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ENHANCING THE ECONOMIC RESILIENCE OF SMALL AND MEDIUM-SIZED TERRITORIAL COMMUNITIES

Iryna Shkromyda
ORCID: https://orcid.org/0009-0006-4759-7483
Business Consultant, IVREN LLC,
Master of Economics, Ivano-Frankivsk National Technical University of Oil and Gas, Ukraine
Bachelor of Law, Vasyl Stefanyk Precarpathian National University, Ukraine

Abstract. *The article focuses on the theoretical and methodological foundations for strengthening the economic resilience of small and medium-sized territorial communities under conditions of modern challenges and instability. The purpose of the article is to substantiate the theoretical and methodological foundations for strengthening the economic resilience of small and medium-sized territorial communities in the context of current challenges. The study employed general scientific methods of cognition, including analysis and synthesis, induction and deduction, comparative method, systems approach, generalization, and analogy. The findings show that economic resilience is understood as a dynamic process of building communities' ability to adapt, recover, and pursue sustainable development. The study explores the conceptual frameworks of "community resilience" and "community capitals" as a basis for assessing the internal potential of communities. It introduces the RECAP methodology as an analytical tool tailored to the high-uncertainty conditions faced by territorial communities. The paper analyzes the U.S. experience, where economic resilience is achieved through the integration of strategic planning, institutional development, and regional partnerships. It highlights the role of the Comprehensive Economic Development Strategy (CEDS), which promotes structural diversification, infrastructure modernization, and institutional adaptation with the participation of local stakeholders. The study examines the STAR model and the concept of economic metacommunities as tools for strategic vision and crisis response. Case studies from cities like Duluth, Potosi, and several Southern regions of the U.S. illustrate effective strategies for mobilizing internal assets, supporting small business, fostering entrepreneurship, and reshaping the economic identity of communities. The practical value of this research lies in the potential to adapt successful international practices to the Ukrainian context, aiming to strengthen the economic resilience of territorial communities.*

Keywords: *economic resilience, territorial communities, strategic planning, institutional development, local initiatives.*

Introduction

The issue of economic resilience in small and medium-sized territorial communities has gained significant relevance amid increasing instability caused by global crises –economic, ecological, and geopolitical – as well as local transformations such as decentralization, demographic shifts, and uneven regional development. For newly formed or transforming communities, which often operate under limited resources and institutional fragility, ensuring the capacity for adaptation, functional continuity, and development potential becomes critically important. Economic resilience in this context is not only an indicator of community viability but also a foundation for long-term growth, competitiveness, and social cohesion. This increases the need for developing up-to-date theoretical and analytical frameworks, along with practical tools that enable systemic assessment of community resilience, identification of growth points, and efficient resource management in a rapidly changing environment. The U.S. experience is particularly valuable in this regard, as it combines strategic regional development vision with local initiatives, cross-sectoral cooperation, and institutional flexibility. Analyzing this experience can provide practical guidance for Ukrainian territorial communities in their efforts to strengthen economic resilience and build a capable environment for sustainable development.

Literature Review

The issue of enhancing the economic resilience of small and medium-sized territorial communities is well-covered in international academic and analytical literature, whereas Ukrainian studies remain underrepresented. Therefore, the focus of this article is primarily on foreign sources. Research by H. Love and M. Powe [5] identifies key resilience strategies for rural communities such as local asset development, economic diversification, and the involvement of grassroots leadership in strategic planning. The use of comprehensive models that integrate social, cultural, and economic capital is highlighted as a driver of sustainable community development. Similarly, the principles of the "community resilience" framework emphasize the importance of synergy among various forms of capital – social, institutional, economic, and cultural. Local autonomy, strategic capability, and innovative governance are identified as critical success factors. D. Rad [6] offers a policy framework for rural resilience that integrates strategic planning with institutional flexibility, emphasizing adaptability in uncertain environments, collective strategy development, organizational learning, and new forms of regional cooperation.

RTI International [7] provides practical examples from small Southern U.S. towns that successfully mobilize internal resources and initiatives to respond to economic shocks and support long-term recovery through entrepreneurship and identity-building. The case of Potosi, featuring the revival of the Potosi Brewery (NADO.org [1]), illustrates how local business restoration can serve as a catalyst for economic regeneration and community strengthening.

Additionally, the Comprehensive Economic Development Strategy (CEDS) [3] stands out as a central U.S. policy tool, emphasizing inclusive planning, infrastructure and institutional investment, and economic diversification. C. Dunn [4] outlines six roles for local government in building resilient communities, from facilitating partnerships to driving innovation and crisis management through local institutions. Institutional flexibility, adaptability, and collective response are cited as key resilience criteria. The analytical report by UrbanMfg.org [2] shows how small manufacturing businesses – such as a craft brewery in Potosi – can provide economic survival mechanisms in times of shock and instability. Concepts like "community manufacturing" and the strategic use of local resources emerge as essential tools.

