

The authors also conducted content analysis of the homepages of tourism service providers in Sigulda region so as to identify the individual views of businesspeople vis-à-vis their role in the tourism space. It was shown that in all of the analysed homepages (including region of ca 30 km around Sigulda), the dominant linkage was to Sigulda as the centre. There was also a very distinct leaning toward Riga as the primary target market, thus, simultaneously, reducing



the influence of other nearest popular tourist centre Cēsis as a regional centre. Comparatively few businesspeople have any ambitions in terms of presenting themselves at the European or pan-Baltic level.

Surprisingly few businesspeople take advantage of their proximity to the Gauja National Park – in contrast to the fact that the Gauja National Park is defined as one of the most popular tourist destinations in Latvia. Level of corporate co-operation between many companies and the administration of the GNP is very weak, indeed, and one reason for this is that the territory of the park is closed to some types of economic activity. The creative milieu of businesspeople in the tourism sector here, however, can generally be characterised as positive. Discussions among tourism sector stakeholders during regular meetings of entrepreneurs' organization managed to reach better understanding of restrictions and sustainability principles which points at the influence of such milieu on sustainable development in the region in general. Entrepreneurs of Ventspils tourism basically see themselves remote from the activities of municipality in this field, although evaluate its activity as very positive and promoting for the overall branch. This does not form a situation of equal value comparing to Sigulda, which socially is better integrated – there are strong relations among tourism entrepreneurs and other stakeholders of tourism branch in the town and also vicinity region.

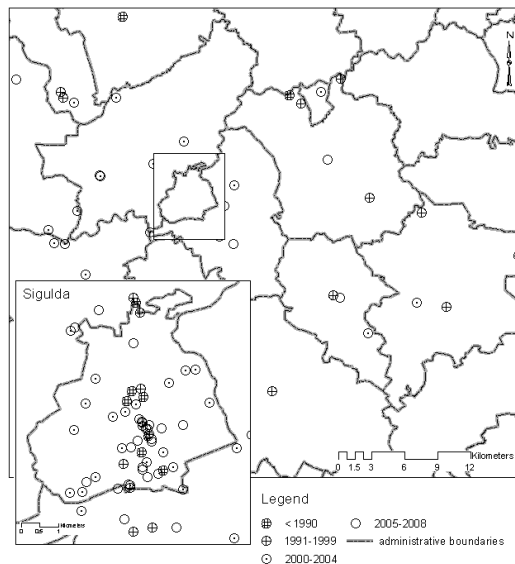


Figure 1: The dynamics of the emergence of new tourism companies in the Sigulda tourism cluster.

The dynamics of the emergence of new tourism companies show that this is a changeable environment, one in which the “cluster principle” attracts new businesspeople who are prepared to take the risk of seeking out a market niche in

a territory which is fairly competitive already. A spatial representation of the establishment of new companies (fig. 1) shows that Sigulda, as a tourism centre, is capable of attracting new businesses. Their distribution in the area is becoming denser from the periphery to the centre, and it is certainly concentrated specifically in the centre. New companies, however, have been appearing in less populated centres or their proximity, which indicates that the process is linked to population structures.

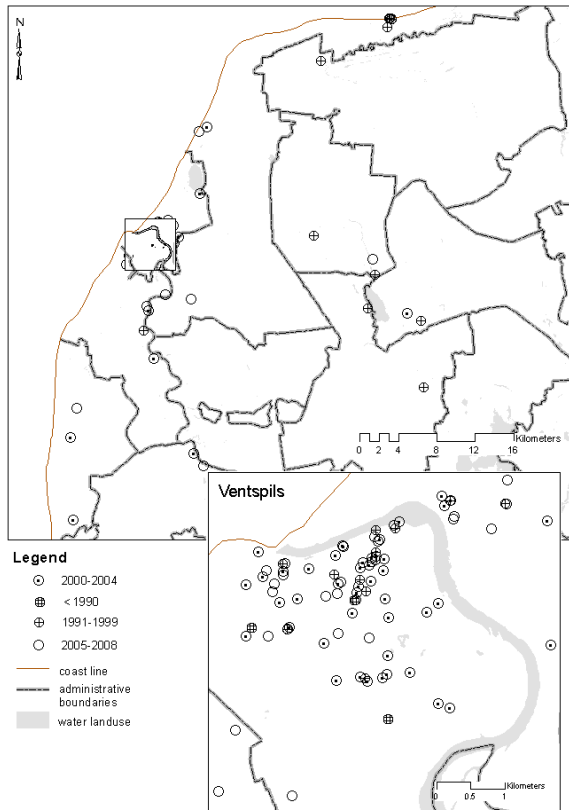


Figure 2: The dynamics of the emergence of new tourism companies in the Ventspils tourism cluster and surrounding area.

