

Bruneckiene, Jurgita; Sinkiene, Jolita; Gaule, Egle; Zykiene, Ineta

**Working Paper**

## Economic Vitality of Communities for Urban Development: the Case of the Cities from Country of Small Economy

Institute of Economic Research Working Papers, No. 113/2017

**Provided in Cooperation with:**

Institute of Economic Research (IER), Toruń (Poland)

*Suggested Citation:* Bruneckiene, Jurgita; Sinkiene, Jolita; Gaule, Egle; Zykiene, Ineta (2017) :  
Economic Vitality of Communities for Urban Development: the Case of the Cities from Country  
of Small Economy, Institute of Economic Research Working Papers, No. 113/2017, Institute of  
Economic Research (IER), Toruń

This Version is available at:

<https://hdl.handle.net/10419/219935>

**Standard-Nutzungsbedingungen:**

Die Dokumente auf EconStor dürfen zu eigenen wissenschaftlichen  
Zwecken und zum Privatgebrauch gespeichert und kopiert werden.

Sie dürfen die Dokumente nicht für öffentliche oder kommerzielle  
Zwecke vervielfältigen, öffentlich ausstellen, öffentlich zugänglich  
machen, vertreiben oder anderweitig nutzen.

Sofern die Verfasser die Dokumente unter Open-Content-Lizenzen  
(insbesondere CC-Lizenzen) zur Verfügung gestellt haben sollten,  
gelten abweichend von diesen Nutzungsbedingungen die in der dort  
genannten Lizenz gewährten Nutzungsrechte.

**Terms of use:**

*Documents in EconStor may be saved and copied for your personal  
and scholarly purposes.*

*You are not to copy documents for public or commercial purposes, to  
exhibit the documents publicly, to make them publicly available on the  
internet, or to distribute or otherwise use the documents in public.*

*If the documents have been made available under an Open Content  
Licence (especially Creative Commons Licences), you may exercise  
further usage rights as specified in the indicated licence.*



<https://creativecommons.org/licenses/by/3.0/>



Institute of Economic Research Working Papers

No. 113/2017

**Economic Vitality of Communities for Urban Development: the Case of the Cities from Country of Small Economy**

**Jurgita Bruneckiene, Jolita Sinkiene, Egle Gaule,  
Ineta Zykiene**

**Article prepared and submitted for:**

**9<sup>th</sup> International Conference on Applied Economics Contemporary Issues in Economy, Institute of Economic Research, Polish Economic Society Branch in Toruń, Faculty of Economic Sciences and Management, Nicolaus Copernicus University, Toruń, Poland, 22-23 June 2017**

**Toruń, Poland 2017**

© Copyright: Creative Commons Attribution 3.0 License

Jurgita Bruneckiene<sup>1</sup>, Jolita Sinkiene<sup>2</sup>, Egle Gaule<sup>3</sup>, Ineta Zykiene<sup>4</sup>

jurgita.bruneckiene@ktu.lt

<sup>1,4</sup> Kaunas University of Technology, School of Economics and Business,  
Gedimino str. 50, Kaunas LT-44239, Lithuania

<sup>2,3</sup> Kaunas University of Technology, Institute of Public Policy and Administration,  
A. Mickevičiaus str. 37, Kaunas, LT-44244, Lithuania

## **Economic Vitality of Communities for Urban Development: the Case of the Cities from Country of Small Economy**

**JEL Classification:** *R11; P 32; P35;*

**Keywords:** *economic vitality, community, cities, urban economic development*

### **Abstract**

Economic vitality of community is one of the main factors and conditions for successful urban development. The article present the theoretical and empirical analysis of the concept of economic vitality of urban community in the country of small economy. The objective of the paper is to identify the challenges and factors of improving the economic vitality of community in cities of a country with a small economy and to develop the strategic recommendations and measures for strengthening the economic vitality of the community. Methods used: literature studies, document analysis, statistical data analysis, expert interview, survey, case analysis, Space Syntax analysis. The research showed that the communities in the country of small economy are still not entrepreneur and economically vital; there's a lack of cooperation cultural and experience among of communities and businesses; there are favorable conditions to promote community (economic) vitality. Strategies to encourage and facilitate business and community cooperation at the local government level are necessary. Communities and companies are ready to cooperate together, but the cooperation based on shared value is not grown up yet. The article concludes with recommendations for promotion the vitality of communities and cooperation with business.

