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Adaptive Development of Small Entrepreneurship under Contemporary Challenges

Abstract. Introduction. Modern challenges of small business development in Ukraine, caused by martial law and prolonged socio-economic instability, have actualized adaptive development as the dominant and virtually unalternative mode of business functioning. War risks, destruction and fragmentation of production and logistics infrastructure, limited access to financial resources, shortage of labor capital, forced relocation of enterprises, as well as increasing regulatory and market uncertainty have radically transformed the environment of small business functioning. Under such conditions, traditional concepts of development, based on linear growth, expansion and scaling of activities, do not reflect the real trajectories of small business functioning.

Purpose. The purpose of the article is to substantiate the conceptual principles of adaptive development of small business in the context of modern challenges and to determine its key characteristics, forms and determining conditions for implementation in the context of wartime and prolonged economic instability.

Results. The article clarifies the essence of adaptive development as a nonlinear, situationally determined and continuous process focused on preserving the viability of entrepreneurship and ensuring the continuity of its functioning, rather than on achieving quantitative growth indicators. It is proven that adaptive development is implemented mainly through short- and medium-term management decisions aimed at increasing the flexibility of business models, diversification of activities, digitalization and prompt response to external shocks. The author's classification of types of small business development is proposed according to the influence of external conditions, directions of changes, scales of transformations and sources of development. The economic, institutional, social, technological and political conditions that form the adaptive potential of small businesses under martial law are systematized.

Conclusions. Adaptive development is defined as a specific form of small business evolution in conditions of systemic instability, which forms the basis for increasing the resilience of entrepreneurship, structural restructuring and creating sustainable recovery trajectories in conditions of high variability and uncertainty of the economic environment.

Keywords: adaptive development; small business; modern challenges.

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Адаптаційний розвиток малого підприємництва в умовах сучасних викликів

Анотація. Сучасні виклики розвитку малого підприємництва в Україні, зумовлені воєнним станом та тривалою соціально-економічною нестабільністю, актуалізували адаптаційний розвиток як домінуючий і фактично безальтернативний режим функціонування бізнесу. Воєнні ризики, руйнування та фрагментація виробничої й логістичної інфраструктури, обмежений доступ до фінансових ресурсів, дефіцит трудового капіталу, вимушена релокація підприємств, а також зростання регуляторної та ринкової невизначеності докорінно трансформували середовище функціонування малого підприємництва. За таких умов традиційні концепції розвитку, засновані на лінійному зростанні, розширенні та масштабуванні діяльності, не відображають реальних траєкторій функціонування малих підприємств.

Мета. Метою статті є обґрунтування концептуальних засад адаптаційного розвитку малого підприємництва в умовах сучасних викликів та визначення його ключових характеристик, форм і визначальних умов реалізації в контексті воєнного часу та тривалої економічної нестабільності.

Результати. У статті уточнено сутність адаптаційного розвитку як нелінійного, ситуаційно зумовленого та безперервного процесу, орієнтованого на збереження життєздатності підприємництва та забезпечення безперервності його функціонування, а не на досягнення кількісних показників зростання. Доведено, що адаптаційний розвиток реалізується переважно через коротко- та середньострокові управлінські рішення, спрямовані на підвищення гнучкості бізнес-моделей, диверсифікацію діяльності, цифровізацію та оперативне реагування на зовнішні шоки. Запропоновано авторську класифікацію видів розвитку малого підприємництва за впливом зовнішніх умов, напрямками змін, масштабами трансформацій і джерелами розвитку. Систематизовано економічні, інституційні, соціальні, технологічні та політичні умови, що формують адаптаційний потенціал малих підприємств в умовах воєнного стану.

Висновки. Адаптаційний розвиток визначено як специфічну форму еволюції малого підприємництва в умовах системної нестабільності, яка формує основу для підвищення стійкості підприємництва, структурної перебудови та створення сталих траєкторій відновлення в умовах високої мінливості та невизначеності економічного середовища.

Ключові слова: адаптаційний розвиток; мале підприємництво; сучасні виклики.

