

DOCUMENT RESUME

ED 415 798

HE 030 949

AUTHOR Stout, Robert J.  
TITLE The Effectiveness of Economic Impact Studies by Liberal Arts Colleges: A Case Study. ASHE Annual Meeting Paper.  
PUB DATE 1997-11-00  
NOTE 23p.; Paper presented at the Annual Meeting of the Association for the Study of Higher Education (22nd, Albuquerque, NM, November 6-9, 1997).  
PUB TYPE Reports - Research (143) -- Speeches/Meeting Papers (150)  
EDRS PRICE MF01/PC01 Plus Postage.  
DESCRIPTORS Case Studies; \*Economic Impact; Focus Groups; Higher Education; Liberal Arts; Program Effectiveness; Public Opinion; \*Public Relations; Research and Development; \*School Business Relationship; \*School Community Relationship; Small Colleges  
IDENTIFIERS \*ASHE Annual Meeting; \*Iowa Wesleyan College

ABSTRACT

This study used the case study method and focus group interviews to examine: (1) which of the economic impacts of a small liberal arts college on its community are important; (2) whether economic impact can be estimated economic impact studies; and (3) whether such studies influence public opinion about the college's economic impact. Two focus groups, each with nine participants, were conducted. The participants were community leaders in Mount Pleasant, Iowa, the home of Iowa Wesleyan College. After the first focus group, an economic impact study was conducted and its results disseminated via the local newspaper and a local radio station. Following dissemination, the second focus group was held. Both groups identified consumption benefits and college-related local business volume as the most important positive economic impacts of the college, and foregone real estate taxes as the major negative impact. The economic impact study had little or no effect on focus group attitudes and no participants in the second group mentioned hearing or reading about the study results. Results suggest economic impact studies may be ineffective for public relations since they do not promote consumption benefits, they estimate unimportant impacts, and they do not change attitudes about the economic importance of colleges. (Contains 14 references.) (DB)

\*\*\*\*\*  
\* Reproductions supplied by EDRS are the best that can be made \*  
\* from the original document. \*  
\*\*\*\*\*

The Effectiveness of Economic Impact Studies by Liberal Arts

Colleges: A Case Study

Robert J. Stout, Ph.D.

Associate Professor of Management

Undergraduate Studies Division

Palmer College of Chiropractic

1000 Brady

Davenport, IA 52803-5287

(319) 326-9895

stout@palmer.edu

ED 415 798

BEST COPY AVAILABLE

U.S. DEPARTMENT OF EDUCATION  
Office of Educational Research and Improvement  
EDUCATIONAL RESOURCES INFORMATION  
CENTER (ERIC)

This document has been reproduced as received from the person or organization originating it.

Minor changes have been made to improve reproduction quality.

• Points of view or opinions stated in this document do not necessarily represent official OERI position or policy.

PERMISSION TO REPRODUCE AND  
DISSEMINATE THIS MATERIAL  
HAS BEEN GRANTED BY

ASHE

TO THE EDUCATIONAL RESOURCES  
INFORMATION CENTER (ERIC)

AE 030 949



**ASSOCIATION  
FOR THE  
STUDY OF  
HIGHER EDUCATION**

**Texas A&M University  
Department of Educational  
Administration  
College Station, TX 77843  
(409) 845-0393**

---

**This paper was presented at the annual meeting of the Association for the Study of Higher Education held in Albuquerque, New Mexico, November 6-9, 1997. This paper was reviewed by ASHE and was judged to be of high quality and of interest to others concerned with higher education. It has therefore been selected to be included in the ERIC collection of ASHE conference papers.**

## Abstract

Most American colleges and universities have conducted economic impact studies, for public relations. Little is known about the effectiveness of these studies. One marketing theory suggests these studies will only be effective if the economic impacts they estimate are important to the public. Using the case study method and focus group interviews, this study sought to determine (a) which economic impacts of a small liberal arts college are important to its community, (b) whether an economic impact study estimates them, and (c) whether an economic impact study influences public opinion about the importance of the college's economic impacts. Results suggest that economic impact studies may be ineffective for public relations.