### **Introduction**

The concept of urban community vitality is multifunctional and combines social, economic, governance and spatial aspects. Many factors affect the community vitality. If we don't identify these factors, it is difficult to maintain and support it. Although scientists variously describe a vital community, there is the lack of definitions from economic point of view. In

most cases, the economic literature examines this concept through the Community Economic Development approach. The lack of a detailed analysis of the concept from the economic point of view burden the possibility of strengthening the economic vitality of community in a more methodologically justified way.

There's no doubt about the positive impact of economic vitality of community on urban economic development. The scientific literature highlights that vitality of local community can make the difference between success and failure of the city. Active and well-functioning urban communities create favorable, supporting environment for individual or group initiatives, business and innovations. The main problem faced by researchers is the methodological way, how to strengthen the (economic) vitality of communities. Based on the fact, that viable community has strong, active and inclusive relationships between resident, private sector, public sector and civil society organizations, the main attention should be oriented to the identification of factors and circumstances, which stimulate these relationships.

The objective of the paper is to identify the challenges and factors of improving the economic vitality of community in cities of a country with a small economy and to develop the strategic recommendations and measures for strengthening the economic vitality of the community.

## **Research Methodology**

These research methods were used: literature studies, document, statistical data analysis, expert interview, survey, case analysis, Space Syntax analysis. Authors of the research first of all conducted a wide analysis of scientific literature to clarify the main concepts of the research. Analysis of various government documents and statistical data review helped to determine specific institutional approaches to local (urban) communities and their development. Cases analysis were used to present the specific of community vitality. Based on the literature and document analysis, the survey for assessing the economic vitality of the communities was prepared. To reveal and assess economic vitality of the communities, Kaunas City (second city in Lithuania) was selected. Based on expert interview and Space Syntax analysis, seven territorial communities from Kaunas city were selected. These territories were selected as the analysis showed that these areas are distinguished as ones with high potential of the active local community, i.e. where the main functional axis is characteristic of relatively higher opportunities of integration of individuals and functions. This was also approved by the Board of the Kaunas City Municipality and managers of the Association of Kaunas City Local Community Centres. The respond-

ents of this empirical research were the representatives of seven Kaunas city local communities (managers and members 98 persons total) and economic entities (335 in total), which are acting and/or have registered their main offices in the territory of these communities.

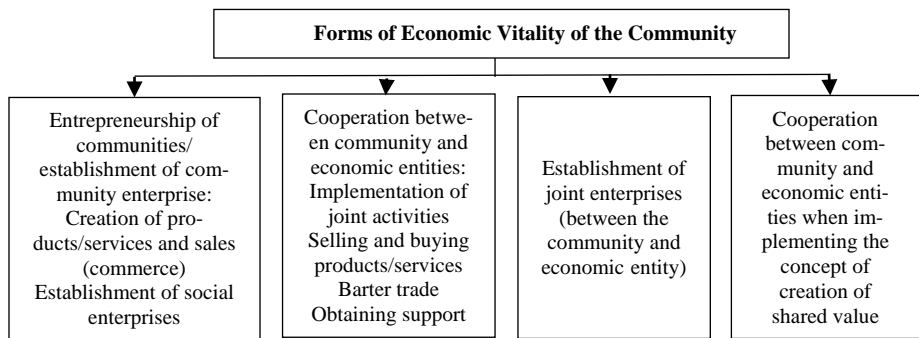
**The Concept of Economic Vitality of Urban Community**

Economic vitality of community is not a new concept in the literature. Most of the scientists (Dze’l Kant Friendship Centre Hall, 2015, Bates, Robb, 2014, Phillips, 2003, Green, 2001, North Central Regional Centre for Rural Development, 1999) provide their own definition of a community vitality. The authors generally combine all four dimensions – economic, social, managerial, and environmental – in their definitions and they analyse it through the concept of Community Economic Development. Based on that approach, the urban community in this article is defined as individuals, entities of private and public sectors, organizations of civil society residing, working, and/or operating in an urban territory with clearly expressed spatial identity (in the whole of a city or part thereof), having a sense of shared identity and a common interest in individual and social well-being.