The study also draws from contemporary expert literature from platforms such as NADO.org, UrbanMfg.org, Brookings, FE-RN.org, RTI.org, and IIED.org, which highlight new trends and practices for building economic resilience in small and mid-sized communities across different contexts.

Despite the wide range of foreign literature, there is a lack of systematized material specifically addressing small and medium-sized territorial communities. To address this gap, the analysis relied on various scientific methods – categorizing, grouping, and systematizing information within the scope of the study, focusing on adaptive capacity, local autonomy, institutional mobility, and innovative development approaches.

Methods and Materials

The study employed a comprehensive set of methods that bridge theoretical generalization with applied analysis. These included: a systems approach to analyze territorial communities as complex socio-economic systems; structural-functional analysis to identify key components of economic resilience; content analysis for examining strategic documents and reports from international institutions (e.g., RAND Corporation, EDA, Brookings); comparative analysis to assess U.S. approaches in relation to Ukrainian community needs; case method for exploring practical implementation examples in small U.S. cities; and elements of critical analysis to evaluate the effectiveness of development policy instruments.

The materials for the study included academic publications, analytical reports, methodological documents from U.S. institutions, data from open government sources, and the author's own RECAP methodology.

The Purpose of the Article

The purpose of the article is to substantiate the theoretical and methodological foundations for strengthening the economic resilience of small and medium-sized territorial communities in the context of current challenges. In order to achieve this goal, the following tasks are to be completed: outline the theoretical foundations of community resilience; analyze the institutional and strategic models used in the U.S. to enhance economic resilience; evaluate practical case studies of resilience strategy implementation in small U.S. communities.

Research Results

Under stable conditions, a key theoretical premise for enhancing community economic resilience is the understanding of a community as a complex, dynamic socio-economic system with the capacity for adaptation, self-regulation, and recovery. According to the approach proposed by RAND Corporation [8], a community is considered resilient when it has a sustained ability to leverage available resources to respond to external shocks, recover from disruptions, and return to equilibrium without losing essential functions. This approach acknowledges the multidimensional nature of challenges – whether social, economic, or environmental – and identifies effective mobilization of internal assets and governance mechanisms as critical to successful adaptation [8].

At the core of the theoretical concept of building community resilience lies the preparedness of the population and local self-government bodies for emergency situations, as well as the long-term capacity to withstand crisis conditions and ensure development under stress. Communities with a high level of cohesion, mutual trust among residents and towards authorities, along with sufficient institutional capacity for effective governance, are better able to adapt to various types of economic shocks. In this context, resilience is defined not only by technical or infrastructural solutions, but is viewed as a social ability to foster interaction among community members and between the community and the government, creating favorable conditions for social and economic development [8]. Formation of community capital represents another theoretical foundation for the sustainable development of society. The concept of “community capital” offers a structured approach to identifying key resources, which include: physical; financial; human; intellectual; political; natural; social; cultural resources. The key resources that form community capital and ensure societal resilience are presented in table 1.

Table 1. Key resources for building community capital

Type of Capital	Description	Examples
Physical	Material resources of the community, including infrastructure, transportation networks, and public utilities.	Roads, bridges, public transport, energy networks.
Financial	Monetary and financial assets, access to capital, investments, and credit resources.	Bank accounts, investment funds, grants, local budget.
Human	Education level, population health status, professional skills, and competencies.	Schools, hospitals, vocational and technical training institutions.
Intellectual	Technologies, scientific knowledge, innovation potential, and research developments.	Startups, research institutes, innovation parks.
Political	Ability to influence decision-making processes, effectiveness of political institutions, and citizen participation.	Local councils, self-government bodies, electoral processes.
Natural	Natural resources: land, water, minerals, environmental condition, and ecosystems.	Forests, rivers, lakes, protected natural areas.
Social	Social networks, interactions among community members, level of trust and mutual support.	Community organizations, volunteer movements, hobby clubs.
Cultural	System of values, traditions, historical heritage, and community cultural identity.	Local festivals, architectural landmarks, folklore.

These resources do not exist separately or in isolation, but interact and reinforce each other, forming the population’s capacity for growth and effective management in times of crisis. The value of such a model lies in the potential for strategic planning: instead of focusing exclusively on economic challenges or tasks, the community is considered a multidimensional system where investment in one type of capital increases the effectiveness of others. For example, the development of human capital through education not only increases labor productivity but also enhances political engagement, strengthens social cohesion, and boosts the potential for innovative and creative activity. This model is suitable both for diagnosing community effectiveness and for designing strategic programs of targeted support.