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Problem Statement. Under conditions of martial law and prolonged socioeconomic instability, small entrepreneurship in Ukraine operates in an environment of contemporary challenges that fundamentally transform traditional development conditions. The destruction of production and logistics infrastructure, limited access to financial resources, labor shortages, heightened risks, and overall uncertainty require a reevaluation of established approaches to analyzing small business development.

This study understands contemporary challenges as a set of interrelated factors—including martial law, economic instability, supply chain disruption, workforce losses, and the need to adapt to the European competitive environment—that create an environment of heightened uncertainty. Under these conditions, small enterprise development becomes adaptive, focusing on preserving business viability and gradually transforming business models.

Most existing studies are based on the assumption of relative economic stability and emphasize linear growth and business expansion. However, current conditions in Ukraine are marked by nonlinearity and fragmentation, with adaptive strategies prevailing over growth-oriented ones. Consequently, the concept of "development" must be redefined in wartime, as it increasingly reflects continuous adaptation, managerial adjustments, and market reorientation rather than quantitative expansion.

These contradictions determine the relevance of analyzing small business development through the lenses of adaptation, resilience, and transformational change.

Analysis of recent research and publications. In Ukrainian economic scholarship, the development of entrepreneurship is examined within a range of complementary conceptual frameworks, including the knowledge-based economy, innovative and sustainable development, the cluster approach, the theory of territorial social capital, institutional economics, entrepreneurial ecosystems, social entrepreneurship, and the concept of the entrepreneurial state. In particular, N. Pedchenko interprets enterprise development as a process of functioning and evolution oriented toward the long-term perspective and the system's ability to overcome internal and external contradictions [7]. A similar position is held by N. Krasnokutska, who considers development through structural changes that enhance an enterprise's resources, competencies, and capabilities [6]. Ye. Syta defines development as an irreversible process of quantitative and qualitative change aimed at increasing enterprise competitiveness throughout its life cycle [9].

Special attention is paid to the determinants of entrepreneurial development by V. Strilets, who defines it as a coordinated set of positive quantitative and qualitative changes that ensure effective risk management under conditions of national economic transformation [10]. In the context of small businesses,

O. Kovalyk interprets development as a continuous process of change associated with rational management and the search for new growth and efficiency opportunities [5]. K. Ivanchuk emphasizes expanding the scale of business, evolving the internal state of the enterprise, and enhancing its adaptability [3]. V. Zanora suggests analyzing enterprise development on scientific-theoretical, methodological, methodological, and applied levels to comprehensively assess the evolution of economic entities [2].

Most studies on small business development in Ukraine were conducted under the conditions of a relatively stable peacetime economy. However, Russia's armed aggression has led to profound transformations, necessitating a revision of traditional approaches and intensifying scholarly attention to business adaptation and resilience in uncertain conditions. One such direction is the theory of the adaptive resilience of small businesses, as presented by O. Pryhara and V. Yarosh-Dmytrenko [8], V. Kinarov and V. Alkema [4], and V. Khalina and Ye. Abielientsev [11], as well as A. Datsiuk, K. Protsak, and T. Horodnia [1].

Despite the growing number of studies in this field, the issue of small enterprise development under martial law remains insufficiently systematized. This underscores the need for further research aimed at developing a comprehensive, adaptive approach to analyzing this topic in the context of contemporary challenges.

Formulation of research goals. The purpose of the article is to substantiate the theoretical and methodological foundations of adaptive development of small entrepreneurship under contemporary challenges caused by martial law and prolonged socioeconomic instability, as well as to identify the key characteristics, forms, and conditions for the implementation of such development.

Presentation of the main research material. Contemporary challenges influence the functioning of small entrepreneurship through a set of internal and external constraints. These include the ongoing military conflict, disruptions in logistics and energy supply chains, labor shortages, limited access to financial resources, increasing global economic risks, as well as the need to adapt to the standards and competitive environment of the European Union. Under such conditions, small enterprise development acquires a multidimensional character and is implemented through various trajectories, which makes it impossible to reduce it to a single universal model. This determines the relevance of refining and expanding approaches to the classification of types of small business development, taking into account adaptive mechanisms, the level of enterprise resilience, directions and scales of transformations, and sources of change. The author's generalized classification of types of small business development is presented in Figure 1.