THE EFFECTIVENESS OF ECONOMIC IMPACT STUDIES BY LIBERAL ARTS  
COLLEGES: A CASE STUDY

Introduction

In a 1986 study, El-Khawas concluded that nearly one half of colleges and universities in the United States had completed economic impact studies by 1985. From El-Khawas' sample of 468 two-year colleges, four-year colleges and universities, she found that 46 percent of these institutions had completed economic impact studies.

Leslie and Brinkman (1993) wrote that most of these studies are conducted by institutions for their own public relations motives. Dean (1991) reported that institutions have used economic impact studies "to make the case for state appropriations, . . . to address complaints about the institution's impact on local public services . . . [and] to fight an economic crisis" (p. 44). Piland and Butte advised, "As a public relations gambit, it might be wise to schedule presentations at a politically opportune time, that is, before college fund-raising drives, bond issues, and so forth" (p. 237).

Colleges and universities strive to demonstrate the importance of their economic relationships with their communities. Economic impact studies are used by these institutions to show their financial importance to the communities in which they are located. This phenomenon may be

better understood by examining its place in exchange theory.

Kotler and Andreasen (1996) observe the central role of exchange in marketing. They wrote that "a customer engages in the transaction because he or she believes that the ratio of benefits to costs is better than alternative actions . . . . [and] the basic challenge of marketing is . . . maximizing the perceived benefits and minimizing the perceived costs" (p. 111). Figure 1 shows this exchange between marketer and customer. Colleges and universities exchange costs for benefits with their communities, and use economic impact studies to maximize their perceived financial benefits.

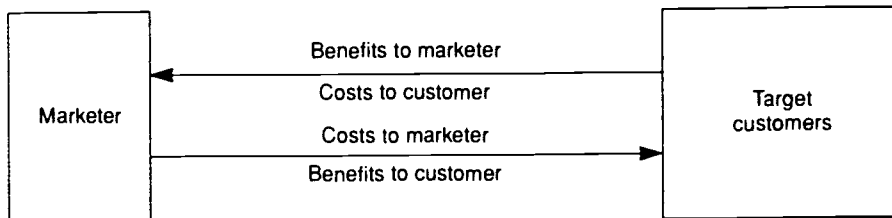


Figure 1. Costs/benefits exchange.

---

Note: Kotler, P., & Andreasen, A. R. (1996). Strategic marketing for nonprofit organizations (5th ed.). Upper Saddle River, NJ: Prentice-Hall, p. 111

Communities must perceive the economic impacts being showcased by economic impact studies to be beneficial, or the exchange relationship advantages being sought by these institutions will not materialize. If the economic impact studies that colleges and universities disseminate to their communities estimate

benefits of little importance, then the studies and their community presentations are wasted efforts.

Most college and university economic impact studies have been conducted using a method by Caffrey and Isaacs (Leslie & Brinkman, 1993). The method estimates twelve economic impacts (Caffrey & Isaacs, 1971), shown in Figure 2.