The literature provides various definitions of economic vitality, but the contemporary literature (Jucevičius et al, 2015, Porter et al, 2012, Porter, Kramer, 2011, Pihkala et al, 2007, Smailes 1995) emphasizes that the success of economic development is more frequently determined by dynamic capacities rather than by static factors and resources. According to Porter and Kramer (2011), one of the approaches pointing out pursuit of shared goals between the community and business entity is the concept of shared value. Based on that approach, the economic vitality of the community is understood as an ability of the community to maintain itself and create individual and social well-being for a sufficient period of time through cooperation, business development and creation of shared value.

**Main Forms of Economic Vitality of the Community**

Main forms of economic vitality of the community are provided in Figure 1.



### **Fig. 1. Forms of Economic Vitality of the Community**

Various literature sources provide an abundance of examples, especially from rural areas, where the community aiming at improving its quality of life established the enterprise to develop the community business. For instance, the community of Budraičiai (Lithuania) established its micro-enterprise engaged in processing fruit, vegetables and juicing in 2010. The community earns income to develop its activity and maintain the building, also creates jobs for locals. Social enterprises are singled out as an additional form of entrepreneurship of the communities by the scientists (Pilipavičius, 2011, Defourny, Nyssens, 2010, Trembley et al, 2010). The Full House Community may serve as an example: in the territory of Dzūkija National Park (Lithuania) it applies spiritual development and work therapy, helps addicts and socially excluded people to recover and re-integrate in society.

The success and prospects of the activity of community-based organisations in a residential area highly depend on their ability to involve various subjects of economy. The communities cooperate with economic entities in various ways (see Figure. 1). The example concerns the relationship between Raudondvaris community and business: a resident of the territory started making flavouring of hot pepper and had an opportunity to present them at a trade fair initiated by the community. The local community also presented the works of the cook on other various events. Due to information boost and advertising, the product market expanded, which resulted in the establishment of the enterprise. The modernisation of the website was done by photographer and IT specialist from the same community for free. In exchange for community's support, the enterprise allocates its products to activities of the community. The enterprise also conducts educational programmes for children in its industrial kitchen.

The establishment of a joint company between the community and economic entity is still rarely observed in practice, especially in small economies.

Porter, Kramer (2011), Porter et al (2012) emphasize that the concept of shared value is a new approach in business development. This concept recognises that the enterprise will be more viable, where the community is more viable. An example provided by Porter, Kramer (2011) demonstrated

that fair trade may increase farmers' income from 10% to 20%, while share value investments may increase their income by more than 300%.

There is no doubt that economically vital communities directly contribute to the economic, social and spatial development of the territory. In order to identify and assess the economic vitality of local communities in a country of small economy, an empirical research was carried out in Kaunas city.

### **Empirical Research of Local Communities as Active Actors of Urban Economies**

The research showed that a very small number (18 %) of communities identify their core function as economic - commercial. This shows that the community is still not entrepreneur and economically viable. Usually community cooperates with other organizations, but not with local economic entities. This proves, that in the countries of small economies, there's lack of communities and business cooperation cultural and experience. Most of the communities (75 %) told that they have business ideas and sufficient qualified members for doing business. Most of the communities (87 %) agree that the community can be an appropriate business partner. This proves, that in the countries of small economy, there's favorable conditions to promote community (economic) vitality. The main reasons of lack of cooperation between communities and economic subjects are: information about each other; initiation from both side, especially from community; lack of resources; not identified areas of cooperation.

