CONTRIBUTIONS OF THE UNIVERSITY OF GEORGIA TO ECONOMIC DEVELOPMENT: A NEW PERSPECTIVE OF HOW BUSINESS OWNERS PERCEIVE THE UNIVERSITY EFFECTS ON THE COMMUNITY

by

STEVEN M BETTNER

(Under the Direction of Robert Toutkoushian)

ABSTRACT

Universities contribute positively to the economic development of the community in which they are located. This research seeks to find out the impact of University of Georgia on the town of Athens and business owner’s decision making regarding the business location near universities and colleges. The question of how business owners describe measures that will enhance economic development when considering the university’s role in the community is also investigated. The researcher explored case study methodology in research design approach. Limited in-depth personal interviews and surveys were used to collect data. Survey data was collected through emails disseminated to the local business community with Athens, Georgia as the area of focus of the study. Business owners operating in construction, hospitality, manufacturing and retail industries in proximity to the University of Georgia or within Athens-Clarke County were selected through purposeful sampling for interviews. Three business owners interviewed were service providers, one was operating in manufacturing, and two were each in construction and consulting. An open-ended interview guide was deployed to direct the semi-structured
interview process. Electronic Impact Study Business Questionnaire was used to collect survey data. Results show that a great number of respondents at (N=31) believes that when a university is located within a community, business opportunities are realized which will ultimately lead to the development and economic growth. The decision to locate a business closer to universities offers opportunities for partnership and access to human capital. Universities were also found to create demand. Student’s practical skills and strengthened partnership with the university were identified as two factors that will enhance economic development.

INDEX WORDS: University, Community, Economic Development, Decision Making, Proximity
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DEDICATION

I dedicate my dissertation to my children (Brooke Lynn, Chloe, Emma and Steven) and to my wife and best friend, the love of my life Leslie, without whose support I would never have been able to make it through the program. To my parents Steve and Jean and my in-laws Terry and April who support my endeavors to take on new challenges. To my mother Alice, who always inspired me to keep studying and be a better person and to the biggest Georgia Bulldog fan I ever met, my father-in-law Jim Walsh, although they passed far too soon, they are both always in my heart and motivated me to finish this journey.
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CHAPTER 1

INTRODUCTION

During the first part of the 21st century, the United States experienced tremendous financial turmoil resulting in an economic downturn for many sectors of society. Being that we have a complex and deeply integrated global market, the turbulence and uncertainty in the United States had far reaching effects. Unemployment rates surged along with home foreclosures and many companies (both large and small) went out of business. Effects of the financial crisis varied widely across the country with some areas suffering more notably than others. Despite this, universities still have a hand in the country’s economy (Davis, 2016).

Areas with universities provide a steady market for business owners (Aydin, 2013). Aside from market, universities are also seen as a source of competitive talent for these businesses (Aydin, 2013). It is also important to understand the locations of businesses, especially in analyzing the local economic environment of a certain area (Legros, Dubé, & Brunelle, 2016). Locations of partners, competitors, and the general local’s territory characteristics are the most important factors in determining the locations for business owners (Sillard, 2015). Labor needs of a region can influence business owners about the labor characteristics of that location (McDonough, 2014).

Cohen and Houston (2017) found that university partnerships and sector clusters contribute to the decision of business leaders regarding business site selection. While others see a relatively expensive cost in doing business, companies that conduct multi-
state searches, especially knowledge-based industries, welcome the competitive labor market in their decision-making processes (Cohen & Houston, 2017). Another study also showed that business location decisions are based on the site reputation and quality of the place (Clouse & Dixit, 2016). As higher education is the catalyst for economic advancement, there has been rapid expansion in the industry of higher education globally, just like other industries. In the modern world, universities have produced resources to meet the demand of industries that contribute to economic growth (Brennan, King, & Lebeau, 2004).

In high-technology sectors, knowledge spillovers from universities affect decisions made by local business owners (Acosta, Coronado, & Flores, 2011). By studying three university outputs (i.e. knowledge-based graduates, research activities, and technological knowledge), Acosta, Coronado, and Flores (2011) revealed that university spillovers are relevant in determining the site selection of business activities. Thus, locating businesses near universities with high output in terms of research on technology and science is an important factor, especially for businesses that deal with knowledge-based processes. In addition, localization decision of entrepreneurial activities also affects regional entrepreneurship, particularly for those individuals who are alumni of local universities (Acosta, Coronado, & Flores, 2011).

Many quantitative studies have been done that support the fact that universities have a positive impact on economic development of the community in which they are located as well as the economy in general (Davis, 2016; Gyimah-Brempong et al., 2006; Youtie, 2008). As demonstrated in chapter two of this study, the positive externalities are typically quantified through metrics such as university expenditures (fringe and
compensation as well as infrastructure), spending by students as well as faculty and staff, the value of grants received by the institution, and so forth. Where these studies fall short is in ascertaining if the positive externalities are perceived by the community and if business owners and the community at large factor in the presence of the university when making decisions.

The following research seeks to explore this phenomenon and explain some of the reasons college towns appear to be resilient to financial and economic hardship through a qualitative case study of Athens, Georgia, home to the University of Georgia (UGA).

**College Towns**

Clarke County, George houses the University of Georgia (UGA). In 2016, it has a population of 124,707 (United States Census Bureau, 2016). Clarke County’s history started in 1801 when the Georgia General Assembly Act created the town (Cobb, 1997). Its agricultural and cotton industries were the main reasons for its economic prosperity. However, its flagship university, University of Georgia, is one of the main economic players in Athens, Georgia.

UGA’s estimated $4.4 million economic impact on the state is credited to the robust efforts of its faculty and students (Dorfman, 2015). UGA’s economic impact focuses on the discoveries made by UGA scientists that have greatly contributed to the creation of more than 575 products in the marketplace, including but not limited to drugs, vaccines, and software (Dorfman, 2015). Dorfman (2015) further explained that UGA’s economic impact on Georgia is an upward trend, and with the help of outward funding, advances in health, safety and security are ensured.
As another example, Lee County, Alabama is home to Auburn University and has many similarities to Clarke County, Georgia home to UGA. According to the United States Census Bureau (2016), both counties have similar populations, education level, and number of employers\(^1\). Additionally both are home to major research universities. The story of Lee County, Alabama is not unlike many small towns across the country including Clarke County. During the period of the early 1990s through the first years of the new century, Lee lost over 7,000 jobs in various industries ranging from textiles to equipment manufacturing as jobs were being shipped overseas Davis, B. (2016). Antidote to malaise: College towns---auburn helped alabama county replace 7,000 jobs lost to china. *Wall Street Journal*, . Opelika, the county seat, looked like a ghost town as storefront after storefront became vacant. Disability and unemployment claims soared as an aging workforce with limited skills struggled to find new jobs. Since the time of the economic downturn, Lee County has added more than 14,000 jobs (five times the growth rate of the rest of the country) and has a 4.7 % unemployment rate, lower than the national average Davis, B. (2016). Antidote to malaise: College towns---auburn helped alabama county replace 7,000 jobs lost to china. *Wall Street Journal*, .

A recent nationwide study by Davis (2016) found 16 US geographic areas where overall economic growth was strong, despite the exodus of manufacturing jobs over the last 15 years. The most resilient towns shared one common thread: a major university. These include towns such as Athens, Ga., Charlotte, N.C., Charlottesville, Va., and

\(^1\) According to the Census Bureau, the population estimate in 2015 for Lee County, Alabama is 156,993 and for Clarke County, Ga 123,912. 88.6% of Lee and 86.3% of Clarke residents have a High School diploma or higher and 34%\!/ 40.2% respectively have a Bachelors degree of higher. The total number of employers in Lee County is 2,576 and Clarke 2,940. (U.S. Census Bureau, 2016)
Auburn, Al. According to Davis (2016), better educated places with colleges tend to be more productive and able to shift out of declining industries into growing ones. Ultimately, cities survive by continually adapting their economies to new technologies, and colleges are central to that Davis, B. (2016). Antidote to malaise: College towns---auburn helped alabama county replace 7,000 jobs lost to china. Wall Street Journal, .

**Statement of Purpose**

Using the prism of the location theory of economic activity North, D. C. (1955). Location theory and regional economic growth. *Journal of Political Economy, 63*(3), 243-258, this qualitative case study research, through interviews and qualitative surveys will focus on how Athens business owners describe the impact that education—specifically UGA education and the presence of the university —has on the economic development of the local community. Despite an increased interest in the economic impact universities have on the community, it is a surprise that few studies have focused on how the business owners of the community perceive those impacts. This study is therefore significant because it explores the intangible or otherwise unquantifiable benefits a university has on the community through the perspective of business owners.

**Value of Universities & College in Local Economy**

Higher education universities, especially public institutions, contended that they provide more than individual education – that is, institutions of higher education deliberately walk the line between the traditional scholastic mission and the requirement for contemporary pertinence, as characterized by positive effect on the economy (Leslie, 2012). Universities and colleges contribute to the amenities accessible in towns and the standard of life for people. The institutions affect not only the students but also the
faculty and staff that work with the institution, as well as those in the community who have access to the amenities of an institution (Levin, 2006)

Institutions frequently issued economic impact studies that record economic effects and social and cultural activities to demonstrate their value to the community. For instance, the University of Nebraska issued a booklet named "Nebraska's University" which indicated that the university produced yearly economic activity in 2000 adding up to above $3 billion, and created 43 new organizations and businesses. Moreover, a report of Kansas State University said that in 2000, the university won $72 million in funds of research that had a 17 to 1 give back for the nearby economy, consequently producing an aggregate effect for the state of more than $1.2 billion Falconer, J. (2006). The impact of public four-year colleges and universities on community sustainability in non-metropolitan areas of the great plains.

**Significance**

Most of research found on the effects of institutions on their host communities focused on the monetary contribution to the communities generated by the higher education institutions. A few studies were episodic—contextual investigations on specific issues or occasions (Barro & Lee, 2001; Idrees & Siddiqi, 2013; Wolf, 2002), and few were qualitative, depicting the temperament of relationships amongst communities and institutions (Abel & Deitz, 2012; Aydin, 2013; Ranga & Etzkowitz, 2013). There was extensive quantitative research, based on how universities and colleges add to their communities as far as employment, monetary action, and culture (e.g., Gruenewald & Smith, 2014; Pfeffer & Salancik, 2003; Valero & Van Reened, 2016). However, no evidence was presented regarding whether communities with universities influence
decision making or perceptions that business owners hold about the impact the university has on the economy of the community.

The results of this study intend to contribute to the growing body of literature on the impact of universities on the economy. Business owners and university heads will be able to understand the economic impact of business locations and universities, creating a harmonious relationship between the two parties. For business owners, the findings may improve the decision-making processes for optimal business outcomes.

**The Case of Georgia Institutions**

According to the Bureau of Economic Analysis (2016), the state of Georgia has the 10th largest contribution to the national Gross Domestic Product (GDP) estimated at $501 billion for 2015. As my statement of purpose indicates, my research is specifically focused on Athens and UGA, the flagship university in the state. Therefore I would like to discuss here some facts about the institution and its impacts on the economy of the state in detail. I will start with the University System of Georgia (USG).

The USG is the authoritative body that incorporates 29 institutions of higher education in Georgia. The USG is administered by the Georgia Board of Regents. The board sets objectives and directs general approach and policy to instructive institutions, and manages the state’s Public Library Service, which incorporates 58 public library systems. The USG likewise administers funds to the institutions (dispensed by the state's lawmakers). It is the fifth biggest system of universities in the U.S., with an aggregate of 318,027 students enrolled in its institutions in (date). Institutions of the USG are partitioned into four classifications relying upon their statements of purpose. The classes
incorporate regional universities, state colleges, state schools and state and research universities.

In fiscal year 2015, the USG’s economic effect on Georgia was approximately $15.5 billion (Terry College of Business, by the Selig Center for Economic Growth, 2016). Individual expenditures in communities, where institutions such as USG exist, was an initial driver in the economy, with general higher enrolment of students in the USG having a noteworthy effect (Humphreys, 2016) The USG’s economic impact is a determination of immediate and circuitous spending that adds to the areas served by universities and colleges of the system. From the economic impact of $15.5 billion, the greater part comprises spending by institutions of USG for fringe and compensations benefits, working costs and some budgeted uses, and also spending on the infrastructure of institutions. Spending by students and the institutions of USG equaled $10.6 billion, or very nearly 69% of the aggregate yield affect. The remaining 31% (i.e., $4.9 billion) of the yield effect was made by re-spending, that is, the dollars multiply impact that are once again spent in the area. Against one dollar of spending by the students or institutions of the USG, generally created an additional 46 cents for the nearby or local economy (Terry College of Business, by the Selig Center for Economic Growth, 2016). The USG’s Board of Regent study demonstrates that the University of Georgia generates a $2.34 billion effect on the economy of the state last year. UGA’s overall effect was the second largest among all the institutions that comprised the USG in the 2015 (Youtie, 2008). The following are the universities that had the biggest financial effect, as indicated by the study:

- $2.87 billion by Georgia Institute of Technology
- $2.34 billion by University of Georgia,
- $1.79 billion by Georgia State University
- $1.23 billion by Augusta University
- $1.04 billion by Kennesaw State University

Summary

While the Selig Center study and others identified in this chapter are important in informing my research, they do not address how individuals and business owners use the information nor how the universities impact local business or the community at large. With the past research and known quantified economic impacts in mind, my research will explore how business owners describe the impact of the university on their business.

Through a combination of interviews and qualitative surveys I will explore a different dimension of the relationship between a university and its host town and how the economic impact is perceived by the business owners of the community. This is significant in that business owners as well as university leaders may use this information to help inform decisions they make. In the case of university leaders, gaining a better understanding of the perception of this key constituent may be an invaluable tool in enhancing and further bolstering the bond that exists between the community and the university.
CHAPTER 2
REVIEW OF LITERATURE

The literature review seeks to explore previous work related to the impact of the university link to the local economy. The overall trend in the economy over the last two decades highlights the importance of higher education to the economy. Few qualitative studies have been conducted in relation to the direct impact on the local and national economic growth presenting a significant gap in the understanding of how the presence of a university impacts a community. The present study seeks to provide a new perspective into the impact of the university on economic success utilizing interviews and surveys.