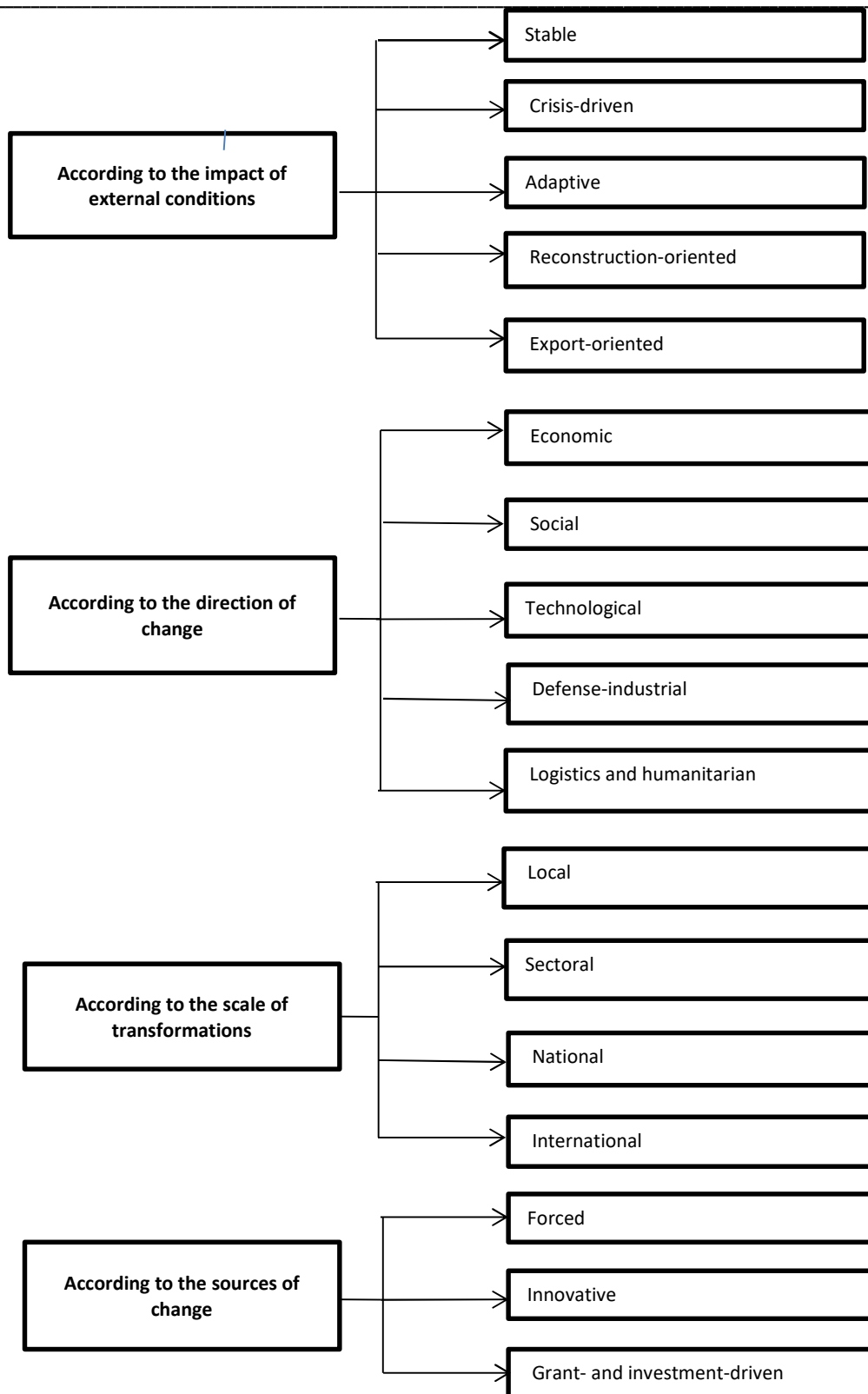


Figure 1 – Classification of types of small entrepreneurship development under contemporary challenges.