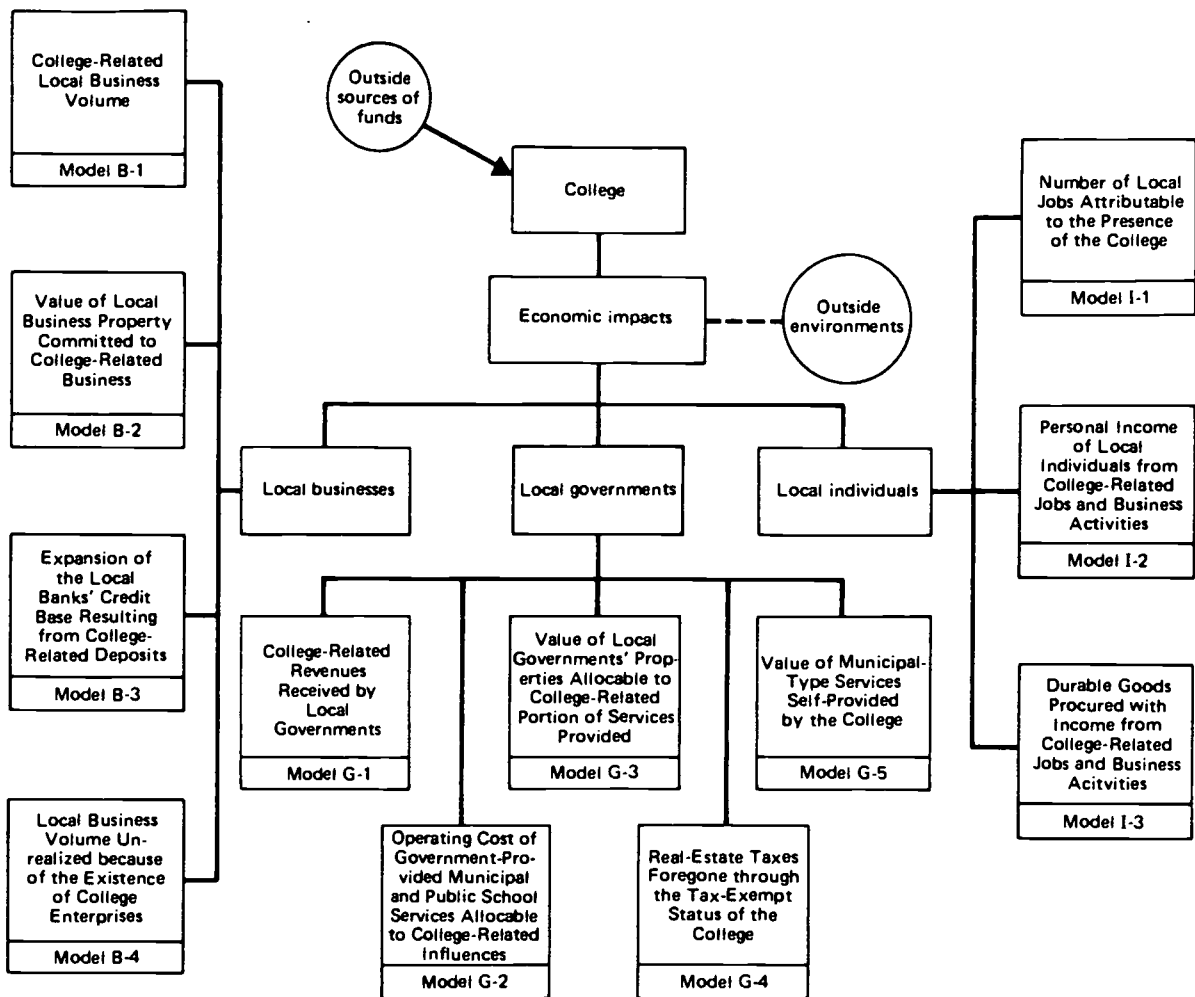


Figure 2. Caffrey and Isaacs method economic impacts

Note: Caffrey, J. & Isaacs, H. H. (1971). Estimating the impact of a college or university on the local economy. Washington, DC: American Council on Education, p. 10

Caffrey and Isaacs (p. 10) economic impacts corresponding to "Model B . . ." are on local businesses, impacts corresponding to "Model G . . ." are on local governments and impacts corresponding to "Model I . . ." are on local individuals. Leslie and Brinkman wrote that very few economic impact studies report "production of durable goods, value of property connected to college activities, community credit base, personal income, net effects on governments and taxes, and business lost due to business operations of the college" (p. 93).

Little is known about the importance of Caffrey and Isaacs (1971) twelve economic impacts, or about any other impacts estimated by economic impact studies. In fact, very little research has been conducted on public opinion about college and university economic impact studies. Piland and Butte (1992) surveyed 26 California community college district presidents, investigating community reaction to the economic impact studies. They wrote, "When asked to describe the community's reaction to the economic impact reports, 79% of the colleges surveyed responded 'favorable' and 16% 'highly favorable' . . . . [and] the majority of the community colleges saw 'some positive change' (53%) in the community's attitude toward their college or district" (Piland & Butte, p. 235). The results of this article may be encouraging to institutions considering economic impact studies. However, it is important to understand that the opinions which lead to these results are those of the colleges'



presidents, not their communities.