This chapter will review existing theories and consequent analysis of the theories and their applicability to the study. The theories provide a source for analysis, which identifies potential conflicts developing from the topic. The literature review will conduct an analysis of scholarly articles, published dissertations, government reports, conceptual papers and survey findings published on various websites to extract the important insights. The review will also provide a foundation upon which interviews of business owners may be guided.

Human Capital Competency and Economic Growth

In the contemporary globalized economy, economic growth is dependent upon the technological advancement and competency of human capital. Principally, the contribution made by each individual in a society significantly affects the overall
economic development of that state. The personal attributes, competencies, skills, and knowledge each individual possess matters, and shares high relevance to local economic activity (Guerrero, Cunningham & Urbano, 2015). Consequently, development of knowledge and skills of the workforce has strategic importance in the formulation of a national strategy that could stimulate the economic development at the national level. Taking a holistic view, various research studies have assessed the macroeconomic impact by specifically considering the effect literacy has upon GDP. For example, Green and Riddell (2003) proposed that schooling and literacy significantly influenced the earnings at the individual level. Similarly, Sum (1999) observed that adult educational attainment made a significant contribution to individuals’ earnings and employment, consequently affecting the overall economy. The availability of workers in a certain area help business owners in the business location decisions (Aydin, 2013).

**Tangible Economic Effects of a Literate Workforce**

Today, analysts and researchers argue whether or not governments should make substantial investments in education to stimulate economic development. Analysts and policymakers contend that if the government would make heavy investments in training and educating its people, then the income would sufficiently grow beyond the initial investment. Analysts have discussed various channels through which level and quality of education affect development (Barro, 2013; Glaeser, Ponzetto & Tobio, 2014). Enhanced education not only results in higher income for that individual but it would also entail a variety of positive externalities. In the case of advanced states, increased expenditure for education is directly linked with stimulating technological innovation that enables human
capital to make productive use of available resources, generating more income as well as national growth (Aghion, Bourastan, Hoxby & Vandenbussche, 2009).

The new conception of capital infers that physical and human capital complement each other instead of being substitutes. Stated differently, the efficient usage of the physical capital of a society is dependent upon the competency and skills of its human capital. Knowledgeable and highly competent human capital can make wiser use of available resources as compared to an unskilled workforce. The economy’s absorptive capacity relies upon the competent human capital. If a community does not invest adequate capital upon its human resource, it would limit the productive utilization of available physical capital as material capital’s rational and wise usage requires a knowledgeable, technically competent, and professional workforce (Li, Wang, Westlund & Liu, 2015).

The evidence for this research claim is the slow growth of various developing countries where current physical capital is underutilized, or the economy is suffering from the poor use of available resources due to unavailability of workforce equipped with latest knowledge and skills. In those states, human capital has failed to keep pace with the accumulated physical capital. Hence, policymakers are advised to pay considerable attention to this issue while planning for development and investment (Barro, 2013). They need to consider if any disharmony or imbalance prevails between physical and human capital.

Education makes a significant contribution to resource mobility and social infrastructure. Obstacles and bottlenecks to economic growth result from a society’s inflexible and rigid institutional framework. Myint (1964) has explained various forms of
economic issues, including factor immobility, lower labor efficiency, lack of entrepreneurship, limited specialization in trade, and occupation and traditional institutions offering a minimal incentive for innovation (Barro, 1989). Substantial investment in the workforce could result in enhanced adaptability and flexibility of the institutional and social framework, which would ultimately foster advantageous conditions in encouraging receptiveness to change, and individuals’ adaptability to such changes (Myint, 1964).

**Effects on Local Economy**

Universities and colleges are considered as assets to the local and regional economies for various reasons. They incur expenditure in the community by employing the local workforce. It has been reported that the higher education sector is more stable as compared to other sectors due to less susceptibility to the economic downturn. Hence, it brings more stability to the local economy (Davis, B. (2016). Antidote to malaise: College towns---auburn helped alabama county replace 7,000 jobs lost to china. *Wall Street Journal,*).

Higher education institutions play a significant role in developing the local economies by enhancing the workforce’s competency. Analysts have observed that highly qualified, knowledgeable and competent people with at least Bachelor’s degree results in enhanced innovation, rapid economic development, greater economic activities and a more productive workforce earning high wages (Gruenewald & Smith, 2014). Local universities and colleges can increase the quality of human capital through influencing the supply of workers. They can prepare the graduates by developing competencies required by local enterprises. Educational institutes can also ensure their
contribution by accelerating the local market’s demand (Blundell, Dearden, Meghir & Sianesi, 1999).

This objective could be accomplished by increasing the research and development activities that have spillover effects in the local economy. Local business enterprises can benefit from research facilities and university knowledge for the development of new technologies and products. It can also result in the development of new businesses in that region since they seek to gain access to highly competent resource produced by the university. There are a number of examples where technology transfer offices have been formulated by renowned research institutes to harness the synergic effect of commercial product development and university research. Such interaction results in the creation of new jobs that require highly competent human capital, which is filled by a workforce that gets a degree from local research institutes (Oreopoulos, 2006).

Universities and colleges have a tendency to raise the aggregate level of human capital by accelerating the demand and supply of a certain expertise in the local area. Abel and Deitz (2012) suggested that when degree production is doubled in a metropolitan area, it results in a three to seven percent increase in human capital level at the local level, and when research intensity is doubled in a metropolitan area, it results into four to nine percent increase in human capital. Overall, the statistics suggest that increasing the higher education activity results in a stable shift in local human capital level. The activities carried by universities and colleges have a tendency to change the local labor market composition. Particularly, local metropolitan regions having high educational activities result into the highly skilled workforce, competent in technical areas like science, mathematics, computers and business.
Such association predicts that correlation between higher education institutes and local economies is significant when economic activities require technical training and innovation. Mincer (1974) has stated that there is causal relationship among individual earnings and education that as a result produce higher private returns. The equation proposed by Mincer shows the relationship between education and earnings, as opposed to causality. Mincer (1974) also asserted that an additional schooling year would result in increased private returns. Generally speaking, higher private returns increase the positive externalities for the community though avenues such as taxes and additional spending.

**Socio-economic Effect of Education**

Education alleviates poverty by equipping individuals with necessary skills, which in turn help an economy prosper and develop. It also shares a direct linkage with the health status of a region as it creates the awareness among people, helping society to utilize the healthcare services effectively (Barro & Lee, 2001). Education makes a significant contribution to overall national income by enhancing the earning power of people. For instance, in many developing countries of the world, a ten percent increase in wages and salaries is made with every one additional schooling year. On this basis, it can be said that education has a significant impact on individual as well as national income of a state Barro, R. J., & Lee, J. W. (2013). A new data set of educational attainment in the world, 1950–2010. *Journal of Development Economics, 104*, 184-198.

A substantial investment in human capital results into the formation of individuals that increases labor productivity (Dale & Robertson, 2002). Enhanced labor productivity decreases resource wastage and accelerates the aggregate output level. Some proportion of the aggregate output is spent as national expenditure while the other proportion is
saved and reinvested into education to meet the accelerated demand for highly competent workforce. Increased expenditure on education not only increases the nation’s human capital but it also offers various externalities to the local region. It includes social advantages through the creation of knowledge, which contributes to overall societal wellbeing (Peters, 2003).

Research suggests that higher education attainment and advanced skill sets enhances the individual’s productivity, enhancing the likelihoods of getting a well-paid job. In addition to increasing the private returns for individuals, the social benefits offered by education attainment have significantly higher impact on socio-economic condition. Literate individuals may adopt a more educated life style and realize the importance of family planning, resulting in reduced childbirth and lessened the burden on the overall economy. A smaller family, in turn, pays more focus upon the education of their children as compared to a big family with a weak financial condition. Greater attention results into increased motivation of children to get better grades and attain a higher education at a later stage. An educated population is less resistant to accept the new working techniques and new technology as compared to the illiterate population (Barro & Lee, 2001).

Various empirical studies have confirmed that educated human resource is more productive as compared to the uneducated human resource. In other words, return of investment (ROI) from educated human capital is higher than the ROI from the non educated human capital, stimulating the overall economic development. For instance, Michaelowa (2000) used the illustration of a literate farmer who uses advanced agriculture methods to produce agricultural goods. The education equipped the farmer
with required skills and knowledge to make the optimum utilization of resources. This optimum utilization resulted in increased agricultural production as compared to using traditional agricultural methods. It incentivizes the other neighboring farmers to acquire the same technical knowledge to get the higher production and increased per capita GDP.

**Education’s Economic Impact and the Law of Diminishing Returns**

The new knowledge development results in a more efficient workforce, technological advancement, minimal resource wastage, increased adaptation to innovation, and a healthy coordination between workers to enhance each other’s competency and reduced production cost (Barro & Lee, 2001). These positive externalities result in various social advantages that exceed the education’s private benefits. The law of diminishing returns does not hold true in this case, due to the production of positive externalities. There may however, still be diminishing returns if private benefits and/or positive externalities increase at a decreasing rate.

This demand and supply gap triggers the need for government action to align the social and private benefits, and to develop the desired level of human capital. In order to get the desired education level, there is a need to lower private education costs, and it could be done by increasing the expenditure on higher education. The increased expenditure incentivizes the local people to get higher education at a subsidized cost. Increased expenditure also raises the quality of education if efficient resource allocation is ensured (Idrees & Siddiqi, 2013).

**Educational Attainment Effect on Spending**

A number of analysts have observed a high correlational relationship between higher education attainment and regional economic growth. Evidence of this correlation
is the rise of metropolitan cities such as Boulder, Washington D.C, Austin and San Jose. Various studies have attempted to quantify the relation between both variables, but precise projection is difficult due to the involvement of various other macro-economic variables. Highly educated regions have high GDP because the individuals are more competent and able to earn more dollars. Such areas also attract the competent workforce from other areas, as the presence of competent workforce results into formation of more innovative enterprises, offering higher salaries and attracting competent staff from other regions (Barro & Lee, 2001).

Rothwell (2015) stated that an average individual holding a Bachelor’s degree makes $278,000 more contribution (lifetime) to the local economy as compared to a high school graduate. Similarly, an individual holding an associate degree makes $81,000 more contribution when compared to a high school graduate. A graduate entering from a two-year high-value college contributes $184,000. It has also been reported that 68% of two-year college alumni tend to stay in the same local area, whereas, 42% of four-year alumni prefer to stay in local areas Rothwell, J. (2015). *What colleges do for local economies: A direct measure based on consumption* | brookings institution. brookings. Retrieved from https://www.brookings.edu/research/what-colleges-do-for-local-economies-a-direct-measure-based-on-consumption/.

**Education’s Economic Effect and Regional Dependency**

According to Ahmad (2008), it is hard to admit the notion that increase in education level and schooling years do not essentially influence economic development in a positive manner. One reason behind this contradiction is the difference in education quality and the ability of the workforce to adopt new technology and to innovate. Another
reason is related to the education heterogeneity and development association from region to region. The third reason behind it is the distribution of education within a diversified society. Moreover, the workers’ allocation between diversified economic activities also affects the relationship between two variables. On the basis of these arguments, it can be said that the relation between the ability of the workforce to use the skills and economic development is stronger than investment in education and economic growth (Wolf, 2002).

The relation between education and economic development lacks the element of universality. There are a number of empirical studies that accept this notion. Lau, Jamison and Louat (1991) proposed that influence of schooling years on economic growth varies from region to region. The influence is significantly positive in Southeastern region, positive yet insignificant in the Latin American region and shares a negative association in Middle East and North African (MENA) region. University and higher education is the only solution to these economic problems facing the developing world. Higher education helps to provide a solution for economic growth by producing qualified people to fulfill and create jobs. Ultimately, economic stimulation can attract foreign investments and assist industry innovations, leading to growth locally and well as globally (United States, 2013).

The effects of education on economic development can either be local, regional, country specific, or global. Hill (2006) elaborated on how on a local perspective education provided at universities aided in developing innovative solutions through strategies and proper research. Porter (2007) brought forward a notable and effective use of universities for regional economic development. Universities produce graduates who
are qualified in different fields. These experts revitalize and revive the economy when they contribute their knowledge in the areas of work. Furthermore, positive initiatives can promote regional level economic development. Specifically, these initiatives include job creation, developing real estate, research that help businesses in the industry and offering consultation to the startups to promote economic development through business and entrepreneurship.

Another important research insight is that the human capital coefficient is five times higher in growth equation in the case of developing compared to developed countries. Hence, it would be wrong to comment that the expenditure on education shares the same effect on economic development in all countries. It was suggested by Ahmad (2008) that human capital or education quality and workers’ ability to innovate are elements that explain the weaker association between economic growth and education. The human capital stock is mostly calculated by schooling years, though employment of this technique doesn’t stipulate the education quality.

Comprehending this restriction, indicators of education quality based upon international tests is employed. Although many do not take part in tests, the countries that do participate predict a positive association between economic growth and education. Various studies have confirmed that low quality education is the major cause behind nonsignificant associations among economic growth and education (Barro, 2000).

**Theoretical Literature Review.**

The purpose of this theoretical literature review is to explore and critique frameworks used in previous studies related to economic impact of a community as related to the presence of a college or university. I begin by reviewing the commonly
used Location Theory, which states that there is an optimal location to place a location in relation to suppliers and market. I then explore the Human Capital Theory and Triple Helix Theory. Lastly, I will examine the literature on Resource Dependence.