Source: developed by the author

Given the impact of external conditions, it is reasonable to distinguish between stable, crisis-driven, adaptive, reconstruction-oriented, and export-oriented development. Stable development involves maintaining

business operations without significantly transforming the business model. It focuses on preserving the existing level of activity. Crisis-driven development occurs under the influence of external shocks, particularly military

action, and focuses on enterprise survival, cost optimization, and preserving core operations. Adaptive development is associated with small businesses' ability to promptly modify their strategies, managerial decisions, and product or service offerings in response to environmental changes. Reconstruction-oriented development focuses on restoring enterprises and production infrastructure damaged by military action. Export-oriented development involves reorienting activities toward foreign markets to diversify income sources and reduce internal risks.

According to the direction of change, small entrepreneurial development may be economic, social, technological, defense-industrial, logistical, or humanitarian in nature. Economic development aims to restore production, employment, and business activity. Social development involves meeting societal needs, supporting vulnerable population groups, and maintaining social cohesion. Technological development involves digitalizing business processes, automating them, and implementing innovative solutions. Defense-industrial development encompasses small enterprises' activities in meeting national security and defense needs. Logistics and humanitarian development relate to organizing transportation, providing humanitarian aid, and supporting internally displaced persons.

According to the scope of the transformations, the development of small entrepreneurship can be classified as local, sectoral, national, or international. Local development is limited to a specific community or region, while sectoral development involves transformations within particular economic sectors. National development involves the implementation of state programs for economic support and recovery. International development integrates small businesses into global markets and involves cooperation with international partners.

According to the sources of change, small entrepreneurial development may be forced, innovative, or driven by grants and investments. Forced

development is a response to external shocks and crises. Innovative development is based on introducing new technologies, products, and non-standard business solutions. Grant- and investment-driven development involves attracting financial resources from international funds, donor programs, and investment instruments.

In environments of martial law and prolonged instability, traditional notions of development as gradual, linear growth or business expansion are increasingly inadequate for small entrepreneurs. Experience shows that the primary objective of most small enterprises is not to expand activity volumes but to preserve the ability to operate with limited resources, heightened risks, and constant uncertainty. In such circumstances, the development of small businesses should be considered an adaptive process in which enterprises transform their internal structures, managerial decisions, and modes of interaction with the market environment. In this context, development is primarily associated with resilience, flexibility, and the ability to establish new operational trajectories rather than achieving maximum growth rates. An important characteristic of this type of development is that decisions are situational, meaning managerial actions are formed based on the current state of the environment rather than long-term forecasts.

In our view, adaptive development does not have a clearly defined end goal. Rather, it is an ongoing process of responding to changes in external conditions. This form of development creates prerequisites for gradually recovering entrepreneurial activity, preserving jobs, and forming foundations for further growth in the post-crisis period. Thus, there is a need to generalize the key characteristics of the adaptive development of small entrepreneurship. This allows us to systematize its content, objectives, and results under conditions of martial law and high uncertainty. The author's generalized characteristics of adaptive development of small entrepreneurship are presented in Table 1.

Table 1 Characteristics of adaptive development of small entrepreneurship

Feature	Content
Development goal	Preservation of business viability and continuity of operations
Nature of development	Nonlinear, situational
Primary focus	Adaptation to changes in the external environment
Key instruments	Flexible business models, digitalization, diversification
Outcome	Resilience and capacity for transformation
Planning horizon	Short- and medium-term

Source: developed by the author

The characteristics of the adaptive development of small businesses presented in the table reflect a shift in emphasis from the traditional understanding of development as linear growth to an interpretation of development as a process of maintaining business viability in conditions of heightened uncertainty. The

identified features suggest that, under contemporary conditions, small business development is achieved through nonlinear, situational managerial decisions primarily oriented toward adapting to changes in the external environment.

Flexible business models, digitalization, and diversification are key instruments for maintaining enterprise resilience in the short and medium term. Simultaneously, achieving resilience and the capacity for transformation establishes the foundation for the gradual recovery of entrepreneurial activity and creates the prerequisites for the further development of small businesses in the post-crisis period.

