

Fayetteville, Arkansas
Economic Development Strategy

Phase I SWOT Analysis
Executive Summary

December 2008



Strategies for the Global Knowledge Economy

Fayetteville and NW Arkansas *Economic Development Strategy* *Phase I—The Framework* Executive Summary of SWOT Analysis (Strengths, Weaknesses, Opportunities, and Threats)

INTRODUCTION

Located in Northwest Arkansas, Fayetteville is a progressive community of approximately 70,000 residents. The City is the economic, political and cultural center of a diverse and rapidly-growing region.

The City of Fayetteville (City), in partnership with the University of Arkansas at Fayetteville (University), undertook a process to define an *Economic Development Strategy* for the metro area—including attention to regional dynamics where/as appropriate. The project was co-funded by the City and the University. The City and University worked hard to engage as many stakeholders in the community and throughout the region as possible—including leaders from all sectors of the regional economy.

Objectives and Scope of Work

This planning initiative was designed to be carried out in two phases:

- Phase I—Economic Development Strategy—*The Framework*
 - Phase I was to be a visioning process, to create the outlines of an *Economic Development Strategy*. It included data collection and analyses of strengths, weaknesses, opportunities and threats (SWOT); stakeholder interviews; and workshop sessions with stakeholders to define the *Economic Development Strategy—Framework*.
- Phase II—Economic Development Strategy—*The Roadmap*
 - Phase II is intended to be the development of an Action Plan for implementation—including refinement of the strategies; selection of priority strategies and related tactics; determination of roles of various organizations, and estimation of investment requirements.

This document is one of two Phase I deliverables—the SWOT Analysis. The other is the *Economic Development Strategy Framework*.

Consultant Team

As a result of a national competitive process led by a joint City-University committee, Eva Klein & Associates, Ltd. (EKA) was selected to facilitate Phase I of this planning effort. EKA is not under contract for Phase II. The EKA team was composed of four consultants with varied and extensive backgrounds in economic development.

DEFINING ECONOMIC DEVELOPMENT IN THE 21ST CENTURY

Defining Functions of Economic Development

For purposes of this project, economic development is not defined narrowly as business recruitment and retention. It is defined, in 21st century context, as strategies to make a place, in this case Fayetteville (and the region), competitive in the *Global Knowledge Economy* with the outcomes being not only jobs—but creation of opportunities, wealth, and prosperity. Economic development focuses on three main functions:

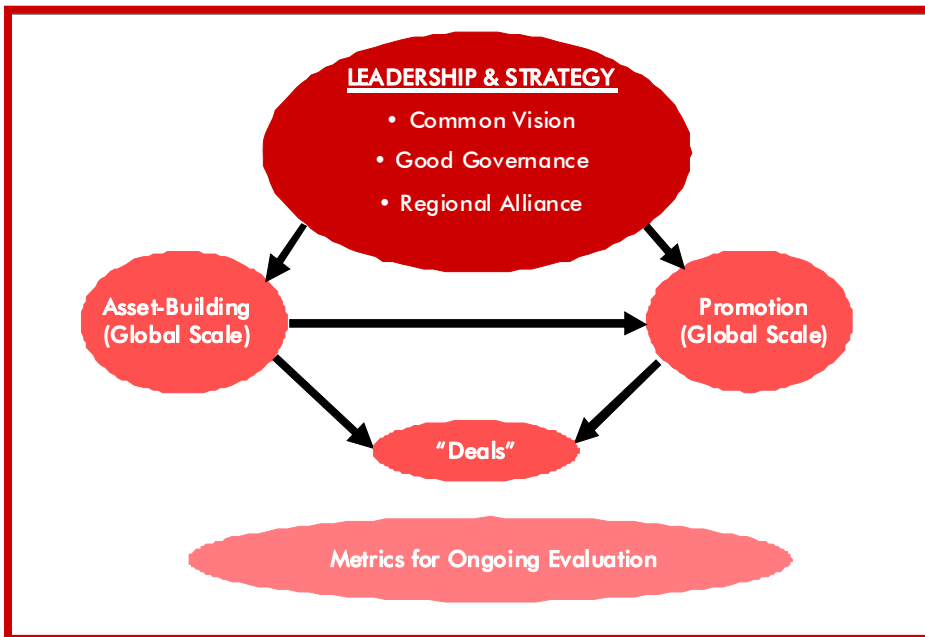
- **Asset-Building.** Building competitive assets (knowledge competencies, people, places, institutions, quality of place, etc.)

- **Promotion.** Promoting those assets (on a significant, globally competitive scale) for enhancing economic activity
- **Transactions/Deals.** As asset-building and promotion efforts succeed in bringing prospects to light or creating new companies locally, the third element of economic development is the transaction-oriented process of securing company location decisions or growth in place of local entrepreneurial companies (“deals”).