**Location Theory**

During the last century there has been a growing interest in the location theory of economic development. Many economists and geographers began to extend the analysis of location theory to apply to other issues in an attempt to synthesize location theory with other disciplines of economics Hanson, M. (2007). *Economic development, education and transnational corporations*. Hoboken: Taylor and Francis. Both location theory and the theory of regional economic growth have described the typical sequence of stages a region progresses through during the course of their development North, D. C. (1955). Location theory and regional economic growth. *Journal of Political Economy, 63*(3), 243-258. The stages start with being a self-sufficient subsistence economy located according to the distribution of natural resources with little or no trade. Over time trade develops and as populations increase industrialization occurs. A final stage is reached when a region specializes in tertiary industries producing an export North, D. C. (1955). Location theory and regional economic growth. *Journal of Political Economy, 63*(3), 243-258.

Weber’s location triangle (Figure 1) has been traditionally used to determine the optimal location to place a factory (P) with consideration given to material supplies (S1) & (S2) and access to the retail market or consumers (M). It would be feasible to substitute the university location for the factory, and the supplies being students and faculty/administration. The market would be employers (jobs). The substitution is
significant because the context I am studying is not the factory environment but the education or learning environment. The substitution is meant to show the relevance of Weber’s location theory on the impact of education to economic growth. However, it is not evident in current literature that Weber’s theory of location has been used in non-factory settings. In either case, the relevance of the theory and its location triangle remains the same.

According to Hayek and Klausinger (2012), Weber developed the basis for current location theories. Weber synthesized this theory by assuming that firms minimize their operational costs by selecting a favorable location. The location is simplified by assuming that it is in a fresh place where the external environment and other influences do not affect their operations. The isolated region has one unexploited market. The location of the firm according to Weber has no major transport costs, except that it contains a few variations of the distance between the source of the raw materials and the production place (the firm). In economics, Weber’s model of location is a representation of a perfect competition market where there are several buyers and sellers but no intervention from the state or the government. According to Hanson (2007), in such a market, the prices are determined by market forces (demand and supply). Thus, understanding business location decisions also involve analyzing costs for firms and balancing out of competition.

According to Weber’s location theory, there are three typical and sequential stages that a firm must consider. These sequential stages are aligned with the three key determinants of industrial location. The factors are labor costs, transportation costs, and agglomeration economies. The first two typical sequences are therefore adjusting the
location of the firm in consideration with labor costs, and finding a location where the firm will accrue the least transport costs. The third stage involves agglomerating the economies. Transport is taken as the most significant factor among the three. The other two factors can be adjusted to fit the location of the firm, but transport cannot. In any case, the corporation will accrue transport costs while sourcing the raw materials and when distributing the finished products. At this juncture, Weber brings in the location triangle to assist firms in overcoming the adjustment impact of the transportation costs. The figure illustrated below indicates the solution for firms in minimizing transportation costs. The solution to the transport adjustment effect lies in establishing an optimal location for the factory or for the firm as shown below.

![Figure 1. Weber’s Location Triangle](image)

*Figure 1. Weber’s Location Triangle: The above figure illustrates the issue of minimizing transport costs. Considering a product of w(M) tons to be sold at market M, w(S1) and w(S2) tons of materials coming respectively from S1 and S2 are necessary. The problem resides in finding an optimal factory location P located at the respective distances of d(M), d(S1) and d(S2) (North, 1955).*
Human Capital Theory

In *Do colleges and universities increase their region’s human capital?* Abel and Deitz (2011) argue that colleges and universities are increasingly being viewed as engines of local economic development. They support this by success stories in Silicon Valley and the Route 128 corridor around Boston, and more largely by general adoption of the knowledge-based economy.

One of the strongest indicators and predictor of economic vitality of a region is the amount of human capital available. Factors such as employment growth, wages, income and innovation are higher in areas with higher levels of human capital. This led to the realization by policy makers that it is important to the local economy to retain graduates from local colleges and universities Abel, J. R., & Deitz, R. (2011). Do colleges and universities increase their region's human capital? *Journal of Economic Geography*, 1, lbr020.

Abel and Dietz (2011) conclude that there are indeed significant spillovers to the local community created by a college or university on the supply side. The most prevalent of these spillovers is noted in metropolitan areas with research and development (R&D) activities. Abel and Dietz (2011) were able to reach this conclusion by analyzing the relationship that exists between the activities performed by colleges and universities and local human capital levels. The data were compiled based on the degrees produced and academic R&D expenditures incurred. The result indicated that R&D

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2 Research and development (R&D) refers to the investing activities a business conducts to improve existing products and procedures or to lead the development of new products and procedures. Consumer good companies across all sectors and industries utilize R&D to improve on product lines, and corporations experience growth through these improvements and through the development of new goods and services. In general, pharmaceuticals, semiconductors and software/technology companies spend the most on R&D.
activity was much more geographically concentrated to metropolitan areas than is degree production Abel, J. R., & Deitz, R. (2011). Do colleges and universities increase their region’s human capital? Journal of Economic Geography, 11, 1-20. This demonstrates the need for university and college leadership to allocate resources and focus more on R&D and academic capitalism to advance both the institution and the community.

Abel and Dietz (2011) provided a robust study, but had a narrow focus on metropolitan areas, and admittedly examined a relatively short period of time (2000-2006). A longitudinal analysis conducted on both metropolitan and non-metropolitan areas would add value to the research.

**Triple Helix Theory**

The Triple Helix Theory is an analytical framework through which the university-industry-government relationship may be viewed. The Triple Helix thesis is that the potential for innovation and economic development in a knowledge society lies in a more prominent role for the university and in the hybridization of elements from university, industry and government to generate new institutional and social formats for production, transfer and application of knowledge. Ranga, M., & Etzkowitz, H. (2013). Triple helix systems: An analytical framework for innovation policy and practice in the knowledge society. Industry and Higher Education, 27(4), 237-262. The authors of this paper highlighted the role of universities in the newly emerging infrastructure. The authors implied that the government is providing incentives on one hand while on the other it is pressing universities to go beyond providing the traditional education and research, to contribute directly to the “wealth of the country.” The government is shifting its relationship to economic institutions and becoming simultaneously both more and less

There are three variations of the triple helix system. The first is a statist configuration, where the government has the lead driving academia and industry. Second is a laissez-faire configuration that is characterized by limited state interference in the economy with industry as the driving force (such as the in the USA). The third is a balanced configuration, specific to the transition to a knowledge society in which all three acts in partnership. A potential area for further study is that as the focus (university and faculty) shifts to research and areas of potential revenue generation and the incentive to “teach” diminishes, what is to become of class room instruction?

Szirmai (2005) has a chapter of his book devoted to “Education and Development.” There he argued that education is a basic human right. He also opined that education contributes to the realization of other developmental goals such as economic growth. Government leaders started investing heavily on the education sector after World War II as it was the means of economic growth and families found better life for their children in acquiring higher education. (Organization for Economic Cooperation and Development, 2012).

**Resource Dependence**

The existing literature and studies demonstrate that universities produce positive externalities for a community. The relationship is symbiotic and reliant on both parties understanding their mutual dependencies. As stated by Pfeffer and Salancik (2003), to understand the behavior of an organization you must understand the context of that
behavior—that is, the ecology of the organization. The Resource Dependence Theory (RDT) has become one of the most influential theories in organizational theory and strategic management Hillman, A. J., Withers, M. C., & Collins, B. J. (2009). Resource dependence theory: A review. *Journal of Management*, .

The RDT has been applied broadly in studies to understand how various organizations deal with interdependence and uncertainty Hillman, A. J., Withers, M. C., & Collins, B. J. (2009). Resource dependence theory: A review. *Journal of Management*, . There are five options that organizations may utilize in order to reduce environmental dependences: (a) mergers/vertical integration, (b) joint ventures and other interorganizational relationships, (c) boards of directors, (d) political action, and (e) executive succession Pfeffer, J., & Salancik, G. R. (2003). *The external control of organizations: A resource dependence perspective* Stanford University Press..

Most relevant to my study among these options is the boards of directors. Although RDT is less commonly used to study boards than agency theory, empirical evidence suggests it is a more appropriate lens through which to understand a board. When discussing an institution’s linkage to a community in conjunction with the governance of the organization, it cannot be overlooked that many boards are composed of prominent leaders of the community and often have other board seats simultaneous, providing for an interlocking relationship. Board interlocks, that is the number of other directorships a board member holds are often beneficial creating access to the community for the institution Hillman, A. J., Withers, M. C., & Collins, B. J. (2009). Resource dependence theory: A review. *Journal of Management*, .
Another aspect of RDT important to institutional governance and economic development is that of political action. Institutions, whether public or private, are very much linked to the politics of the day at all levels, including local, state and federal. Pfeffer and Salancik (2003) state that organizations, through political mechanisms, attempt to create for itself an environment that is better for its interest and that organizations may use political means to alter the conditions of external economic environment. Nowhere is this more true that on a university or college campus in today’s environment, where institution leaders are trying to further their own agendas by helping to shape government regulations to produce a more favorable environment.

**Empirical Literature Review**

Universities are influential to the local, regional, and national economy. In this subsection, I discuss the literature on business location decisions and the effects of universities on economic growth. In addition, I explore studies on how business growth is associated with university presence. Understanding how these two are intimately connected provides a clear picture of the importance of universities to economic growth.

**Business Location Decisions**

Several factors are considered when business owners decide the location of their businesses. Bartik (1985) posited that the corporate decisions on the location of businesses are basically dependent on the union sympathies of the states. In addition, state taxes may also influence business location (Bartik, 1985). Moreover, Karakaya and Canel (1998) posited that, aside from tax rates and presence of unions, business sites are influenced by the following: cost, living, accessibility, resources, business environment, and existing buildings. It was further noted that these factors are also central to the
decision of existing businesses in keeping their present locations (Karakaya & Canel, 1998). Karakaya and Canel (1998) cautioned that these factors might change depending on the cultures and other variables.

Another study by Love and Crompton (1999) indicated that quality of life is a major variable in deciding the location and re-location of businesses. Key decision-makers from 174 businesses were surveyed in order to determine the relationship between quality of life and business location decisions (Love & Crompton, 1999). In addition, results also indicated that the existence of well-established work force, business costs, and the ability to attract and retain skilled or professional personnel factor in on the decision (Love & Crompton, 1999). However, hostile business environments are seen as a major reason as to why business owners decide to leave (Kolko & Neumark, 2007).

In a review of business location decision dynamics focusing on California, Kolko and Neumark (2007) posited that state-level migration was not a particularly accurate measurement of business location decisions. It is possible that some industries may suffer from relocation, that high-paying jobs are replaced with low-paying jobs because of it, and that some business relocations may be beneficial within the state and inter-state (Kolko & Neumark, 2007). Kolko and Nuemark (2007) also offered a broader perspective on business location decisions by arguing that such decisions also entail political debates and business trends on the state. Thus, it is important to nuance at which level (local, regional, or international) these migrations occur, indicated by the trends showing that interstate migration of businesses contribute to employment changes and may be a useful measure of the overall economic landscape of the state.
Understanding how a wide range of factors is also vital in the evaluation of business location decisions. Kimelberg and Williams (2013) explored the relative importance of given location factors based on the facility type vis-à-vis other site selection variables. It was found that participants who are from corporate or office settings were more likely to report a higher rating for quality of life than those from manufacturing or retail. The quality of life factors included in Kimelberg and Williams’ (2013) study were: crime rates, amenities, housing, and schools. A limitation is that the data were from 2005, which did not take into account the changes in response to the shifting economic paradigm. Such considerations reflect the importance of context and time in determining the relevance of business location factors.

Vlachou and Iakovidou (2013) assessed the development of the literature on the business location factors by focusing on entrepreneurship being considered to improve the quality of life. This is due to research being done to understand and determine the different factors that lead to business installation and relocation (Vlachou & Iakovidou, 2013). More often than not, research studies on business location factors focus on one individual factor or by exploring one specific business category (Vlachou & Iakovidou, 2013). There was a transition from economic factors to noneconomic factors, especially highlighting transportation and accessibility factors, either combined or individually. The importance of public infrastructure, environmental regulations, tax factors, and last but not the least, quality of life appears was studied (Vlachou & Iakovidou, 2013). The abundance of factors that have emerged from previous research reflects that decision-making in business relocations entail looking into different variables, contexts, and
cultures of the locations. In addition, business location decisions are also driven by economic and non-economic variables (Vlachou & Iakovidou, 2013).

In summary, key officers take into consideration many factors in deciding business location and relocation. Economic factors such as tax rates, availability of labour, and economic landscape of the state are considered; non-economic factors such as infrastructure, transportation, and accessibility are also critical in the decision-making. It is also important to note that variables in business location decisions are dependent on the context and environment of the site, as well as the business culture.

**Economic Development and Universities**

The current literature demonstrates how universities are influential to the economic growth of localities. In their paper, Valero & Van Reenen (2016) identified a trend in the total GDP of most countries associated with higher numbers of colleges and universities. The hypothesis was whether or not there is a relationship between the number of universities in different regions and the per capita income of people residing there. In addition to this, the results indicated that the positive outcomes of the large number of these higher education institutions not only affect the region under study, they also affect other surrounding areas (Valero & Van Rennen, 2016). In order to understand this relationship between these institutions of learning and the total GDP of a region, Valero & Van Reenen (2016) used four dynamics. The channels that have been used are the quality of human capital, the level of innovation, if democratic values are significant factors and finally, the demand.

In another study, Valero and Van Reenen (2016) used a comprehensive dataset from the World Higher Education Database (WHED) which is produced by the
International Association of Universities working with UNESCO. The study mapped over 15,000 universities into 1,500 regions in 78 countries to explore the impact of the number of university on subsequent growth Valero, A., & Van Reenen, J. (2016). *The Economic Impact of Universities: Evidence from Across the Globe*, . The great number of universities studied throughout the 78 regions makes it plausible that generalization is more accurate. After stating the differences in the four elements to be studied over the years, the objectives have thus been crafted to cover them efficiently with the hope that they will support the theory that economic development is reliant on the number and value of higher education institutions.