Within this structure, the role of local self-government bodies is fundamental. Effective work of municipal authorities involves not only the rational management of resources but also the creation of institutional platforms to support civic initiatives. Such bodies are capable of effectively managing risks and encouraging the emergence of innovations. When upgrading urban spaces, municipalities can implement flexible financing mechanisms based on the community's trust in the authorities and investors. By optimizing permitting procedures and creating conditions for attracting various types of funding, they ensure the adaptation of projects to local market conditions, which becomes the basis for their further development [4].

Naturally, the theory of managing a sustainable society can be considered in stable conditions. However, when the state or an individual community finds itself in conditions of extreme instability, particularly as in Ukraine in areas where active hostilities are ongoing, such models require certain adaptation. Above all, the most effective approach is the delegation of authority to reliable local structures capable of adapting current governance policies to the challenges faced by a specific region. Such approaches make it possible to separate the region from general problems and identify its priority areas of development based on its own experience, resources, and conditions.

The use of participatory planning at the community level and the harmonization of the regulatory framework strengthen the tools for building trust between the community and the authorities, which is critically important in overcoming key threats [9].

In such circumstances, financing transforms from a support tool into a means of community survival and ensuring its autonomy. This approach involves creating flexible financial instruments that allow local institutions to invest in accordance with their own priorities, taking into account the local specifics of resilience building. An example is climate funds at the district level that support initiatives approved locally.

Provided there is transparency and accountability, the work of such funds gives the community key tools for overcoming its own problems. Combined with the development of local knowledge, adaptive governance, and cross-sector cooperation, these factors contribute to the formation of economically resilient communities capable of self-organization even in high-risk environments with limited resources [9].

Given the specific instability faced by communities operating in special risk conditions – at the stage of formation or transformation – there is an evident need for specialized tools capable of conducting a comprehensive analytical assessment of economic resilience, taking into account the local context, limited resources, and the need for prompt action [9].

In response to this need, the author has developed the RECAP methodology – an analytical and strategic tool designed to identify, assess, and activate growth points in small and medium-sized territorial communities. The RECAP methodology includes key components: regional scanning; economic mapping; capacity audit; accountability design; planning; prototyping. It is a comprehensive toolkit that combines quantitative and qualitative methods of data collection and analysis in conditions of high uncertainty. The body of data obtained and processed forms an adaptive framework for assessing the socio-economic situation, designing flexible interventions, and implementing accountable governance mechanisms.

Each of the five components of RECAP plays a functional role in boosting economic resilience. These are presented in Table 2.

The RECAP tool is designed for use by municipalities, local administrations, NGOs, research centers, accelerators, and foundations seeking to improve the effectiveness of their programs. Its key advantage is its grounding in real-world management and entrepreneurship experience, its adaptation to small towns and regions with high levels of uncertainty, and its integration of systems thinking with modern performance-based governance principles. This makes RECAP a practical and relevant tool for developing comprehensive and resilient economic strategies – particularly in the unstable environments that characterize many newly established territorial communities.

Table 2 – Structure of the RECAP analytical tool

Block	Title	Key content	Purpose
R	Regional Scan	socio-economic analysis of the territory (entrepreneurship, demographics, infrastructure, employment)	building a comprehensive community profile for strategic planning
E	Economic Mapping	identification of growth drivers, local business segments, cross-sectoral links	determining potential for growth, cluster development, and import substitution
C	Capacity Audit	assessment of managerial capacity and program alignment with actual needs	evaluating the effectiveness of existing business support instruments
A	Accountability Design	KPIs, reporting, public participation, feedback mechanisms	building a transparent accountability system and engaging the community
P	Planning & Prototyping	strategy design, pilot project implementation, impact assessment, adaptation	flexible strategy testing in unstable environments with scalability options

Note: structured by the author

Various theoretical approaches to strengthening economic resilience in small and medium-sized territorial communities can be illustrated through U.S. practices.

The main federal-level tool in the United States is the Comprehensive Economic Development Strategy (CEDS), developed by the U.S. Economic Development Administration. It serves as the official foundation for regional strategic planning aimed at enhancing competitiveness, optimizing resource use, and building long-term economic resilience. The program is based on broad stakeholder engagement, including municipalities, businesses, educational institutions, and civil society organizations. All of them work together to align a shared vision for regional development. An officially approved CEDS is a mandatory requirement for access to a number of federal support programs, including the Public Works Program and the Economic Adjustment Assistance Program [3].