Another study, by Stout (1995), investigated community attitudes about the economic impacts of two related colleges, a community college and an independent professional school. Stout found that the most important economic impacts of these colleges were purchases from local business made by their students, visitors and faculties, and the colleges themselves, as well as their consumption benefits. Consumption benefits are short-term social benefits which do not lend themselves to being assigned dollar values, and are reaped by non-students and students of a college's or university's community (Leslie & Brinkman, 1993). Examples of consumption benefits are "athletic events, musical and dramatic presentations, and many community service activities . . . educational television programming . . . [and] college libraries and bookstores" (Leslie & Brinkman, p. 77). Stout also found that most college and university economic impact studies would estimate economic impacts of little importance to the public, and may be ineffective for public relations.

It is important that colleges and universities use their often scarce resources with great wisdom. As institutions engage in efforts to influence exchange relationships with their communities, it will be helpful if they better understand the effects of their public relations efforts.

The primary purpose of this study was to determine the effectiveness of an economic impact study conducted by a small

liberal arts college, located in a small Midwestern town. This study investigated which economic impacts of the college are important to its community, compared them with the twelve economic impacts that the Caffrey and Isaacs (1971) method would estimate, and investigated an economic impact study's effect on community attitudes about the economic importance of the college.

### Method

The case study method of research was used. Data were collected using focus group interviews, and qualitatively analyzed. Focus groups participants were community leaders.

Krueger (1994) defines a focus group interview as "a carefully planned discussion designed to obtain perceptions on a defined area of interest in a permissive, non-threatening environment" (p. 6). The discussion is relaxed and comfortable for participants as they share ideas and perceptions. Group members influence each other by responding to ideas and comments in the discussion. Morgan (1997) describes this unique quality of focus groups, "The hallmark of focus groups is the explicit use of the group interaction to produce data and insights that would be less accessible without the interaction found in a group" (p. 12). Focus group interviews are well suited to topics of attitudes and cognitions.

The college and community studied were Iowa Wesleyan College and Mount Pleasant, Iowa. The College is a private liberal arts

institution, and has 876 students (The HEP ... Higher Education Directory, 1996). According to the 1990 Census of Population and Housing, Mount Pleasant has a population of 7,995. Mount Pleasant is not part of a larger metropolitan area.

The subjects of this study, who served as focus group participants, were representatives of Mount Pleasant government and businesses. Samples were selected from a list of community leaders provided by the College. These people were invited by telephone.

As shown in Figure 3, two focus group interviews were conducted in order, Focus Group 1 and Focus Group 2. Each focus group included nine different participants, representing local government and businesses. Both focus groups had the same moderator, who asked the same open-ended questions. The questions were designed to encourage participants to discuss which economic impacts of the College they perceived to be most important to the community.

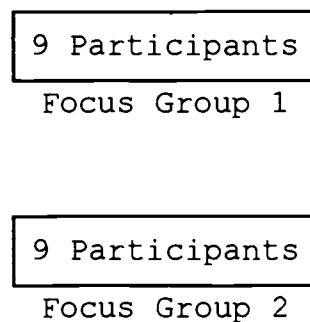


Figure 3. Two focus group interviews

After the Focus Group 1 interview was completed, an economic impact study was conducted using the Caffrey and Isaacs (1971) method. Results of the economic impact study were disseminated by a press release from the College, and published in a local newspaper ("IWC shows impact," 1996) and a regional newspaper ("IWC packs a punch," 1996). Sending press releases to newspapers was chosen to disseminate the information because colleges and universities frequently choose this method (Dean, 1991). Results of the economic impact study were also announced on a local radio station. After the economic impact study results were shared with the community through these media, the Focus Group 2 interview was conducted.

Focus group interviews were tape recorded, transcribed, and qualitatively analyzed. A list of 35 economic impacts identified by Stout (1995) was used to code participants comments, as they were analyzed. These 35 economic impacts include the twelve impacts estimated by the Caffrey and Isaacs (1971) method.