The conclusions from the studies point to there being robust evidence to support a close relationship between the number of universities in a region and the rate of growth of that particular region. Valero and Van Reenen (2016) noted that there were some factors that would affect the existence of universities or the lack of thereof as compared to others. When these were added into the equation, the positive relationship was also recorded. In addition to this, the regions having quality education in their universities experienced spillover which ultimately increased the GDP of their neighbors Valero, A., & Van Reenen, J. (2016). *The Economic Impact of Universities: Evidence from Across the Globe*, . The benefits that accrue from university expansions outweigh the cost associated with the expansion (Valero & Van Reenen, 2016). The impact of democracy is not apparent however. The role that human capital supply and innovation play is small but matters, unlike the results for the demand concept.

Economic growth is determined by future leaders who study and learn technical capabilities at universities (Hanushek and Wößmann, 2007). As higher education is the
catalyst for economic advancement, developing countries must invest heavily in universities and institutions. There has been rapid expansion in the industry of higher education globally, just like other industries. The education industry requires funds that the authorities do not wish to spend. These funds could rather be invested in the education industry. Education is considered a long term economic investment, where even the World Bank chooses to invest Reimers, F. (1995). *Higher-Education-the Lessons of Experience-World-Bank,*.

In the modern world, universities have not only produced resources to meet the demand of industries that contribute to economic growth; they have also produced the direction for higher education social change (Brennan, King, & Lebeau, 2004). To demonstrate this, Hanushek and Wößmann (2007) found evidence to confirm that cognitive skills are strongly related to earnings of the individual, growth of the economy, and distribution of income. After analysis of the collected data, they concluded that individuals in developing countries need to work on the laws and policies (typically the governance) of education in order to increase not just the enrollment but also the quality of education being provided. This increased the skill level of individuals and benefits the economy as a whole.

In another study, Schmuecker and Cook (2012) concluded in their study that in the modern era, especially in emerging economies, governments are burdened with economic growth responsibilities. University and higher education is the only solution to these economic problems facing the developing world. Reliance on public sector jobs is not the right approach. Higher education helps to provide a solution for economic growth by producing qualified people to fulfill and create jobs. According to congressional
testimony (United States, 2013), economic stimulation can attract foreign investments and assist industry innovations, leading to growth locally and well as globally.

The effects of education on economic development can either be local, regional, country specific, or global. Hill (2006) elaborated on how on a local perspective education provided at universities aided in developing innovative solutions through strategies and proper research. Porter (2007) brought forward a notable and effective use of universities for regional economic development. Universities produce graduates who are qualified in different fields. These experts revitalize and revive the economy when they contribute their knowledge in the areas of work. Furthermore, positive initiatives can promote regional level economic development. Specifically, these initiatives include job creation, developing real estate, research that help businesses in the industry and offering consultation to the startups in order to promote economic development through business and entrepreneurship.

In discussing the role of higher education in creating a stable or reliable future, Cortese (2003) found that old education methods will fail to meet the requirements for stability when change occurs and demand for experts or technocrats in the industry increases. The implication of new education methods is that universities and any other institutions produce graduates who have the correct skills. Application of these skills in industry ensures that the economy grows because of the increased productivity. Furthermore, modern education approaches will ensure that there is adequate staffing or workforce to push the economic growth and development. In the modern world with developing technology; new skills have to be introduced. The new skills to be introduced ensure that the competencies and knowledge of the students takes note of the changing
business world. This action means that the new skills are in tandem with the changing economic environment. For example, training in new technological software ensures that students can apply the IT knowledge or training that they gained in class to solve problems involving real life situations. Students must be provided with a variety of subjects to understand the local community needs. Diversity of subjects is also necessary in order to compete with the outer world, and Cortese (2003) suggested ways for expanding and improving the quality of education. These ways included consistent review of the curriculum, establishing a powerful quality assurance arm, and ensuring that trainers, tutors or lecturers have high-class credentials.

Dreze (1999) covered the broad view of economic development by taking into account human well-being and social opportunity rather than the traditional standards set for the economic growth indicators (such as Gross Domestic Product, Money Supply, Unemployment, etc.). Wilson (2000) opines that India's failure to balance fundamental deprivations in society are caused by inadequate public involvement in the provision of social security, basic education, health care, and related fields. Wilson considered higher or lower levels of education to be one of the primary reasons for the failure in economic growth.

To investigate the effects of higher education on the economic development of the country Gyimah-Brempong et al. (2006) compiled data over the period 1960-2000. With the use of a dynamic panel estimator and a modified neoclassical growth equation, the authors analyzed the effects of higher education in African countries. Contrary to previous studies that indicated that higher education had no vital relation with growth development, the authors stated that higher level education can directly contribute to the
economic growth, for which the elasticity of human capital was estimated to be 0.09. The results were found to be twice as large as the growth of physical investment capital. There is a robust need for African countries to consider higher education human capital in economic development policies.

Kimenyi (2011) suggested that most policy makers in Africa have focused on the quantity of education, while they ignored the quality, which holds equal importance. Kimenyi’s paper is based on thorough reviews which indicated the link between higher education and the economic growth. The studies revealed the importance of higher education on economic growth by citing evidence that the income of African countries varies from those of Latin American and Asian counterparts. Diversity in income variations with enrollments in tertiary (higher) education was also observed. Based on the evidence, Kimenyi (2011) deduces that higher education is crucial in the development of economic growth in today’s society. Using Human Capital Theory and empirical studies, Kimeny (2011) concluded that there were positive effects of higher education on economic growth. An area for further research or potential gap is the quality of education versus quantity Kimeny, M. S. (2011). Contribution of higher education to economic development: A survey of international evidence. *Journal of African Economies*, 20(suppl 3), iii14-iii49.

Masterson (2006) examined the role of education in the progress of economic growth in Ireland and Spain after their entry to the European Union. The factors covered in Masterson’s study were a comparison of each country's financial state in the era of EU integration, the pace and form of advancement since EU integration, the general part or share of education in economic development, and the influence of the European Union on
education policy. Joseph Stieglitz’ (cited in Masterson, 2006) theoretical framework was used as the foundation behind the study, as Stieglitz explained the reason of reforming the education system and creating 'knowledge capital' in order to prepare for economic change Masterson, E. C. (2006). *The role of education in economic development in ireland and spain after EU integration* THE UNIVERSITY OF NORTH CAROLINA AT CHAPEL HILL. Masterson (2006) compared the trends of both countries with the development of economic growth by considering the educational policies and ways of successful economic development. The main research question was why is education significant in economic development. Masterson, E. C. (2006). *The role of education in economic development in ireland and spain after EU integration* THE UNIVERSITY OF NORTH CAROLINA AT CHAPEL HILL. Pillay (2010) used the case study method to examine the relationship between higher education and economic development in Finland, South Korea, and the North Carolina, USA. The three samples were chosen for several reasons. First, all of them reflect well developed education systems. These locations are characterized by very high levels of participation. There is evidence of a strong and close relationship between education and economic development, specifically higher education (Todaro, & Smith, 2012).

According to Pillay (2010), the purpose of the research was to flesh out common themes around higher education and economic development. Pillay (2010) uses socio-economic indicators such as population, GDP per-capita, and participation rates (in higher education), to support findings of the existence of the relationship.

When describing the impact of university education on economic growth and the necessity for research institutions to embrace entrepreneurial culture, Powers (2004)
argued that reduced state funding may be replaced by funding via donations or grants. Grants come from the government, the World Bank, the international monetary fund, well-wishers and other international aid agencies. Powers (2004) also mentioned that the Bayh-Dole Act contributes to accelerating the development of an entrepreneurial environment in emerging economies and in any other country. His study indicated that all major sources of research funding - federal, state, industrial, and institutional are heavily weighted to applied scientific research supporting technology transfer and economic development.

Powers (2004) concluded that the developing countries could do more regionally to enhance local economic development. Moreover, he also pointed out that the number of quality research faculty has the greatest impact on awarded research funding. Powers (2004) ended with a suggestion that future examinations of this phenomenon consider the triple helix relationship (Ranga & Etzkowitz, 2013). The Triple Helix relationship is simply a framework for innovation. It can be applied in society, or by either the government, institutions or by the education industry. Innovation is critical in higher education to enable students become more creative and entrepreneurial. This theory infers that students will gain hands-on experience to enable them start their businesses or jobs rather than depend on employment.

To argue and reinforce evidence provided in previous analysis of the role of education in society that does not fall under the usual concept of the contribution of education to economic growth, Psachropoulos & Schultz (1984) argued that in developed countries the challenges to the beneficial role of education in economic development are superficial and have not been tested vigorously.
Conclusion

The review of literature identified the existence of a link between universities and local economy success as the analysis highlighted the importance of the development of a skilled workforce for the economy, which influences operational efficiency and effectiveness. The review of literature demonstrated the impact of universities in the development of a knowledge economy that remains key to the local economy as it influences overall sector growth through increased interactions among employees from varied sectors, which enhance the innovation capacity of the local economy.

The current state of information pertaining to the subject remains informative and practical to the current context. However, additional information remains crucial in the exploration of the impact of universities to the local, regional, national and global economies. Most studies including Economic Impact Studies are specifically designed to measure how universities bring money into their local economy.

In conclusion, the literature review highlights the existence of a relationship between the universities and local economic growth through an increase in knowledge capacity together with innovations, which propel the growth of the economy. What remains to be explored is the perception of that impact along with the influence it has on decision making of business owners.

Research Questions

This study will examine the following questions:

Q1 How do business owners in the college town of Athens, Georgia describe the impact the University has on their community?
Q2 Do business owners consider proximity to universities or colleges when deciding on business location?

Q3 Does/How does the presence of the university influence or impact business decision making?

Q4 When considering the university’s role in the community, how do business owners describe measures or factors that would enhance (improve) economic development?
CHAPTER 3

METHODOLOGY

According to Creswell (2014), a research methodology is an approach to systematically solve a research problem. It incorporates the research techniques to help in data collection and in the manipulation of data. The most appropriate design for this study is a qualitative case study approach. In general, qualitative research methods are most useful in discovering the meaning people give to events they experience Denzin, N. K., & Lincoln, Y. (2000). Qualitative research. Thousand Oaks Ua, , 413-427. . The purpose of this study is to determine the perceived impact a university (UGA) has on a local community (Athens, GA) and how or if business owners consider the impacts when choosing where to locate or make business decisions.

A qualitative approach is warranted when the nature of the research questions requires exploration Stake, R. E. (1995). The art of case study research Sage.. Additionally, a qualitative study affords researchers flexibility to explore phenomena, such as feelings or thought process, which are not possible to collect through conventional research methods Strauss, A., & Corbin, J. (1998). Basics of qualitative research: Techniques and procedures for developing grounded theory . Sage Publications, Inc.. I explored participant’s perceptions and lived experience as business owners and citizens of the community in making the connection between the University and the local economy.
In the constructivist worldview, the researcher understands that individuals have subjective meanings of their experiences. The meanings are varied and multiple, allowing the researcher to explore the intricacy of the views. The goal is to provide broad, open ended questions and rely on participants views Creswell, J. W. (2014). Research design: Qualitative, quantitative, and mixed methods approaches Thousand Oaks: SAGE Publications, c2014; 4th ed. This chapter will describe the research paradigm, approach, and design used.

**Research Design**

Although this study employed the qualitative method of individual interviews as the primary method of data collection, an initial survey was developed and administered to Athens area businesses to obtain basic demographics on the age of local business and to get initial comments about their motives in choosing to establish a business in this college town. With the survey providing a context, qualitative case study research served as the main method for this study.

This section describes the background of case study research, defines the case study method, and examines the relevance of case study approach. Case study researchers have suggested techniques for organizing and conducting research successfully. For the purpose of this research, I relied primarily on modern case study methodologists Merriam & Tisdell (2015), Stake (1995), and Yin (2009).

Stake (1995) described case study methodology as a strategy of inquiry in which the researcher explores in-depth a program, event, activity, process, or one or more individuals. Cases are bounded by time and activity, and researchers collect detailed information using a variety of data collection procedures over a sustained period of time.
For this study, the phenomenon under investigation is how business owners describe the impact a university has on their community and in the business owners decision making. I collected data through limited in-depth in-person interviews, and more broadly through surveys disseminated via email to the local business community at large. Interviews were conducted and audio-recorded, recordings transcribed into word documents and data coded for emergent themes. Another component of case studies is the unit of analysis, defined as the area of focus of the study Merriam, S. B., & Tisdell, E. J. (2015). *Qualitative research: A guide to design and implementation* John Wiley & Sons.. For this study, this unit of analysis is the community in which the university is located, Athens, Georgia.

According to the university’s official website, University of Georgia (UGA) is a public research university that has a student population of about 36,000 in 2015. UGA offers a wide variety of programs in the social sciences, engineering, humanities, forestry, and for graduate students. In total, UGA is organized into 17 constituent schools and colleges with more than 140 degree programs in diverse disciplines. In terms of services, UGA is also home to research institutes such as the University of Georgia Research Foundation, and offers grants on fellowships related to environmental studies, humanities, and many others. UGA also values sports and recreation, and provides housing and health services (University of Georgia, n.d.).

**Sampling Design**

Purposeful sampling Patton, M. Q. (1987). *How to use qualitative methods in evaluation* Sage, was used to select the business owners for personal interviews. The selection criteria was based on each business owner’s proximity to the university campus.
and if they were located in Athens-Clarke county. In order to achieve diverse perspectives for the case, Merriam, S. B. (2002). *Qualitative research in practice: Examples for discussion and analysis* Jossey-Bass Inc Pub., it was important to include a mixture of various industries including hospitality, manufacturing, construction, and retail sales to maximize diversity of the sample.