The survey showed positive intentions of economic entities to cooperate with the local community in the future, but in the meantime the majority of respondents (63.1%) do not cooperate with the local community. The representatives of economic entities identified a lack of information (84.2%) and unknown cooperation areas/opportunities (80%) as the main reasons impeding cooperation with local communities. The lack of resources and initiatives from both parties also serves as a significant reason impeding the mutual cooperation. Empirical research highlighted one more trend: larger companies employing more than 11 employees are more prepared for cooperation between economic entities and local communities. The enterprises that employ up to 10 employees emphasized that a lack of resources (time, human) is an important reason impeding cooperation. It may be easier for larger companies to find resources necessary to develop cooperation. Almost 50% of economic entities do not see the benefit in cooperation. Bureaucratic/legal regulations are not treated as factors hindering mutual cooperation.

The most acceptable form of cooperation with communities for economic entities is information (73.6%) and intellectual (63.1%) support of the local community. The domination of this form of cooperation was caused by the absence of common ground between economic entities and local communities to date and profit earning of economic entities by using communities (cooperation will help increase trademark or economic entity awareness, form a positive attitude of the public towards a product or company). Another group of economic entities which had a positive approach to cooperation with a local community as an acceptable form of cooperation singled out the implementation of joint projects/events (60%) and physical support (52.7%). Slightly less than 50% of economic entities pointed out the receipt of material support, but mostly it relates to the attitude of economic entities towards the community as a market (acquisition of products/services) rather than as a potential cooperation partner. Less than a half (42.2%) of respondents mentioned an opportunity to acquire services from the local community. The establishment of a joint company is a completely unacceptable form of cooperation. Economic entities would find cooperation with local communities most acceptable for their own economic reasons: increasing the number of clients, awareness of a trademark and organisation, finding suitable employees, positive attitude of the public towards the formation of an organisation, and expressing customers' views. Territorial environmental planning and expressing new ideas for development of joint activities are less attractive to economic entities compared to the afore-mentioned benefit gained from cooperation. Economic entities do not need the consultations from the members of the community in the field of their competences and support by contributing to the existing or new services provided. Economic entities could contribute to the vitality of the community by admitting the members of the community to practice (68.4%) or employing them (50%), by consulting the community (55.6%) and implementing joint projects (55.5%). Buying services/products from the community or establishment of a joint company is not an acceptable instrument to maintain and strengthen the vitality of the community for economic entities.

## **Conclusions**

The vitality of a community is a multi-aspect concept. It may be analysed through the following aspects: social, economic, public management, and spatial. The assessment of economic vitality of communities is rather complicated as it is more of a qualitative rather than quantitative expression. In order to assess the expression of economic vitality of the community it is most reasonable to conduct expert and questionnaire surveys.



To determine and assess the level of economic vitality of the community, the community “lifecycle” matrix, developed by Centre for Innovative & Entrepreneurial Leadership in 2014, may be used. Empirical research let to state, that the analysed communities, according to economic vitality, are attributed to the Emergence Phase. It must be noted that the community may be attributed to another level of maturity based on other vitality dimensions.

Empirical research revealed the following trends:

- The theoretical definition of communities, provided in the article, doesn’t exist in practice yet. Economic entities doesn’t identify themselves as a part of local community. Usually private persons identify themselves as a member of community.

- The communities are not efficient entrepreneur and are able to support itself without the support of public institutions. There’s a lack of cooperation culture between communities and businesses, as well as of experience in the countries of small economies.

- There’s favourable conditions enabling the promotion of economic vitality of communities. There’s the necessity to raise community awareness and strengthen their entrepreneurship.

- The entities of the community and economy are already mature for cooperation; however, the cooperation which is based on creation of shared value is not likely to happen yet.

- The collaboration between economic entities and local communities is developing stronger when the community organizational structure is established and mature, characterized by strong internal governance.

The following recommendations are based on the results of the empirical study:

1. Awareness-raising of local communities and their activities.
2. Promotion of good practices of collaboration between local communities and local economic actors (with emphasis on the benefits of collaboration).
3. Promotion of joint meetings between local communities and local economic actors, to establish and strengthen contacts, to discuss possibilities for collaboration, to seek common aims.
4. Preparation of strategies/action plans of local communities for collaboration with local economic actors (individuals, companies and institutions).
5. To develop community entrepreneurship capacities through training (development of ideas and action plans for collaboration), sharing of information, promotion of best foreign and Lithuanian experiences.