### Results

Sixteen different economic impacts were mentioned by the focus groups, including three not identified by Stout (1995): (a) the College provides leaders for local organizations, (b) the College is slow to pay its bills, and (c) the College helps attract people to live in the community. These sixteen economic impacts are listed in Table 1, in order of the frequency with

which they were mentioned by participants in both focus groups, combined.

Table 1

Economic Impacts Mentioned by Focus Group Participants

Impact	Frequency
1. "Consumption benefits" <sup>a</sup>	32
2. "College-Related Local Business Volume" <sup>b</sup>	24
3. "Real-Estate Taxes Foregone through the Tax-Exempt Status of the College" <sup>b</sup>	12
4. "College-Related Revenues Received by Local Governments" <sup>b</sup>	7
5. The College provides leaders for local organizations	4
6. The College is slow to pay its bills	4
7. The College helps attract people to live in the community	4
8. "Operating Cost of Government-Provided Municipal and Public School Services Allocable to College-Related Influences" <sup>b</sup>	3
9. The College's students provide good, part-time employees for local businesses	3
10. The College's presence helps community businesses recruit employees from outside the area	3
11. The College provides employee training for local businesses	3

(table continues)

Table 1 (continued)

Impact	Frequency
12. "Number of Local Jobs Attributable to the Presence of the College" <sup>b</sup>	2
13. "Personal Income of Local Individuals from College-Related Jobs and Business Activities" <sup>b</sup>	2
14. "Nonmonetary investment benefits" <sup>c</sup>	2
15. The College's presence helps attract new businesses to the area	2
16. "Value of Municipal-Type Services Self-Provided by the College" <sup>b</sup>	1

Notes. <sup>a</sup>Leslie, L. L., & Brinkman, P. T. (1993). The economic value of higher education. New York: Macmillan, p. 76.

<sup>b</sup>Caffrey, J., & Isaacs, H. H. (1971). Estimating the impact of a college or university on the local economy. Washington, DC: American Council on Education, p. 10.

<sup>c</sup>Leslie, L. L., & Brinkman, P. T. (1993). The economic value of higher education. New York: Macmillan, p. 77.

One economic impact, nonmonetary investment benefits, requires definition. According to Leslie and Brinkman (1993), nonmonetary investment benefits are long-term social benefits which do not lend themselves to being assigned dollar values, and are reaped by non-students and students of a college's or university's community. Examples of nonmonetary investment benefits are lower crime rates, lower welfare and Medicaid costs, liberality, community leadership and volunteer activities, philanthropy, more taxes paid, higher social productivity, and research and development.

Focus Group 1 Interview

Judging from the frequency that economic impacts were mentioned, this focus group felt that the College's consumption benefits was its most important economic impact. Two other economic impacts were also important: (a) College-related local business volume, and (b) real-estate taxes foregone through the tax-exempt status of the College. The economic importance of consumption benefits was mentioned nineteen times by participants of this focus group. The other two important economic impacts, local business volume and foregone real-estate taxes, were each mentioned ten times. Other economic impacts were mentioned from one to four times each.

Comments about consumption benefits included:

1. "I think they [the College] have a facility there, at the Chapel, that no one else has . . . . That's nice!"
2. "It [the College] enhances the quality of life here; recreation, community involvement."
3. "They [the College] provide us with a lot of enrichment by their activities on campus."
4. "I'm glad they're [the College] here. I'm glad we have people [at the College] for all over the world here. Culture is very important; it brings something to our community that other communities don't have."
5. "We take our middle school to [the College's] Chapel for assemblies. We use their facilities."

6. "Look at the dance classes they [the College] have there. That's community-wide, they do, for that."

7. "Oh, I just simply think that Wesleyan does contribute to the quality of Mount Pleasant, and I would hate to see anything that would cause Wesleyan to leave our community."

Comments about local business volume included:

1. "They [College employees] buy groceries here. They pay for utilities, clothing, gasoline; you know, supplies. You can go on and on."

2. "I have to agree because a lot of these people [College employees] own homes in the community."