**Data Collection Methods**

The participants for the interview were contacted via email to discuss the nature and purpose of the study, and to set a convenient location and schedule for the interview. This initial contact helped build rapport and trust. Prior to the interview, the participants were provided with and completed an informed consent form. The informed consent form included the purpose of the study, research procedures, expected benefits, their right to withdraw from the study at any time and protection of confidentiality.

The duration of each interview was approximately 30 minutes. Upon the approval of the participants, the interviews were audio-recorded. Detailed notes were also kept throughout the interview. To build further rapport, I verbally stated the content of the informed consent form, as well as provided information about myself.

An open-ended interview guide was used to direct the semi-structured interview. The interview guide provided a uniform set of interview questions for each participant, while the semi-structure method allowed me to probe for additional information. The questions tackle the perceptions of the business owners in terms of the economic impact of the student body of the university to their businesses. The participants were also asked to describe the impact of scenarios such as increase in UGA enrollment and student employment on their business. After each interview, audio-recorded data were
immediately transcribed to Microsoft Word files saved in a computer protected by a password known only by me.

Survey data were collected using the Economic Impact Study Business Questionnaire (see Appendix A). The survey was open-ended and intended to explore the diversity of thoughts of the participants. The survey data also supplemented the interview data, and were used to triangulate data. The survey with open-ended responses were distributed and collected electronically via email concurrently with the interview process.

**Data Analysis**

Data analysis procedures were based on an open coding process (Merriam & Tisdell, 2015). Open coding referred to the data analysis procedure in which data were categorized according to the phenomenon in the text. I began by analyzing interview data first, followed by the survey data. After the data were transcribed in Microsoft Word, the Word files were uploaded to NVivo 11, a qualitative data analysis software (QSR International, 2015). I used NVivo 11 to store, organize, manage, and analyze the data.

The interviews were initially read line-by-line. The purpose of reading the data line-by-line was to identify patterns and themes from the interviews. In doing so, I was able to familiarize myself with the data, and to create general categories within the data. The general categories involved abstract concepts. Categories were derived from the data itself, instead of an existing theory. All the lines were analyzed in a similar manner. I developed a code book to keep an inventory of codes along with their descriptions. The code books helped in ensuring that the meanings of the codes were aligned throughout the analysis.
After categorizing the codes, I proceeded to explore the relationships among the categories, and derive emergent themes. The categories were interpreted in line with the research questions. The purpose of analyzing the categories based on the research questions was to address the research questions in a detailed and comprehensive manner (Merriam & Tisdell, 2015).

Data from the qualitative survey were analyzed in a similar manner. After all the data have been coded and categorized, emergent themes from the interviews and the survey were cross-checked. Reviewing emergent themes from different data sources allowed for triangulation of data, in which the participants’ perceptions were reflected as accurately as possible in the results.

**Trustworthiness and Credibility**

All researchers attempt to design and implement good/ethical and trustworthy studies. A sound case study is significant and complete, and utilizes alternative perspectives and sufficient evidence, and is reported in an engaging manner (Yin, 2009).

Multiple methods were utilized to increase this study’s trustworthiness. First, credibility or truthfulness of the study was increased through triangulation, member checking, and peer review (Merriam, 2002). Triangulation of data occurred when data from the interviews and data from the survey were reviewed and compared to confirm emerging themes. Member checking was accomplished through sending the transcripts of the interviews to the participants for them to review. Corrections were made when necessary. Peer review was accomplished by having a colleague to verify the findings. Next, dependability of the study was increased through keeping an audit trail (Merriam, 2002). Audit trail involved proper organization and documentation, which may be used to
accurately cross-check references, or for future researchers to replicate the study. The
audit trail also involved a detailed description of the data collection and data analysis
procedures.

**Research Bias and Assumptions**

One important distinction between qualitative and quantitative research is the role
the researcher plays in the process. It is clear that the primary instrument for data
collection and analysis in case study research is the researcher. As a researcher progresses
through the process, the researcher must acknowledge he or she is a human instrument
and the primary research tool. As such, it is imperative for researchers to consider their
own biases, limitations, and views throughout the data collection, analysis, interpretation,
and the reporting phases of the process. Qualitative research assumes that the researcher’s
biases and values impact the outcome of any study (Merriam, 1998). To enable any
audience of qualitative studies to evaluate the validity of conclusions extrapolated from
data, researchers should, as part of the study, neutralize or bracket their biases by stating
Criteria for assessing interpretive validity in qualitative research.. For this study, to guard
against unethical or unintentional influences on my interpretation of how schools
contribute to the economic development of a community, I will outline my personal
experiences relevant to this study.

I have currently spent the last decade working at a university, more specifically in
a division dedicated to the economic development of the state of Georgia. I have worked
hand-in-hand with business to improve their operations and to gain access to the local,
state, and federal contracting market place to facilitate new, additional revenues to both
their business and the state of Georgia. Currently, working as a procurement counselor and educator has given me a broad view of how businesses make decisions. Having lived the challenges that university and business leaders face bolsters my understanding of the day-to-day operations, procedures and decisions that transpire within the sector.

In addition to the influence of my professional experience, my personal background and upbringing may bias my methodological approach. I have spent much of my life, personally and professionally, working in the military, government, or university environment in roles to improve economic development. In this context, I have been immersed in a culture that emphasizes the importance of the relationship between government-funded entities and the community in general. My experience in these roles may constitute a bias, but I am conscious of this possibility and proceeded with every effort to remain unbiased in the collection, analysis and interpretation of data.

### Summary

Chapter three outlined the methodology for this study and process with which the study was conducted. The constructivist paradigm was described along with the rationale for a qualitative approach. A description of how interviews were conducted and an overview of how the surveys were collected was provided. The chapter concluded with a discussion of strategies I employed to guard against biases.

Chapter four will present the findings of the study while Chapter five will discuss the findings and draw conclusions based on a complete examination of the study results and the review of literature. It will also discuss the implications of the study and areas for further research.
CHAPTER 4

RESULTS

This section contains the presentation of the study findings. This section is divided into four subsections, in which each subsection addresses one research question. The first section includes data describing the participants and answers to the qualitative survey. The second subsection includes the presentation of the economic impact of the university to the community, which answers the first research question. The third subsection includes the impact of the university to business location, which answers the second research question. The fourth subsection includes how the university increases demand, which answers the third research question. Finally, the fifth subsection includes the recommendations for improvement of businesses, which answers the fourth research question. Each subsection includes themes that have emerged from the data. Narratives and excerpts from the data are also included to support the themes.

Participant Attributes

Of the business owners interviewed, three identified as service providers with one of the three being service/hospitality. One business was in textiles or manufacturing, two were in the construction or facility management industry and two in consulting (Figure 2). Comparatively, according to the Georgia Department of Labor, U.S. Bureau of Labor Statistics, 99.7% of all corporations are considered “nonfarm”. The leading industries are Services (33%) followed by retail (26%) and manufacturing at (20%). Lesser prevalent industries include construction, consulting and financial/real estate (Figure 3).
All business owners had owned their business for at least ten years with six of the eight having been there in excess of twenty years. Three of the eight participants either purchased an existing business or inherited it through family; the remaining five were founding members.

*Figure 2 Interview Participant Industries: Demonstrates the compositions of the industries represented by the interview participants.*
Figure 3 Composition of All Athens Businesses

Figure 4: Interview Participants Age of Business
Eighteen percent (35/200) of business owners contacted via email responded to the qualitative survey request. The composition of business responding to the survey demonstrated that the Athens area has a very well established business community with 60% of all respondents reporting that their business has been established for more than ten years with 34% reporting that they have been in business for more than 25 years. Twenty one percent responded that they had been in business less than five years with only 8% indicating less than two years.
Figure 6 Survey Q(1): How long have you been in business?

The diverse representation of industry from the community included at least eight distinctive sectors with the most reported being service followed by consulting, construction, sales and information technology. Manufacturing and training/education were also represented.
In response to the survey question “Did the presence of a state university or college influence the selection of your business location, 79% indicated it had influence while 11% said somewhat and 10% said no, they did not consider the university when selecting a location. Among those reporting slightly, the community amenities were noted to be the driver in the proximity to campus.
Figure 8 Survey Q(3): Did the presence of a state college or university influence the selection of your business location, if so why?

Survey question four asked the participant to describe how much the presence of the university influenced business decision on an ongoing basis. Similar to question three, 57% responded it had no impact on decisions while 32% said it did somewhat and 11% none.
Figure 9 Survey Q(4): Please describe how the university or college affects your business decision making.

Figure 10: Comparative Analysis of Industries. The above figure demonstrates how the participants in both interviews and surveys compare to the overall composition of
business by industry according to the Georgia Department of Labor, U.S. Bureau of Labor Statistics.

**Economic Impact of the University to the Community**

This subsection includes the findings that addressed the first research question, regarding how business owners describe the impact the university has on their community. Three themes emerged from the data. The themes were: (1) recession-proof community; (2) development of businesses; and (3) development of the community. While four of the survey respondents believed that the presence of the university had no impact on the community, the majority of the participants (N=31) believed that having the university in the community helped provide opportunities for business, which provide economic growth, and the development of the community.

**Recession-Proof Community**

The participants perceived that college towns, such as the setting of this study, were “recession-proof.” In general, college towns tend to have lower unemployment rates (Davis, 2016). Furthermore, the presence of the university also encourages the pursuit of higher education, resulting in an educated workforce population. A survey respondent wrote that, “I believe universities provide a great opportunity for continued education. I believe education is a key to economic success.” Participant two added that having the university in the area helped him educate his staff through sending them to seminars conducted at the university. Having educated staff members helped his business adapt to the economy. Participant two said that:

I have taken advantage of the programs (free small business development courses) by sending my staff over a period of time, multiple times to the seminars and they
come back with all kinds of ideas. The neat things about continuing education is that, you have to keep learning so that even if you are looking at the same thing, you look at it through different eyes, at different periods of time, there is only so much you can absorb in one sitting. Even if they give you the same class five times, you pick up something different each time because you just didn’t catch it the first time.

College towns also tend to attract families to be able to provide “great education” to the children who may stay near home to attend college. A survey respondent wrote, “It’s a large impact. It provides a community to draw educated workers and, also provides a place that draws families who know their children can receive a great education close to where they live and work.” Participant 4 also believed that college towns “thrive” due to people “coming back to retrain for jobs.” Participant 4 said that, “Because the population has to be re-educated, so they are a stable source of income for vendors, and that’s another reason why they (universities) absolutely do transform these kinds of stable economic foundation within school systems.” In addition, Participant four shared her perception of the growth of the economy due to campus housing, an auxiliary function of the institution. Participant four said:

… In the case of Georgia, businesses that used to not be focused on the dollars that these towns (such as Athens) have as a result of the expanding educational system, when their businesses couldn't find commercial developments to do, they came into campus housing. And a lot of the (construction and consulting) players that are in campus housing today are kinda new to campus housing because of the
downturn of that market space in the private sector. Because it (university) does expand when everything else is contracting.

Participant five also said that their community was “recession-proof.” Participant five explained that universities continue to “hit their enrollment targets, and things continue to do well” due to the housing market. Participant five shared that:

When things are going economically on a downward spiral, you know, like we have years ago where the housing market crashed, universities seem to prosper because people are losing their jobs and are taking the opportunity to go back to school and further their education. And during the housing crash you know years ago, certainly the market (Athens) was impacted but not as great it was throughout the state of Georgia as a whole. We recovered a lot quicker than the Atlanta and other metro areas because, people either are attending college or are choosing to go back to school.

Participant eight, on the other hand, commented that universities were “recession-proof, not depression-proof.” Participant eight said that people (parents) may continue to send students to the university during an economic downturn, but “not [during] a depression.” Participant eight further added that:

When there is an economic downturn, not a depression, people are going back to school, re-schooling themselves, getting educated in a different manner to work in a new economy so universities depending on the economic cycle bear different revenue resources so when the economy is really good, it (enrollment) might go
down but the endowment power has a stronger return along with the stock market and when the economy goes down, the enrollment tends to go up and sometimes when the economy is bad, the state wants to put money into worker trainee and a lot of those workers being hired, so I agree with you from a business standpoint, being in a town that has a strong university provides stability to the local economy.

**Development of Businesses**

The setting of the study was perceived to create demands for certain products and services. A respondent of the survey claimed that, “They [the university] also draws intelligent upwardly-mobile youth into the area, who support businesses such as restaurants and coffee houses with their discretionary income and inspire the next generation by being a positive role model for attaining higher education.” In addition, another respondent indicated that “many small business thrive on the university students.” Participant one said that part of his business strategy was forming a research methods department focusing on the projected needs of the community. The participant discussed those needs with the university board members, and that was how businesses developed. Participant one shared that:

Universities are long standing building blocks of society and they need to make strategic long-standing investment oriented decisions because they can reap the benefits of them. In other words, their lifespan is longer than yours or mine.
This statement was referring to the fact that business and people have much shorter lifespans than institutions and thus decisions they make are enduring and can transcend time. Participant one further elaborated:

> So, our view is, you know, right now there are people in the community making money off the University of North Carolina Chapel Hill, referring to a current project. They have this cute little downtown just like Athens. And you know it generates some income but there are a lot of people making money off of the university. So, we're in the midst of a conversation internally with their board saying listen guys, you missed the window. You know we were too short sighted on the window to capture the economic value on Franklin Street. But you have a hospital and you have all these other pieces you have this light rail that's going to come in in the next ten years. We need to be ahead of the next one. Well it's redeveloped with the demand you already have. I'm just going to deploy that demand were it is beneficial to me but it's also makes a strategic impact for me and it raises land values and the opportunities for everything else around.