The key conceptual basis is the integration of economic resilience into the regional development strategy. In strategic terms, this means that in the future the community will be able to withstand various challenges, including economic downturns and natural disasters, which occur fairly often in the United States. In addition, such programs help to build structural flexibility, diversify the business environment, improve access to infrastructure, and create adaptive institutions [3].

CEDS applies a two-tier approach. At the first stage, the vulnerabilities of the local economy are identified, and then, once they are recognized, theoretical and practical measures are developed to mitigate these risks, increase recovery capacity, and stimulate further growth. Resilience can be defined as a stand-alone goal, a cross-cutting priority, or an element within other strategy components; however, the most effective model is one in which resilience is integrated into all of its components [3].

Alongside strategic planning, the U.S. also applies analytical tools like the STAR model, specifically developed for rural areas. *Table 3* presents the key components of this model.

Table 3 – Components of the STAR model for assessing rural economic resilience

STAR Component	Title	Description (in English)	Role in rural resilience
S	Specific assets	land resources, geographic remoteness, social networks	unique local characteristics that can serve as development foundations—such as community cohesion and responsiveness to challenges
T	Tradeable specialization	agriculture, manufacturing, tourism	focus on export-oriented and competitive industries helps integrate rural regions into national and global markets
A	Access to urban markets	logistical, transport, and economic connections to urban centers	improves productivity through access to investment, services, consumers, and technology; supports job creation in rural areas
R	Natural resources	minerals, renewable energy potential, water and forests	supports green energy, eco-tourism, and resource-based industries; critically important amid global decarbonization trends

Note: structured by the author based on source [6].

This model enables the design of development strategies that account for unique local conditions – such as remoteness, infrastructure, sectoral specialization, and resource availability. Communities with strong social cohesion or traditional craftsmanship can leverage these assets as pillars of economic adaptation. Urban market access plays a vital role in integrating rural areas into value chains, while green energy or eco-tourism development allows for sustainable long-term use of natural resources [6].

In addition to stable institutional models focused on strategic objectives, modern economic research emphasizes the growing importance of the metacommunity approach. Its main purpose is to identify interactions between specific economic "species," which may include goods, services, or enterprises within a given community. In particular, when certain services contribute to the development of goods, and goods, in turn, stimulate the growth of services, each local economic unit functions as an independent system with its own internal dynamics and connections to other regional environments. Thus, while building internal regional resilience, it is important to ensure economic autonomy while maintaining active interaction with other regions. This approach makes it possible to gain deeper insight into spatial differentiation, interdependence, and adaptive capacity [10].

The core ideas within this paradigm include the mass effect, "source–sink" dynamics, and "species sorting." For example, in trade terms, the mass effect refers to a continuous flow of capital, goods, and knowledge from more developed to less developed regions, enabling the latter to actively grow despite internal constraints. In the context of agglomeration, this is especially relevant in large cities – centers of capital concentration – when resources are gradually redirected to smaller connected towns and villages, where the service sector develops and overall economic and regional growth is strengthened [10].

In a study of the Western United States, economic metacommunities were identified by analyzing trade flows between different subregions using the Freight Analysis Framework. The Louvain algorithm helped reveal tightly integrated regional clusters in which internal trade flows are more intense than external ones. Such empirical findings allowed researchers to classify regions by their level of economic integration as well as assess their vulnerabilities, particularly logistical disruptions. As a result, the concept gains practical significance for strategic planning, helping to identify "bottlenecks" in infrastructure development and address them to more effectively compensate for goods, information, or human flows in order to solve socio-economic challenges.

Beyond institutional and analytical levels, local initiatives play a vital role in fostering economic resilience – especially through small-town revitalization. A Brookings report shows that local leaders have implemented long-term, context-sensitive development strategies that leverage internal resources and reduce socio-economic vulnerability. These initiatives include revitalizing commercial streets, supporting small businesses, attracting new residents, redesigning public spaces, and establishing institutional support for vulnerable enterprises. Special attention is given to businesses owned by minorities, women, immigrants, and other marginalized groups. These inclusive approaches enhance both economic activity and social trust in local institutions [5].

During the COVID-19 crisis, local community organizations became key agents in assisting small businesses and vulnerable populations. Many assumed responsibilities for resource distribution, micro-financing, technical assistance, and coordination among local development actors. They also implemented public administration models for managing local programs, which helped create transparent and accountable policy implementation mechanisms. This localization of institutional capacity proved effective even in the most isolated or structurally fragile communities [5].