3. "Well, I am in the clothing industry, so we do get a few of the [College] employed people, plus some of the students, in our store as customers."

4. "You know, when they [College students] come into town, they buy everything. I was a student once, and I remember what we did. You always shopped in town."

5. "We have the money from the students coming into the community . . . . The College itself financially spends the majority of their funds, for their immediate needs, within our community."

6. "The business I'm in, they [the College] are three to four percent of our load, so the College is very important."

7. "In retail, yes, the College people do come, and they do spend their money, but you also find a lot of them go out of



town."

Comments about foregone real-estate taxes included:

1. "To me, I don't think they [the College] should be [tax] exempt.
2. "If there wasn't so many exemptions, and everybody [including the College] paid their fair share . . . we could make a million more dollars of money by not exempting every Tom, Dick and Harry."
3. "It [the College] does hurt the government. . . . They ought to pay taxes."

#### Focus Group 2 Interview

This focus group felt that College-related local business volume and the College's consumption benefits were its most important economic impacts, judging from the frequency that economic impacts were mentioned. The economic importance of local business volume was mentioned fourteen times by participants of this focus group, and consumption benefits was mentioned thirteen times. Other economic impacts were mentioned from one to three times each.

Comments about local business volume included:

1. "I think it [the College] brings us more customers. I mean, it helps our business. The students, themselves, help our store."
2. "It [the College] brings more people into our movie theater."

3. "It [the College] brings more people into the town of Mount Pleasant; because you don't think of Mount Pleasant as being a big place to go shopping, but the College students to effect our business."

3. "It [participant's business] is impacted [by the College]. Not only in my business [in Mount Pleasant], but in the surrounding communities of the other printers around the area."

4. "I think the fast foods [restaurants] . . . get plenty of business."

Comments about consumption benefits included:

1. "I think of the symphony orchestra, that we wouldn't have here without them [the College], and so its the cultural impact which I . . . appreciate the most."

2. "They [the College] do provide a meeting place for various organizations."

3. "From a personal standpoint, its the opportunities that the College presents. . . . You've got libraries . . . that facility that you can use with little hassle."

4. "And they [the College] have those Thursday morning meetings in the Chapel, which often attract significant speakers, which anybody in the community can come to for free."

#### Discussion

This study investigated (a) which economic impacts of Iowa Wesleyan College are important to Mount Pleasant, Iowa, (b)

compared them with the twelve economic impacts that the Caffrey and Isaacs (1971) method would estimate, and (c) investigated an economic impact study's effect on community attitudes about the economic importance of the College.

Judging from the results presented in Table 1, consumption benefits and college-related local business volume seem to be important economic impacts of the College, mentioned 32 and 24 times, respectively, by focus group participants. Consumption benefits are short-term social benefits which do not lend themselves to being assigned dollar values, and are reaped by non-students and students of a college's or university's community (Leslie & Brinkman, 1993). College-related local business volume is "the direct purchases from local businesses made by the college and faculty, staff, students, and visitors" (Caffrey & Isaacs, 1971, p. 10).

Real-estate taxes foregone through the tax-exempt status of the College was mentioned twelve times (see Table 1), including ten times by one participant in Focus Group 1. This participant was a representative of government. Foregone real-estate taxes was mentioned twice in Focus Group 2, by two participants, one of whom was also a representative of government. Since only three of eighteen participants mentioned this economic impact, it is judged to be of less importance than consumption benefits or local business volume. College-related revenues received by local governments was mentioned seven times (see Table 1), far

less often than either consumption benefits or local business volume.

The Caffrey and Isaacs (1971) method would estimate college-related local business volume, but not consumption benefits. Eleven of the twelve economic impacts estimated by the Caffrey and Isaacs method would be unimportant to the focus groups.

The economic impact study that was conducted seemed to have little or no effect on focus group attitudes about the economic importance of the College. Between Focus Group 1 and 2 interviews, results of the College's economic impact study were published in local and regional newspapers, and announced on a local radio station. This economic impact study was conducted using the Caffrey and Isaacs (1971) method. Still, Focus Groups 1 and 2 agreed that consumption benefits and college-related local business volume are important economic impacts of the College. If the economic impact study had influenced Focus Group 2, perhaps other economic impacts estimated by the Caffrey and Isaacs method (see Figure 2) would have been important to the Group.