Participant seven shared a similar opinion in that the university has created demand from businesses. “Universities as a whole will bring commerce and it’s everything, it’s everything in a neighborhood and everything every human needs like banks and grocery stores and living quarters and gasoline and anything that we need in our daily lives, hospitals...” In line with their business, Participant seven said that:

> UGA has really made a beautiful downtown campus and in doing that they've created all sorts of jobs, not only for the student but the community as a whole.
And by bringing in that commerce, it could be anything, it could be the guy who comes in and scratches the dirt, it could be the one who builds, and literally everybody in between. Whether it’s the electrician, whether it’s the toilet company, it’s the concrete people. Every single bit of that. And so some of that is temporary, like you know portable toilet guy might only be there during construction. But then ongoing as they build a new stadium, now they might need portable toilets out in their parking lot during their larger event and so on. So all of that just kind of snowballs and really creates, over all for the community as a whole it brings millions of dollars to the area. I'm sure that there are some sort of tax base that is increased that helped you know everything else like police, fire, etc…. So it just snowballs.

Participant eight similarly acknowledged that his company that originally started in the 1940s as a residential construction company, evolved over time, saying that: In the early 60s, we built hotels, mostly holiday inns, so, we were approached in the 60s by a university to build, what they called, and an on campus student hotel. So we did that, and to our knowledge, was the first concept of privatized student housing on a campus.

Partnerships between businesses and the university were also observed. A survey respondent noted that, “In our business it is a positive impact since we have been performing work for the state universities.” Participant four also viewed the university as “potential clients,” and has “worked with them” in the past. The participant perceived
that the university was a “broad market” which may benefit “supply stores or contractors.” Furthermore, Participant four said that the university was part of the “economic system” of the community. Participant four also said that, “If not for the University of Georgia, the local economy and businesses would collapse, they really are dependent on the dollars that these workers (referring to university employees) bring into their community.”

**Development of the Community**

The majority of the participants perceived that the university helps develop the community. The university was perceived to be “an engine for the economy, development, partnerships with other schools, and employment,” according to one survey respondent. The majority of the survey respondents also believed that the university attracted families to settle in the college town, boosting housing developments, local restaurants, and other small businesses. Furthermore, the university was believed to attract research dollars and technology. Participant eight said that, “One like, university of Georgia gets a $100 billion (Actual number is about $470 million) worth of externally-funded federal research dollars. That is a real tangible amount that comes into that community.” The participant also believed that not only business owners, but also locals become invested in the community. “The community tends to develop neighborhoods and transport systems”, as stated by Participant two. Participant one believed that families tend to be “connected” to the community as they send their kids to the local university, and “own a home” in the community. Participant one perceived this to be a “long-term investment.” Participant one added that:
If you look at businesses, companies like Starbucks if you look at Amazon if you look at Microsoft and Eli Lilly, if you look at any of those companies, Apple, you are going to find a correlation for where the founder lived and went to school when the company was founded and that creates a long term return for those communities.

Participant one continued:

Under Armor is a phenomenal example of a university connection. It's actually if you were going to write a paragraph Under Armor is probably your best one. He (referring to Kevin Plank) went to Maryland, he invented this thing for Maryland athletics, he maxed out every card he had and was basically on the edge of bankruptcy and then caught a break and the thing went kaboom and everybody wants Under Armor in their area, and he chose Baltimore. Baltimore is mightily struggling city and it's really struggling and you know that's a huge impact. But the connection is I think the key thing. So, anyway going back to the other one the university is basically that on steroids is not going anywhere.

Participant five perceived that a partnership existed between businesses and the university in terms of generating income. Participant 5 shared that increased income allowed him to do some charity work as a form of giving back to the community.

Participant 5 said that:

And when you have those working relationships and those partnerships with these universities, we made a little bit of money and we were able to give more back to
the community and the soup kitchens, the second harvest, Habitat for Humanity, things of that nature which you know recycles the economic impact that it has on the community. The more we make, the more we are able to give back to the community.

**Impact of the University to Business Location**

This subsection addresses the second research question regarding location decisions and if business owners consider the proximity to universities. Two themes emerged from the data. The themes were: (1) possibility of partnership, and (2) availability of human capital. The business owners perceived that decisions in choosing the business location was influenced by the location of the university. The participants perceived that the university provided opportunities for business partnership, as well as produced a highly educated workforce contributing to the human asset of a business. Some respondents claimed that the business location was selected due to “affordability” of the location, while some respondents happened to establish the business in its current location due to personal decisions. One respondent wrote, “I moved my family to Athens, GA to leave Atlanta and be in an area that was desirable for my family (which happened to be a college town), I decided to also move my business here too.” Another respondent wrote, “Only because my husband graduated from UGA vet school & wanted to move back to GA from CA.” Nonetheless, one participant claimed that he did not initially consider the university in selecting a business location, but he was “now aware of and has been utilizing the university's resources and it has had a positive impact” on his business.
Possibility of Partnership

The university is perceived to provide business opportunities, and potential clientele. Therefore, the participants perceived that selecting a business location in the area of the university increased the possibility of partnership. Participant five said that business owners and university administrators alike desired to “prosper,” and that partnerships were forged to benefit both the business and the university. Participant five stated that:

We have, what we like to call, right clients, right terms. And by saying that we need to be in a relationship with a university or any of our partners that truly is a partnership. Both parties see a benefit realize a benefit from the partnership. In most of our cases, we do have strong partnerships which you know, at the end of the day we all want to prosper and those strong partnerships.

Participant three claimed to have selected a business location around the university due to the “enhanced lifestyle of the people” and the growing population. Participant three also experienced that partnership with the university provided opportunities to acquire free (or nearly) education. Participant three said that:

Thanks to Georgia Tech and the Procurement group (In partnership with UGA and located on campus in Athens, GA), I have benefited and been educated far more than I would have, had I continued down the road of trying to do this on my own on a wing and a prayer, because they have shown me so much and it hasn’t cost me a dime. And I recognize the fact that had I have gone out and hired one of these recruits that emails me constantly every day, you know, with that -- my
service will... So I know that I have benefited at least $4000 a year by having that resource available to me and available to me at no cost. Because I am a small business and I need to take more advantage of the small business administration, the SBA, the SBDC.

Participant four believed that the business partnership with the university was “fundamental” “because [the university] does bring a lot of revenue in.” Participant four added that:

I do, I do think that it's part of the ecosystem. I think it's really important that people and, a lot of people don't get that. That it is part of the ecosystem, it’s part of the economic system. Without the institution the area would have a financial shift, you know. In the local economy and businesses would collapse that really are dependent on the dollar that these workers (referring to faculty administration and contractors) bring into their community. And to the extent that the campuses can support the community and they have policies and procedures in place where they can and do support their local community, it's an enrichment that where they give and they also get. Because the community gives back to them in return,

Participant four continued to elaborate on the multiplier effects of the university outsourcing and hiring locally:

Yes, that's true because the contractor that you hire is going to have lunch at the local restaurant and their workers are all going to do the same. They’re going to stop by some of the stores on their way home from work or whatever it is that
they need, they're going to shop because it's convenient for some items even if they go back to their home communities for major shopping, they're going to stop at stores along the way. There is so much right there there's so many opportunities for those dollars to go around and underline the fact that when the neighborhood brings the dollars into the university as well. When they're going to the cultural events and what not like that. That money goes into the university and then gets recycled right back out to the community.

**Availability of Human Capital**

As the university provides education for the students, business owners tend to build business in the area of the university due to the availability of highly educated human resources. Participant six shared an experience in sourcing for a 3D graphic artist. Participant six said:

We needed a graphic designer, a 3D animator for a project we are working on for a client and we were trying to figure out how to post a job on an intern website, but some woman says, “go to this place, go to this place and go to this place…” and I was just, “…could someone do it for me?” maybe the person I got was having a bad day or maybe because of my attitude that’s why… I want to go over to Georgia, who are going to help me, they are going to hustle and maybe it’s the university culture and maybe the university made them do it for everyone, but I could have used a little bit of hand holding and recognition that I am not a resource rich in terms of time, and that’s how the university helps me.
Participants one, two, and four also believed that university graduates were considered as human capital, and were “a stable source of income” for small businesses. However, Participant eight claimed that university graduates tend to be knowledgeable in theoretical aspects, but not in hands-on application on the job. Participant eight claimed that:

We as employers would go one day and will be recruiting students who put on their resume that they have an excel class and proficiency in Microsoft excel and we would say, create the table or a chart and they didn’t know how to do it. They only knew how to do the simple formulas in excel. So I think from a business standpoint we would like to see the university graduating people with more readily available skills in those areas and real life examples, not just theory, more case study, more group work, more real life problems solving not just abstract theory.

**The University Increases Demand (Opportunity)**

This subsection addresses the third research question on ongoing business making decision impact. One theme emerged as the influence of the university in the business owners’ decision making. The theme was demand. In terms of the university’s impact on the business owners’ decision making, the participants perceived that the university created demand or opportunity for a market in the community. Business owners tend to capitalize on the needs of the college town. Participant seven shared that what helped them in business decisions was the necessity of learning about university and government contracting. Participant seven shared that:
…when the world fell apart in construction, in particular in middle Georgia in 2008, … we found quickly that people who owned a hammer and a truck who were building houses they fell apart and their business went away, but the business of people who were building roads or doing any type of municipality or university or any of that government type work was absolutely continuing because that funding was already in place before the world fell apart. And so we quickly learned that our contracts with the university, the power plant that we were servicing, the bases, the military bases that was kind of our foundation and making it all work.

Participant seven also credited their ability to find and respond to these types of contracts through no cost services provided by the university.

A university counselor, I can’t remember his name, sat down with me and he educated me on government contracting and that would help me in expanding my business from government contracting, which (the counseling) is a university run no cost program. He sat down with me and went through and we figure out my NAICS codes and keywords and all these wonderful things and that just opened up my world because all of the sudden, I was exposed to Fedbizopps and I didn’t even know it existed previously.

Participant one shared that in making business decisions, the impact on the university as well as the community was taken into consideration. Participant one said that strategies were made to avoid crisis. Participant one shared that:
And there's a pretty big dialogue going on in my industry. Particularly during the ‘08 crisis about, how do you keep the economic impact of the university as regional as possible? And that actually affected our business strategy. And we ended up creating regional office in close proximity to schools because we saw that dynamic coming. So as a business we responded to what we saw coming which was you know, it's a big enough economic generator for a region that it became critical.

**Recommendations for Improvement**

This subsection addresses the fourth research question, how do business owners describe measures or factors that would enhance or improve economic development. Two themes emerged from the data. In thinking about factors that would enhance economic development, respondents said that it: (1) produce students with practical skills; and (2) strengthens partnership with the university. While the participants perceived that the university provided several benefits to the local businesses and the local community, the participants also perceived that improvements were needed to further increase the benefits.

**Produce Students with Practical Skills**

While the university tends to produce highly educated graduates, the participants claimed that the graduates tend to have more theoretical than practical knowledge. Although the participants considered hiring educated employees as a benefit, the participants perceived that hiring employees with hands-on experiences may add to the benefits of both the university and the business. Participant seven claimed to be “frustrated” with graduate who “haven’t lived the real world.” Participant seven said that:
The real world application is frustrating for me. For me, when I speak to or I run into or I observe the people in government or people and you know in the educational setting, who really don't have a true blue clue of what the real world challenges are.

I'm sure you know you could say the same thing about me because I have never had to educate children/students and the frustration of that, but people are people. And so you know you're going to have people [employees] who are lazy. You're going to have people not going to show up for work I'm going to feel like you, you know not be able to meet payroll, you don't have truck breakdown, you're going to go have all of these things. No matter what, so I know that educators don't have to deal with the same problems as I do in that respect.

So that’s the frustrating part for me. I would like to see more real world, I'd like to see a professor who had more real world experience. I think that would be better or I think you know they could apply and say hey, when I was in business this what we ran across. That it better education to students than to pontificate about how it is and say that when you graduate you can expect to make twenty-five dollars an hour.

Participant eight recommended that universities needed to teach their students skills on top of knowledge. Participant eight said that:

I think the universities have gone a little off mark in that they kind view community college as the skills trainers and that the universities are truly a higher level of thought. I guess that’s true but at the same time, if you are in business,
and you can’t crunch numbers and do statistics at a basic level then you are transferring a good part of the educational process to your employer.

Similarly, Participant one perceived that the university needed to teach the students to be more hands-on through creating an “incubator space for student businesses.” Participant one also said that:

The university creates people who are in a knowledge-based economy. All those people deploy their economic value while they're on campus. And then we see the impact is even multiplied if you get it so that they start a business while at school. Then the university, and it's not only creating economics value from the operations of the university. These are entrepreneurs who have that sticky long-term relationship and those people stay and then they build businesses and those businesses have a multiplying effect on the economy.

**Strengthen Partnership with the University**

Partnership with the university has already been established; however, the participants perceived that to improve further economic development, the partnership needed to be strengthened. Participant five said that, “I think that's both [business] and the university partnerships have to do a better job.” Participant five perceived that the university needed to do more “to get the message out.” Participant five explained that the message was the available programs and resources in the university that the community was unaware of. Participant five said that:

..you know, telling the story. I think that's both our company and the university partnerships that we have to do a better job. You know, I don't think that the
universities do a great job communicating their message to the community. I think that there's a lot more that you know, they can do to get that message out. So, a lot of the things that we do (referring to the contracted work they perform for the university) that for example we have expectations meetings, the university says we want to do X, Y, and Z. And we're sitting at the table with our folks and the university folks and say well we already do X, Y, and Z. It's already, you know, a program that we manage efficiently & effectively etc. and they're… they're just not aware of it. So yes, we can all do a better job communicating to the community you know what positive impacts that we have on the community. And I don't think that happens all the time.

Participant three suggests that the partnership between businesses and the university may be strengthened through broader advertising. Participant three said that his partnership with the university was “a complete accident,” as he did not know about it. Participant 3 said that:

I don't read the newspaper. I don't buy the local newspaper. I'm dependent upon emails and social media sites, professional social media sites, such as LinkedIn, to get information and data that I need. That’s how I found out about the university programs by seeing a counselor on LinkedIn, I read his profile, and I said, "Hey, that might be someone pretty cool to connect with.