Let's now examine U.S. implementation in the area of economic resilience of small and medium-sized communities through the following case studies: Southern Small City Dynamism and Resilience; Community Resilience Through Small-Scale Manufacturing (Duluth, Minnesota); and the Revival of the Potosi Brewery (Wisconsin).

The RTI International study examined over 140 small towns across six southern U.S. states – Alabama, Mississippi, Tennessee, Georgia, South Carolina, and North Carolina – to identify patterns of economic dynamism and resilience. An analytical framework was developed using quantitative indicators such as private-sector job growth, real wage increases, high-tech employment share, manufacturing sector shifts, population trends, and educational attainment. This model enabled the identification of towns not only capable of recovery after economic downturns but also able to transform in response to new conditions. The most resilient communities combined employment growth with improvements in job quality, attracted skilled labor, and developed new economic sectors. Importantly, the research emphasized both economic structure and institutional capacity, especially support for entrepreneurship and human capital [7].

The case of Duluth, Minnesota, demonstrates how an industrial city in decline can revive its economy through a small-scale manufacturing strategy. Since 2015, the Lincoln Park district has undergone a transformation led by local organizations, educational institutions, and small businesses. Joint planning efforts reimagined land use, launched pilot business support initiatives, and introduced a new district branding strategy. Key elements included entrepreneur meetups, research into the potential of the craft economy, and funding for a dedicated district coordinator through LISC. The result was a functional business cluster focused on craft beer, textiles, leather goods, and related services. The district became attractive to both residents and tourists, employment rose, commercial spaces were reactivated, and long-term plans included mixed-use development and food infrastructure. Duluth thus showed how locally driven territorial management – supported by institutions – can restore economic vitality even in post-industrial contexts [2].

The Potosi case in Wisconsin illustrates the synergy of economic, historical, and social resources in revitalizing a neglected area. After three decades of abandonment, the local brewery was restored and turned into a community economic hub. Initiated by local residents, the project attracted investors and partners, including the National Brewery Museum, which boosted tourism appeal. In its first year, the brewery welcomed 50,000 visitors, later exceeding 70,000 annually. This generated a multiplier effect – 70 jobs were created, and revenues from beer, merchandise, and restaurant services grew. New hotels, event venues, and logistics services emerged, bringing the total regional economic impact to over $4.3 million. Crucially, the brewery was viewed not as an end in itself, but as a catalyst for broader development. As a result, Potosi transformed from a struggling town into a vibrant economic and tourism center with an international profile [1].

These examples clearly show that effective resilience-building in small and mid-sized U.S. communities is achieved not through universal solutions but through local adaptation, internal resource mobilization, and broad stakeholder engagement. Regardless of initial conditions – whether it be structural vulnerability in southern towns, post-industrial decline in Duluth, or economic contraction in Potosi – the common pattern was the reimagining of existing assets, formation of strategic alliances, and development of long-term frameworks. Key factors included institutional initiative, social mobilization, and the ability to turn local efforts into systemic economic transformation.

Conclusions

In theoretical terms, strengthening the economic resilience of small and medium-sized territorial communities is understood as building the capacity to adapt, recover, and grow amid instability. The core conceptual frameworks – "community resilience" and "community capitals" – highlight the multidimensional nature of communities and the need for synergy between social, institutional, economic, and cultural forms of capital. Within this framework, institutional flexibility, local autonomy, collective strategy-making, and innovative governance emerge as critically important. The RECAP methodology introduced in the study offers an example of an analytical tool adapted to the realities of communities operating in high-uncertainty environments.

The implementation of economic resilience in the U.S. is realized through the systematic integration of strategic planning, institutional development, and regional partnerships. The central federal mechanism is the Comprehensive Economic Development Strategy (CEDS), which is based on broad stakeholder participation and focuses on structural diversification, infrastructure modernization, and institutional adaptation. Alongside this, specialized analytical tools are used, such as STAR – for assessing rural resilience – and the concept of economic metacommunities – for mapping network interdependencies and optimizing resource flows. These instruments enable both long-term strategic vision and rapid response in crisis scenarios.

Practical cases from the U.S. confirm the effectiveness of locally rooted approaches to building resilience. Development models implemented in southern small towns, in Duluth (Minnesota), and in Potosi (Wisconsin) illustrate communities' ability to mobilize internal assets, transform crisis situations into growth opportunities, and generate long-term institutional responses. Key elements in these examples include community-led initiatives, support for small businesses, entrepreneurship development, and redefinition of economic identity. The U.S. experience demonstrates that a comprehensive approach –at the intersection of strategic planning, institutional adaptability, and practical implementation – is essential for building resilient local economies.

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