Comparing Ventspils city and region, then emergence of new companies is more evident in the central part of the city, less typical in the periphery of the city and comparatively to Sigulda – less evident also in surrounding area, fig. 2. The seaside is an exception that is an additional attraction. Interviews with businesspeople in both regions approved that dominant factor of tourism business location outside the city is having own forefather property where tourism business is developed, and these places aren't specially purchased for tourism business development purpose. Accessibility factor of the place possibly

closer to the main tourism activity zones dominates in the city. Entrepreneurs in both regions highly evaluated quality of their life in the business area as one of the reasons why business is developed exactly in these cities or in their neighbourhood. The image of the place and excellent landscape or the quality of the environment also acquired high evaluation, which relates to ideas of sustainable development in the city.

The change in Latvia's political system has ensured certain specifics in this regard. Companies that existed prior to 1990 have all changed their appearance and the types of business in which they engage; many have disappeared altogether. This explains the comparatively high intensity in the appearance of new companies specifically during the last 10-15 years. It is clearly evident, however, that the location of these new companies is not accidental.

Among the companies that have proven to be most stable over the course of time is the Turaida Museum Reserve, which has existed since 1948 and was expanded after a change in status in 1988 [1]. It is mentioned most often by regional tourism businesses on their Internet homepages. Because of the large and regular flow of tourists, it best corresponds to the concept of the "cluster machine". It is the entity that "turns on" the cluster and allows many new companies to emerge around it. Apart from so-called "floating" souvenir retailers who have no stationary location, there have been at least 12 new tourism enterprises in a 3-kilometre zone around the Turaida Museum Reserve. Very similar situation is in Ventspils city, where three main tourist attractions are in the nearest neighbourhood. Many other businesses aim to be in close distance from these main amusements, which attract main flow of visitors. The trend already is one in which successful businesses open up other enterprises in the same sphere and in the nearby region. This has been seen in several situations in both places. Significant potential of Ventspils can be linked with „tourism business incubator”, developed with municipality and Ventspils University College initiative, where under more favourable conditions there is possibility for innovation based tourism businesses to develop.

Unlike entrepreneurs, visitor surveys in both regions confirmed that visitors generally disregard administrative borders when travelling and in both cases destination of their activities see narrower – as the main activity centres and linear routes between them.

5 Conclusion

1. The opinion expressed by tourism entrepreneurs on the importance of life quality criteria, when choosing location of own enterprise, proves the role of tourism in sustainable development of the city.
2. Ventspils city has proved that it is possible to transform image of industrial city, making it into an attractive and admired image of a modern city with high responsibility towards its inhabitants and visitors. As it proceeded from the visitor's survey – charming environment can be one of the reasons for taking a decision to change place of residence in favour of Ventspils.



3. The Sigulda region is one in which there is a high level of business activity, and tourism is one of the leading sectors in the territory. This is in line with the prerequisites for the emergence of a cluster. The cluster has been activated by the innovation of a privilege card, and the existing structure is one in which there is potential for other innovations, too.
4. The results of the research confirmed the hypothesised theory – that the creative milieu in which businesses operate – interrelationships and co-operation – are an important prerequisite for the development of tourism in the region. This could be as one of the key factors for sustainability, because of collective learning process. However, it is too early to evaluate the importance of the jointly introduced innovations in promoting economic growth in the region, both because this co-operation is fairly recent and because there is a lack of data about this co-operation in relation to the economic benefits.
5. Cooperation of entrepreneurs mostly takes place within the scope of the city and in the case of Ventspils it is explicitly focused on the centre of the city, which also creates bigger regional development differences. Tourist flows outside the main centres are still considerably different.
6. Conservation of nature environment in the level of municipalities in connection also with tourism planning towards sustainability direction sometimes confront with the desire of entrepreneurs to operate only following economic development principles.
7. Although theoretical descriptions of clusters speak to different scopes and dynamics, the fact is that it is possible to identify the approximate boundaries of this particular cluster at the regional level.
8. The research confirmed the theoretical claim that despite comparatively dense competition, a cluster creates opportunities that serve as a magnet for new business initiatives, and these increase in the direction from the periphery to the centre.

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