Participant three added that:

What other industries in our area don't know about some of these university run programs is that they have resources to help small business. -- well they know
about the small business administration, but in their minds they’re thinking, SBA is just for loans -- small business loans. So what can they do to enhance or to market themselves better as being a resource at a low cost to no cost, that’s something they should think about...

Participant four perceived that partnership with the university provided benefits for the students, local businesses, and the university. Participant four said that:

Well, I think pretty much across the board [that members of] the institution are focused on supporting their local communities because it is truly a business, I mean after all, I mean it's education, but it really is about jobs and it's really about expanding the area. Everyone wants to grow. I've seen a lot of institutions that are foundational and a great example like you said it's a college town. I think it's inbred in the university system that they support their local communities. I still see a lot of institutions that are trying to do businesses outside of their communities. Now lately we have had a shift of some of the major contracts in Georgia to larger vendors. And that was because they were offering more for less or bigger shinier attractions to the students so that they could, you know, wow that first freshman into coming to their campus rather than going to someone else's that they simply couldn't do with local communities but the jobs are pretty much still in the hands of the local. The local facilities people, the educators tend to live in the area. The administrator tend to live in the area. Most of them do a great job in
offering culture in their area. I just still see a lot of that it's a pretty close community. Each one of them, yeah. I think that they've instituted some changes lately that makes it a little bit more broad, but I think that's the growth in general. So, now I really think they do a good job they're pretty true to their area.

**Summary**

The purpose of this qualitative case study was to determine the impact a university (UGA) has on a local community (Athens, GA) and how or if business owners consider the impacts when choosing where to locate or making business decisions. Each subsection in this chapter addressed one research question. To address the first research question, data revealed that the impact of the university on the local community was generally economic. Overall, the majority of respondents believe that the university helped in creating a recession-proof community, developing businesses that generate income, and developing the community in general. In terms of the second research question on locating a business, the business location in the area of the university was influenced by the possibility of partnership with the university, and the availability of human capital in the form of an educated workforce. The third research question was addressed in terms of the demand from the college town impacting business decisions. The university was perceived to create opportunities or demands from the community, which was capitalized upon by local businesses. Finally, to address the fourth research question, the aspects that may improve economic development in the community involved teaching practical skills to university students, and strengthening partnership
among businesses and the university. The implications will be discussed in the next chapter.

Limitations of the Study

Limitations of the study are conditions that may affect the strength of the study findings that the researcher cannot control (Merriam, 2002). I encountered some methodological limitations in conducting this study. The first limitation was the limited sample. The use of a small sample size may have decreased the validity and transferability of this study. The limited sample size may also have led to another limitation of this study, which was the inability to generalize the study findings. However, during data analysis, I repeatedly immersed myself in the data until data saturation was achieved. Furthermore, the use of an audit trail provided transparency in the methods of the study; thus, the issues on validity and transferability may have been minimized. Finally, a limitation in the responses of the participants may have been encountered, as I am an affiliated educator in the institution within the setting of the study. As such, the participants may have responded in socially appropriate ways, avoiding negative remarks about the university. Nonetheless, prior to data collection, I prompted the participants to answer as truthfully as possible.
CHAPTER 5
DISCUSSION

This qualitative study explored the impact that an institution of higher education—in this case, the University of Georgia (UGA)—has on the economic health and business climate of a college town, namely, Athens, Georgia. The goal of this study was to explore the perceptions of the business community regarding the meaning of the university’s presence. Several previous studies demonstrated that universities can have a significant positive impact on the economic climate of their region, and the researcher in this study sought to find qualitative evidence that could buttress and clarify the results of previous research.

There are many ways in which universities can have a direct and indirect impact on the economic life of the communities in which they are located. These include spending by students, the values of grants and other money the university attracts to the community, and direct spending and outlays by the university itself (Humphreys, 2016). Valero & Van Reened (2016) identified a pattern in which the overall GDP of most countries was positively associated with a high number of colleges and universities. Leslie (2012) indicated that universities attempt to justify their mission not only in terms of education but also in terms of other forms of economic relevance to their communities. As such, the aim of this study was to determine how these institutions impacted their communities, and what aspects of this economic mission were considered most helpful and impactful by business owners in the local community.
While many studies have found a direct link between universities and a positive economic impact on local communities, these studies have not focused on the meaning that individual businesses and owners attribute to this support. The purpose of this qualitative study was to determine what such support means for actual business owners. This study consisted of semi-structured interviews with eight business owners in the Athens, Georgia community. The business owners were selected through purposeful sampling (Patton, 1987), based on criteria such as distance from the university, length of time in business, and receipt of revenue from the university. The business owners were selected from a variety of different industries (Merriam, 2002). The purpose was to capture the sort of rich and detailed descriptions that will increase credibility and provide the ability to triangulate with other sources (Merriam, 2002). The focus of the selection process was on locating what Patton (1987) calls key informants, who are particularly conversant on the relevant topic.

**Summary of Key Findings**

This study found that eight business owners interviewed and 35 survey respondents reported that the presence of the University of Georgia (UGA) had a meaningful impact on the economic climate of Athens, GA, and on the health of their businesses. The university created positive externalities that business owners found to have a beneficial effect on the health of their businesses. The results of each question were coded according to the process of Merriam and Tisdell (2015) in order to distill central themes.

Three themes emerged in response to the first question posed, which examined how the business owners would describe the impact that the university has on their
community. The first theme was that of the “recession-proof” community. In particular, the participants reported that it was not so much the increase in educational attainment that mediated these positive externality effects as it was the perennial economic support provided by the university. The second theme that emerged in response to the first research question was the development of businesses. Participants reported that the university created opportunities or markets in the community that would not exist otherwise, and added to the pool of potential clients. Even those who did not perceive a direct impact felt that there were other impacts such as improved business climate. The third theme related to the first question was the development of the community. Participants noted that the university attracts research dollars as well as other forms of investment that would not be present otherwise.

With regard to the second research question, the impact of the university on business location, two key themes emerged. The first was the possibility of forming productive and symbiotic partnerships between local businesses and the university. Participants reported that they selected the location in order to maximize such positive interactions with the university. The second theme that emerged was the availability of human capital. Universities not only produce clients for products, they also produce highly skilled workers. Several participants reported that the presence of the university leads to a much more highly educated workforce that allows for success in the knowledge economy. Educated workers such as graphic designers were easier to attract in a location such as a university town.

With regard to the third research question, that examined how the presence of the university impacts the decision making of individual businesses, one theme emerged.
This was that the university increases the demand for certain products and services from the college town. The presence of the university means that the business owners find themselves compelled to understand more about the rules for government contracting and for others such exigencies of financial interaction with the university and public sector. The participants found that they needed to take into account the behavior of the university in making decisions at all level of the planning process. The impact of decisions were considered not only in terms of the health on the business, but also on the region and the university.

This leads into the results that emerged from the fourth research question, which focused on how business owners would describe the factors that would improve economic development in the community in light of the presence of the university. With regard to this question, two key themes emerged. The first was that the business owners encourage the university to focus on providing workers with practical skills. It was found that universities do indeed provide workers who are capable of keeping up with the demands of the knowledge economy. However, there are inherent limitations to this. Business owners reported that graduates often have theoretical knowledge but lack practical skills. They therefore reported that it was necessary for the university to have a greater focus on producing workers with useable skills. The second theme that emerged with respect to the fourth question was the need to strengthen partnerships with the business community. Businesses reported that they felt that they could be kept better apprised of events at the university and that better communication was necessary overall. Furthermore, business owners reported that there were benefits available form partnering with the community that went beyond influence on the business climate. Possible benefits
of partnership were also found to include benefits for students and other community members.

**Interpretations**

The results of this study clearly support the findings of the previous literature discussed in chapter two, that universities have a beneficial impact on the economic health of a region. They create positive externalities that contribute to regional development in ways that go beyond adding to the human capital stock. They also clearly directly add to that human capital stock, as well as indirectly by attracting educated workers from other regions. Universities are clearly drivers of regional economic development and create positive externalities. The results also suggest that the location theory as developed by Weber (North, 1955) was indeed the central model for understanding this impact, but that human capital theory also has an important role to play in explaining how the university contributes to economic development (Abel & Dietz, 2011).

The key finding of this study in terms of the theoretical orientation of the existing literature was that while Human Capital theories of development help to account for the impact of universities on the regional economic health of their environments, businesses tended to focus much more on the ways that they created needs in the community and the way in which they created business opportunities that would not otherwise exist. It is undeniable that an educated workforce is a key component of the economic development of any given region. Guerrero et al. (2015) found that the level of educational attainment has clear impacts on regional economic health. Green and Riddell (2003) found that literacy had a significant influence on individuals’ income, which in turn has an impact
on economic development. Sum (1999) found that educational attainment had a substantial impact on income and thus on economic health. Such literature confirms the continuing relevance of a Human Capital outlook when considering the impact of universities on the economic health of their regions. However, it also provides a good indication of the drawbacks and limitations of Human Capital Theory in terms of its explanatory power of the economic impact of universities and other institutions of higher education.

Findings from this support that Location Theory was indeed a good model for understanding the impact of the university on the local business climate. This theory highlights the importance of the development of regions for overall economic development, and suggests that there is clear progression that they follow in their development (North, 1955). Location theory has been synthesized with other aspects of economics (Hanson, 2007). This study supports the results of Abel and Dietz (2011) that suggested that these institutions had become engines of local development and growth. They found a spillover effect on the supply side that occurs from the effects on human capital development, among other things. This also fits well with the Triple Helix Theory (Ranga & Etzkowitz, 2013) that suggests that universities play a key role in the development of the economy and not simply in the production of knowledge.

Universities are known to produce positive externalities that have an additional public benefit that exceeds the advantage that accrues to private individuals (Barro & Lee, 2011). An important finding here is that while education may have diminishing returns for private individuals, it does not have diminishing returns on the social level due to these positive externalities. In other words, there is not the same tendency for the
effects of education to become less useful for a location as a whole, as compared with an individual.

Location Theory was found to be an effective model for understanding how these positive externalities develop and why the law of diminishing returns appears not to hold in the case of universities and their impact on the local environment. Location Theory suggests that firms are concerned above all else with choosing an ideal location that will minimize costs and allow access to needed inputs (Hayek & Klausinger, 2012). Universities create such locations. This theoretical lens dovetails nicely with the results predicted by Triple Helix Theory, in which there is a symbiotic relationship between government, universities, and businesses. Educational institutions can contribute to economic development (Szirmai, 2005). Triple Helix Theory predicts that universities not only increase economic development by adding to the human capital of a region (Abel & Dietz, 2011), but by achieving the sort of symbiotic environment that is conducive to overall economic development, and the results of the present study validated this hypothesis.

It has long been understood that the various pathways through which education contributes to economic development are complex and multifaceted and go well beyond simply increasing the productivity and earnings of individual level workers (Barro, 2013; Glaeser et al., 2014). Increased education can encourage a more productive use of the existing human capital stock. Aghion et al. (2009) found that education facilitates the positive symbiotic relationship between human capital and the existing physical capital stock.
Clearly, educational institutions have more to do with the success of an economy than simply increasing regional educational attainment. One important shift in thinking that researchers need to begin to adopt is to separate the overall educational attainment of a population from the regional contribution to educational attainment that any one individual institution provides. That is to say, from the regional perspective, educational attainment of the population at large is a macro level variable that the particular institution may have less direct and immediate impact on. The presence of a large institution of a higher education will certainly contribute skilled workers, as well as attract educated workers from other locations, but this may not have much of an impact on the perception of individual businesses regarding the skills of their workers. Several owners reported that graduates lacked needed skills—they were not proficient in Word or Excel, though they claimed to be on their resumes—and many suggested that the university needed to partner with the business community to create programs that could train workers in those needed skills.

This suggests that researchers should consider shifting their thinking to focus on the impact that institutions of higher education through encouraging a regional development mindset among businesses and among the public sector. A very intriguing finding of the present study was that business owners focused more prominently on how their decision making would impact the university and the region. It may be that this mindset focuses business owners much more on considering ways in which to use the presence of a university to help encourage a symbiotic relationship between human and physical capital. Previous research has shown that such productive partnerships between the two forms of capital are essential to development (Li et al., 2015).
The contribution that universities make to the economic wellbeing of their communities goes beyond providing an educated workforce, attracting an educated workforce, and adding demand to the local economy. One finding of the existing research is that underutilization of the capital stock occurs as a result of the failure of individuals to adequately maximize its potential due not simply to inadequate education but also to a lack of planning (Myint, 1964). Human capital must keep pace with the physical capital of a society (Barro, 2013). It is undeniable that universities directly contribute to the human capital stock of a region. They also clearly accelerate the local market demand (Blundell et al., 1999). They can, of course, have such effects by adding to the stock of workers with degrees in a direct fashion (Oreopoulos, 2006). Abel and Dietz (2012) found that universities increase the human capital stock.

The present research confirms the existence of other pathways that contribute to economic development beyond these more obvious direct effects on the quantity of human capital. Universities can raise the quality of education and indeed can encourage more effective partnerships between an educated workforce and the existing capital stock.

Increased expenditure on education was found in existing research to be beneficial for not simply the quantity but also for the quality of education (Idress & Siddiqi, 2013). Indeed, the results of this study demonstrate the important effect that intangibles like quality of education have on development of a community or a region. The results of this study suggest that policy makers and researchers alike need to affect a shift in their outlooks away from a purely quantitative focus. It is not simply the quantity of educated workers, nor the quantity of demand that universities add, that explains their
impact. They affect an overall increase in the quality of the region’s education, and in the quality of the interactions between human capital and physical capital.

It is clear that, in general, individuals with postsecondary degrees earn more money than those without (Rothwell, 2015). From the point of view of the present study, however, business owners tended not to focus simply on the level of additional demand that an educated population creates, or that universities in general create. They tended to focus their answers around intangibles like the sense of economic resilience that a community with a university experiences. These communities are resilient or recession proof in ways that are difficult to relate simply to a more educated workforce or greater spending by the university.