Thus, the adaptive approach makes it possible to consider the development of small entrepreneurship under contemporary challenges as a process of continuous adjustment, in which stability and flexibility are key conditions for preserving and evolving

businesses. In this context, the need to refine theoretical approaches to classifying enterprise development types becomes increasingly relevant, as traditional models were formed under conditions of relative economic stability.

In view of the above, under conditions of martial law, small entrepreneurship development should be considered through the prism of its adaptive nature, which necessitates the clarification of the substantive characteristics of this form of development. To systematize the key features of adaptive development of small entrepreneurship, its main characteristics have been generalized and are presented in the table

Table 2 Characteristics of adaptive development of small entrepreneurship

Feature	Content
Essence of development	A process of continuous adaptation of small entrepreneurship to changes in the external environment
Dominant objective	Preservation of business viability and continuity of operations
Nature of changes	Nonlinear, situational, with a high dependence on external conditions
Managerial decision horizon	Short- and medium-term
Primary managerial focus	Flexibility of business processes and rapid response to challenges
Key outcome	Resilience and capacity for further transformation

Source: developed by the author

The adaptive development of small businesses under martial law should be considered a specific form of development. Rather than focusing on quantitative growth of performance indicators, this form of development prioritizes preserving enterprise viability and ensuring the ability to promptly respond to changing external challenges. This type of development is characterized by nonlinearity and situational conditionality. It is implemented mainly through short- and medium-term managerial decisions. At the same time, adaptive development involves more than maintaining current operations; it also establishes prerequisites for further transformation and recovery of small businesses in the post-crisis period.

Thus, the adaptive development of small entrepreneurship is shaped by a set of operating conditions that determine the boundaries of possible managerial decisions, the nature of economic agents' responses to external shocks, and the overall potential for further structural change. These operating conditions act as fundamental determinants in selecting the development trajectories of small businesses under martial law. They define the depth, speed, and direction of adaptive processes.

In this regard, there arises an objective need to systematize the conditions influencing small entrepreneurship development in order to identify key factors that, on the one hand, enhance the adaptive capacity of businesses and, on the other hand, form structural constraints on their existence and growth.

Within this study, it is appropriate to distinguish the conditions that determine opportunities or limitations for the functioning and development of small businesses,

encompassing both internal and external factors, including:

- the business environment, comprising regulatory conditions, the level of competition, and the state of infrastructure;
- access to resources, including financial, human, and natural resources;
- market conditions and the level of demand for goods and services;
- legal and political conditions, which may either stimulate or restrain small entrepreneurship development.

Based on the conducted research, the conditions influencing small entrepreneurship development can be grouped into the following main categories:

1. Economic conditions – factors related to financial stability, access to credit resources, tax incentives, and other economic support instruments.
2. Institutional conditions – legislative, regulatory, and legal aspects that shape the legal environment for doing business.
3. Social conditions – human resources, education level, availability of skilled labor, as well as cultural and social norms.
4. Technical and technological conditions – availability of advanced technologies, innovations, and infrastructure for small businesses.
5. Political conditions – government stability, governance effectiveness, and external policy and economic relations.

Conclusions. This study organizes approaches to interpreting small entrepreneurial development and shows how traditional concepts are limited by

contemporary challenges caused by martial law. Methods developed during periods of relative socioeconomic stability do not reflect the current environment, where adaptability is the defining feature of small business development in Ukraine.

The study substantiates that small entrepreneurial development under contemporary conditions is nonlinear and should be understood as an adaptive process aimed at preserving business viability and continuity of operations. Adaptive development is primarily implemented through short- and medium-term

managerial decisions focused on business process flexibility and rapid response to external challenges, resulting in enhanced enterprise resilience and capacity for post-crisis transformation.

The proposed classification of development types categorizes possible trajectories according to external conditions, directions of change, scale of transformation, and sources of development. This classification can serve as an analytical basis for further research and for designing practical support mechanisms for small businesses during Ukraine's post-war economic recovery.

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