6. To increase the general awareness about products / services of local communities. For example, to create special local communities “e-market” platforms.

7. To increase the awareness of the “shared value” concept.

## References

- Bates, T., Robb, A. (2014). Small-business vitality in America’s urban minority communities. *Urban Studies*, Vol. 51(13), p. 2844–2862. DOI: <https://doi.org/10.1177/0042098013514462>
- Centre for Innovative & Entrepreneurial Leadership (2014). Communities “Life Cycle” Matrix. Internet access: <http://theciel.com/wp-content/uploads/2014/08/Communities-Matrix-CIEL-v-2.2-.pdf>
- Defourny, J., Nyssens, M. (2010). Conceptions of Social Enterprise and Social Entrepreneurship in Europe and the United States: Convergences and Divergences. *Journal of Social Entrepreneurship*, Vol 1 (1), p. 32 - 53. DOI: 10.1080/19420670903442053
- Gartner, W. B., Shaver, K. G., Carter, N. M., Reynolds, P. D. (2004). Handbook of Entrepreneurial Dynamics – The Process of Business Creation. SAGE Publications, 608 p.
- Green, G. P. (2001). Amenities and Community Economic Development: Strategies for Sustainability. *Journal of Regional Analysis and Policy*, Vol. 31, Issue 2, p. 61-75.
- Jucevičius, R., Bruneckienė, J., Gerd-Bodo von Carlsburg. (2015). International Practices of Smart Development. Series: Baltische Studien zur Erziehungs- und Sozialwissenschaft, 273 p.
- North Central Regional Center for Rural Development (1999). Measuring Community Success and Sustainability: An Interactive Workbook. Internet access: <http://ncrcrd.msu.edu/uploads/files/133/ncrcrd-rrd180-print.pdf>
- Peredo, Chrisman (2006). Toward a Theory of Community-Based Enterprise. *The Academy of Management Review*, Vol. 31, No. 2, p. 309-328
- Phillips, R. (2003). Community indicators. American Planning Association Planning and Advisory Service Report Number 517. Internet access: <http://www.planning.org/pas/reports/subscribers/pdf/PAS517.pdf>
- Pihkala, T., Harmaakorpi, V., Pekkarinen, S. (2007). The role of Dynamic Capabilities and Social Capital in Breaking Socio – Institutional Inertia in Regional Development. *International Journal of Urban & Regional Research*, Vol. 31, Iss. 4, p. 836 – 852. DOI:10.1111/j.1468-2427.2007.00757.x
- Pilipavičius, V. (2011). Bendruomeninio verslumo formavimas ir kaimo vietovių konkurencingumo stiprinimas. *Ekonomika ir vadyba: aktualijos ir perspektyvos*, No. 4 (24), p. 169-178.
- Porter, M. E., Hills, G., Pfitzer, M., Patscheke, S., Hawkins E. (2012). Measuring Shared Value: How to Unlock Value by Linking Social and Business Results. Internet access: [http://www.hbs.edu/faculty/Publication%20Files/Measuring\\_Shared\\_Value\\_57032487-9e5c-46a1-9bd8-90bd7f1f9cef.pdf](http://www.hbs.edu/faculty/Publication%20Files/Measuring_Shared_Value_57032487-9e5c-46a1-9bd8-90bd7f1f9cef.pdf)

- Porter, M. E., Kramer, M. R. (2011). Creating Shared Value. *Harvard Business Review*, Vol. 89, Issue 1/2, p. 62-77.
- Tremblay, C., Gutberlet, J., Peredo, A. M. (2010). United We Can: Resource recovery, place and social enterprise. *Resources, Conservation and Recycling*, Vol. 54, Issue 7, p. 422–428. DOI:10.1016/j.resconrec.2009.09.006
- Smailes, P. (1995). The enigma of social sustainability in rural Australia. *Australian Geographer*, Vol. 26(2), p. 140-150. DOI: 10.1080/00049189508703143