Focus Group 2 participants may not have read or heard the results of the College's economic impact study. During the Focus Group 2 interview, a discussion arose about the College's lack of coverage in the local newspaper, and no participant mentioned reading, or even seeing the economic impact study results.

### Conclusions

This research was a case study, and results are limited to the opinions of eighteen focus group participants representing one community. Still, college and university administrators considering economic impact studies for public relations may find this case study useful for decision-making support.

The results of this study seem consistent with those of Stout's (1995) earlier investigation on community attitudes about the economic impacts of a related community college and independent professional school. Both studies found consumption benefits and college-related local business volume to be the most important economic impacts of colleges, and that eleven of the twelve economic impacts estimated by the Caffrey and Isaacs (1971) method would be unimportant. Both studies also found that economic impact studies had little or no effect on attitudes about the economic importance of colleges, although this finding was less clear in Stout's 1995 study, due to a limitation in the method.

Nevertheless, both studies suggest that economic impact studies may be ineffective for public relations, because they do not promote consumption benefits, they do estimate unimportant impacts, and they do not change attitudes about the economic importance of colleges.

Nearly one half of colleges and universities in the United States had completed economic impact studies by 1985 (El-Khawas,

1986), and more institutions have probably completed them since then. As colleges and universities use their scarce resources wisely, it is important that the public relations effects of economic impact studies be better understood. Very little research into the effectiveness of economic impact studies has been conducted, and more should be.

#### References

- Caffrey, J., & Isaacs, H. H. (1971). Estimating the impact of a college or university on the local economy. Washington, DC: American Council on Education.
- Census of Population and Housing: 1990--Summary. (Tape file 3). [Electronic data tape]. (1992). Washington, DC: U. S. Department of Commerce, Bureau of the Census [Producer and Distributor].
- Dean, S. (1991). Making an impact. Currents, 17(3), 44-48, 50-51.
- El-Khawas, E. (1986). Campus trends, 1985. Washington, DC: American Council on Education.
- The HEP ... higher education directory (1996). Washington, DC: Higher Education Publications.
- IWC shows impact on Mt. Pleasant's economy. (1996, June 12). The Mount Pleasant News, p. 2.
- Kotler, P., & Andreasen, A. R. (1996). Strategic marketing for nonprofit organizations (5th ed.). Upper Saddle River, NJ: Prentice-Hall.
- Krueger, R. A. (1994). Focus groups: A practical guide for applied research. Newbury Park, CA: Sage.
- Leslie, L. L., & Brinkman, P. T. (1993). The economic value of higher education. Phoenix, AZ: Oryx.
- Morgan, D. L. (1997) Focus groups as qualitative research (2nd ed). Newbury Park, CA: Sage.
- Piland, W. E., & Butte, H. P. (1992). Economic impact studies in

California: Findings and importance. Community/Junior College Quarterly of Research and Practice, 16(3), 231-238.

Riley, A. (1996, June 17). IWC packs a punch in economic activity. The Burlington Hawk Eye, p. B1.

Stout, R. J. (1995). Community attitudes about the economic impacts of colleges: A case study (Doctoral dissertation, University of Iowa, 1995). Dissertation Abstracts International, 56, 2138A.



**U.S. DEPARTMENT OF EDUCATION**  
*Office of Educational Research and Improvement (OERI)*  
*Educational Resources Information Center (ERIC)*



## NOTICE

### REPRODUCTION BASIS



This document is covered by a signed "Reproduction Release (Blanket)" form (on file within the ERIC system), encompassing all or classes of documents from its source organization and, therefore, does not require a "Specific Document" Release form.



This document is Federally-funded, or carries its own permission to reproduce, or is otherwise in the public domain and, therefore, may be reproduced by ERIC without a signed Reproduction Release form (either "Specific Document" or "Blanket").