Barro (2000) found that low quality education was a key factor in limiting the economic growth that accrues from an educated workforce. Brennan et al. (2004) found that universities do not simply increase human capital but transform societies. This again places emphasis on the importance of the qualitative framework not only for research but for understanding the impact of universities. There appears to be the magic of an “x factor” that goes beyond adding to the human capital stock, creating demand, or attracting an educated workforce. The results of this study strengthen those of previous research that suggests that a local and regional orientation is key for grasping the total impact that universities have. Individual universities and their impacts must be considered from a regional perspective. Hill (2006) noted the importance of a regional outlook, while Porter (2007) stressed the importance of a regional perspective for understanding the economic impact of universities.
Overall, the results of this qualitative study reinforce the results of previous research that has noted the importance of looking at key intangible variables like flourishing, resilience, wellbeing and opportunity that are often difficult to quantify (Dreze, 1999). Kimyeni (2011) suggested that an overly narrow focus on quantity of education at the expense of quality can hamper the economic impact that educational attainment provides.

**Implications**

The results of the present study confirm the importance of understanding the qualitative impact that higher educational institutions have on the economic health of their regions. Powers (2004) found that developing economies need to adopt more of a regional focus, and that such a focus can be effective in promoting development. The results of this present qualitative research study strongly suggests the importance of a regional and qualitative focus in understanding all aspects of economic development.

A central implication of the present study is that the presence of universities or colleges in a given location increases the regional development focus and economic climate awareness of individual businesses. By encouraging a focus on the health of the region as a whole, as well as on the health of the university itself, business may naturally consider economic development in their decision-making process to a much greater degree than they otherwise might. This would again suggest the relevance of Location Theory and Triple Helix Theory for accounting for effects that go over and above the traditional model of explanation for positive externalities that focus on human capital development.
The policy implications of this study are clear. Institutions of higher education are drivers of economic development and economic growth in the current knowledge economy. The non-applicability of the law of diminishing returns in such cases suggests that the objections that some policy makers lodge against increasing educational spending are unwarranted. Results herein contribute to the argument that spending can continue to have a positive effect on economic development and regional economic health.

The present study clearly suggests that the human capital-centric approach to conceiving of the impact of universities does not reflect the complicated role that universities now play in the life and economic health of communities in the twenty-first century. Universities are no longer providers of skilled workers, but also serve an important role in regional development and creating the sort of positive externalities that are necessary for a thriving economy. Policy makers should therefore think of universities not simply as providers of education but as drivers of economic growth. Indeed, they attract human capital to a region as well as providing it. Shifting their outlook in this fashion would have a number of positive impacts on the contribution that universities are able to make to the overall health of a community.

While Human Capital Theory was found to be an effective means of understanding the impact that education makes on a community, it was found to have a limited efficacy for explaining the impact that an institution has on its community. Another way of stating this is that while educational attainment of the population as a whole is a positive driver of GDP and economic development, the economic health of any particular region is not determined simply by the presence of a college or university. An already skilled and educated workforce is part of the macroscopic economic
development picture of a country as a whole, and the regional impact of universities and colleges is much more dependent on the ability of that university to function as a creator of positive externalities.

The implication of this cannot be understated: policy makers should think of universities as key elements of regional infrastructure without which additional development could not take place. In particular, this stems from the ability of the university to create needs and to form partnerships with the larger community. This suggests that policy makers, university officials, and educators alike need to change their mindset from a human capital orientation to a symbiotic arrangement orientation, in keeping with some of the insights of Location Theory and Triple Helix Theory. What this would look like in practice would depend of course on the exigencies of the individual institution of higher education and the specific regional profile. Nonetheless, some basic and general suggestions are obvious. University leaders should consider ways that they can partner with communities to promote the market needs that individual businesses demonstrate, and they should also consider ways in which they can create the sort of economic demands that will be crucial for the success of individual businesses in their communities.

Another methodological implication of the present study is that qualitative research might be particularly effective at helping target this relationships between universities and the business communities in the places where they are located. While the quantitative studies are clear on the impact that universities and institutions of higher education can have on their communities, there is a greater need to understand the specific needs that individual businesses have in these locations. One way of getting at a
sense of those needs would be the qualitative research method that the present study has employed. The present study uncovered, for example, that graduates required additional training in basic software skills such as Word and Excel.

Universities could and should be making concrete contributions to studying regionally-specific development needs such as these. They should not simply study the theoretically interesting questions that are the bread and butter of serious scholarship and research. They also need to focus on research that will allow for insight into the best practices for promoting an effective and symbiotic economic relationship with the local communities in which they reside. The economic health of the region could also contribute to the overall success of the mission of institutions of higher educations in ways that are not fully understood in the existing literature.

Indeed, one key implication of the present study is that universities need to focus on ways that the success of the economic health of their region helps to promote and reinforce their own educational mission. The limitations of the human capital outlook have been established. Universities do much more than simply educate the workforce. They also create regional symbiosis that attracts an educated workforce, and these populations can have a substantial positive impact on the overall educational mission of the university itself. Business owners not only reported that they benefited from the university, but they also reported that they benefited the university and its students. Universities need to have a much better grasp on the way in which they are enriched by their regions, rather than simply emphasizing that they are providers of jobs, economic demand, and skilled workers for those regions.
**Recommendations**

In this study, qualitative research was found to be an effective means of assessing the impact that universities can have on local communities. Previous research showed that the presence of universities was associated with higher GDP for communities that house these institutions—so-called “college towns.” However, it was not fully appreciated how the impact of these organizations was felt in the day-to-day lives of the business owners that most directly interacted with universities on an economic level. It was found that qualitative research was an effective means of assessing this impact.

Future qualitative studies should continue to focus on the economic impact that colleges and universities have on local economic climates. The current study provided support for existing research showing a connection between economic development and the presence of these institutions. The existing research, though, shows that this trend only holds in certain parts of the world. Lau et al. (1991) found that the relationship between education and economic development does not hold in all areas of the globe. Additional qualitative research is necessary not only in different regions of the United States, but in various other regions around the world.

The existing literature suggests some reasons why universities seem only to contribute to development in some regions of the world. Ahmad (2008) suggests that part of this mystery may stem from educational quality and the ability of workers to innovate. In other words, the effect may stem from a general underdevelopment of human capital due to low-quality education. The findings of Barro (2000) confirm this. However, qualitative studies are in unique position to confirm some of these key findings in the existing research, and more such research needs to occur internationally.
Additional studies should aim to further confirm the results of the present one by focusing not only on the experiences of business owners but on the experiences of workers. Figuring out the challenges that workers face in innovation, productivity, and problem solving may provide some additional context for understanding how the results of the present study port to other locales. Additional research needs to occur not only within the United States, but also within other countries around the world.

The present study also reveals that universities fail to understand the degree to which they are in fact beneficiaries of regional economic health. The Human Capital model of economic growth places undue emphasis on the educational attainment of workers at the expense of the way in which universities are key facilitators of regional development. Additional research needs to focus on the degree to which universities themselves are in fact beneficiaries of the health and vitality of their regional locations. How is it that students who come from economically vibrant regions compare with students who come from universities located in more depressed regions? Future research should focus on understanding these questions.

**Conclusion**

This qualitative study found that business owners in the Athens, GA area perceived that the presence of a university—in this case The University of Georgia—had a direct and positive impact on the economic health and wellbeing of their businesses. Business owners focused on the importance of the university in things such as providing educated workers, and adding to local economic demand. They also reported that universities provided customers for their products. They focused mainly, however, on the partnership and development outlook that a local university provides. The results of this
study suggest that Location Theory is crucial for understanding the impact that universities have. Universities do not simply create regional demand or add to the local human capital stock. They create a comprehensive environment that encourages true economic flourishing. This occurs not only through creating a higher quality of symbiosis between human and physical capital, but also through encouraging a regional developmental planning mindset among both businesses, university officials, and public officials alike. University towns are truly economically vibrant locations in ways that research is only just beginning to understand.
REFERENCES


Aydın, O. (2013). Location as a competitive advantage to attract students: an empirical study from a Turkish foundation university. *International Review of Management and Marketing, 3*, 204-211.


This study will aid to determine the perception of the economic impact that the University of Georgia (UGA) has on the Athens community. This questionnaire is being distributed to businesses in the local community and the information that you provide will be compiled with other business respondents. Your assistance is essential to make this study successful and meaningful. Please contact Steve Bettner via phone at (727) 643-2871 if you have any questions regarding the study. Please return your completed questionnaire via email in MS Word format to sbettner@uga by _________ Thank you in advance for your assistance.

How long have you been in business?

What is your main product or service?

Please describe if and how the presence of UGA and your business proximity to the campus influenced your decision on a location.

Please describe how the presence of UGA effects your business decision making.

Please describe how you perceive UGA impacts the Athens community economically and in general.

How would your business be impacted if enrollment at UGA increased or decreased?

As a percentage, how many current employees of your business are students or alumni of UGA?

Are you a student or alumni of UGA?
## APPENDIX B

**SURVEY RESPONDENTS’ BUSINESS PROFILE**

<table>
<thead>
<tr>
<th>Respondent</th>
<th>Years of business</th>
<th>Nature of business</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>&lt; 1</td>
<td>consulting (marketing)</td>
</tr>
<tr>
<td>2</td>
<td>30+</td>
<td>producer</td>
</tr>
<tr>
<td>3</td>
<td>22</td>
<td>custodial services</td>
</tr>
<tr>
<td>4</td>
<td>17</td>
<td>environmental services</td>
</tr>
<tr>
<td>5</td>
<td>9</td>
<td>consulting (environmental)</td>
</tr>
<tr>
<td>6</td>
<td>30+</td>
<td>consulting (real estate)</td>
</tr>
<tr>
<td>7</td>
<td>27</td>
<td>IT maintenance</td>
</tr>
<tr>
<td>8</td>
<td>6</td>
<td>mobile enterprise</td>
</tr>
<tr>
<td>9</td>
<td>5</td>
<td>lending</td>
</tr>
<tr>
<td>10</td>
<td>10</td>
<td>general contracting</td>
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<td>6</td>
<td>engineering services</td>
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<td>12</td>
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<td>service</td>
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<tr>
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<td>electrical services</td>
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<tr>
<td>16</td>
<td>40</td>
<td>sales training</td>
</tr>
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<td>17</td>
<td>10</td>
<td>manufacturing (aircraft)</td>
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<td>18</td>
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<td>equipment sales</td>
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<td>9</td>
<td>consulting</td>
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<td>2.5</td>
<td>consulting (accounting and tax)</td>
</tr>
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<td>25</td>
<td>2</td>
<td>consulting (enterprise software)</td>
</tr>
<tr>
<td>26</td>
<td>20</td>
<td>beehive barrier</td>
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<tr>
<td>27</td>
<td>2</td>
<td>consulting (IT services)</td>
</tr>
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<td>advertising</td>
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<td>30</td>
<td>tire services</td>
</tr>
<tr>
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<td>consulting (sewing)</td>
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<td>veterinary medical transcription</td>
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</tbody>
</table>
APPENDIX C

INVITATION EMAIL

Dear [Name],

I am writing to request your input. I am a doctoral student at the Institute of Higher Education at the University of Georgia and am studying how business owners in the community perceive UGA’s contributions to the community.

Given your role as [role], I am writing in the hope that I might be able to interview you on [dates]. If this does not work with your schedule, I would be happy to try to arrange some other time for us to meet. I will also be interviewing 6-8 additional business owners in the community during my visit.

Please find, attached, a letter with additional information my dissertation study, including your rights and role as a participant should you choose to participate.

Thank you very much for your consideration. I look forward to hearing from you and potentially meeting you soon. Please do not hesitate to contact me if you have any questions or if I can provide any additional information.

Thank you,

Steve Bettner
APPENDIX D

INVITATION LETTER

Institute of Higher Education

Dear <<insert name>>:

I am a doctoral student at the Institute of Higher Education at the University of Georgia with a research interest in business owners’ perspective on the University of Georgia’s effects on the community and economic development. I am writing to request your participation in this research study.

Your participation will involve a 45-minute face-to-face interview with me, and you can choose the interview location. The purpose of this study is to explore how Athens business owners describe the impact that education—specifically UGA education and the presence of the university —has on the economic development of the local community. It also seeks to understand and explain how the presence of the university influences business decision and if the proximity to the university was considered during establishment.

As [formal title here], you can provide valuable insights for my analysis. If you are willing to participate and your schedule permits, I would like to interview you during the month of [April/May/June] 2017.

With your permission, the conversation will be recorded to help remember what was said. The audio files will be destroyed once the study is complete. While conducting the study, I and possibly a professional transcriptionist will be the only person with access to the audio files and transcripts. All information will be stored in a locked file or password-protected computer in my office.

Your involvement in the study is voluntary, and you may choose not to participate or to stop at any time without penalty. If you decide to withdraw from the study, the information that can be identified as yours will be kept as part of the study and may continue to be analyzed, unless you make a written request to remove, return, or destroy the information. No foreseeable risks or discomforts are expected. There may also be no potential benefits for you personally from this study. However, the potential benefits may include a better understanding or awareness of the relationship between UGA and the community.

If you should have any questions about this research study, please feel free to contact me by email at sbettner@uga.edu or by phone at 727.643.2871. Additional questions regarding your rights as a research participant should be addressed to The Chairperson, Institutional Review Board, University of Georgia, 629 Boyd Graduate Studies Research Center, Athens, Georgia 30602-7411; Telephone (706) 542-3199; E-Mail Address IRB@uga.edu.

Thank you for your consideration to participate in this research study. I would be truly grateful if you would be willing to make the time to participate, as I know your perspective will add value to the study. I will contact you soon to schedule a time for us to talk, if you are willing and available. I will also be able to offer further explanations if you have any questions about the study. Again, thank you for your consideration. Please keep this letter for your records.

Sincerely,

Steve Bettner