Defining Roles for Economic Development

If the above definition of functions is correct, economic development no longer is the province of economic developers only. Economic development involves everyone in a community or region, more or less as follows:

- **Asset-Building:** City, county, and state governments, education and training institutions and systems, regional entities that develop infrastructure; health care institutions; arts/cultural organizations, etc.
- **Promotion:** Best and most cost-effective if a single regional entity has overall coordination and direction responsibilities for *regional promotion*—working closely with municipalities and counties and special-focus entities (e.g., university, museums, tourism bureau, etc.)
- **Deals.** In the ideal, managed by a region-based economic development entity—working closely with local governments and chambers. If this is not achievable, then some other manner of coordination or collaboration about prospect cultivation is desirable.



- **Leadership and Strategy.** To put together the many activities involved in the three main sets of functions requires a focused strategy. Achievement of a common vision, purpose, and strategy that helps unify the efforts of many organizations requires a regional leadership function. This can be supplied by a single organization, occasionally by one highly influential individual, or, in most cases, by a process to create unified commitment to vision that involves multiple organizations.
- **Evaluation.** A regional entity needs to organize the metrics and baseline data, and then report periodically. In some communities, this is called a “report card” or “scorecard.”

SWOT CONCLUSIONS

Of necessity, the analysis and discussion of strengths, weaknesses, opportunities, and threats focus dually on the City of Fayetteville itself and on the larger region—Northwest Arkansas.

Strengths

Fayetteville and Northwest Arkansas have a variety of **strengths** for achieving long-term future prosperity, many of which are compelling. These strengths offer a strong foundation on which to build a stronger, more diversified economy and by which the region can make a successful transition to a 21st century *Knowledge Economy*. Key among the City's and region's many strengths are:

- The University of Arkansas at Fayetteville and its faculty, research and students (historically, the "600-pound gorilla")
- Globally-prominent corporations, including Walmart (recently emerged as the "800-pound gorilla")
- The Green Valley Network initiative (the *potential* "1,000-pound gorilla") and evident commitment of many leaders in the region, in all sectors, to sustainability—in a variety of forms
- Quality of place and quality of life – tremendous natural beauty, a good-quality built environment, and a small town atmosphere; good public schools; cultural, recreational and entertainment amenities; increasing residential housing options; and a reasonable cost of living
- Central US location with supportive infrastructure (interstate, airport, water, etc.)
- Entrepreneurial history and spirit
- Educated and professional work force; increasingly diverse population/demographics; and a growing retirement cohort (which can become an opportunity).

Weaknesses

A few important **weaknesses** are constraining the City's and region's economic development, growth of advanced technology or knowledge-based businesses, and creation of high-paying jobs, including:

- Insufficient visibility on the national and international scenes (except as pertains to Walmart)
- Still relatively small knowledge industry base
- Educated work force not yet scaled for global competition
- Insufficient risk capital
- Limited regional cooperation for economic development; in fact, outright competition among local communities, and some hostility toward Fayetteville—presumably arising in part from the region's history
- Perception of the City of Fayetteville as anti-business, based on realities of unpredictable business and development environment, politicization of development approval process, slow and difficult city decision-making, lack of commitment to implement publicly-approved plans and rules that seem to change in the middle of the process
- City's over-dependence on sales taxes
- Limited supply (reportedly) of available buildings and shovel-ready sites within Fayetteville itself
- That portion of the urban work force which consists of low-skilled workers without the training essential for occupations in today's economy, particularly for well-paying jobs; related problems of low-income population and public school at-risk students
- Weak technical education (non-baccalaureate post-secondary training)—both for high school graduates and for adults already in the work force
- Limited public transportation, which tends to increase the risk of automobile-driven sprawl.

Opportunities

Major **opportunity** lies in featuring and consistently investing resources in various aspects of sustainability, building on important assets in the business and university community—both in the City and regionally. Much good progress has occurred organically, as a result of corporate, individual, and public sector leadership. The opportunity lies in the lead that Fayetteville and the region already have (versus other regions) in these competencies that will be so important to the global future. What is needed is the commitment to focus and grow the assets—to more systematically support, promote and leverage these accomplishments to achieve undisputed global prominence.

In connection with this, a second opportunity is presented by the potential to connect various leadership and strategy initiatives. There is a new State of Arkansas strategy. The University is on a path to engage more directly in developing the assets and outcomes in economic development. Walmart, other corporations, and the Green Valley Network already have compatible strategies. Thus, there is immense potential to align a more crisply-focused Fayetteville/NW Arkansas strategy with those of the State, University, NWACC, schools systems, NW Arkansas Council, chambers, and major corporate citizens. This is an opportunity of the “*stars are aligned*” type.

Threats

The biggest **threat** and impediment to successful transition to a 21st century *Knowledge Economy* is the complacency engendered by the fairly good economy that has developed without significant public intervention since the community organized to bring the University of Arkansas to Fayetteville in the 1800s. Within the City of Fayetteville itself, this threat takes the form of a strong division of views about “growth.” For Fayetteville, there is the threat that other communities in the region will promote themselves successfully for knowledge-based companies and that Fayetteville’s prosperity and well-being may go into relative decline.

The second big threat is that sustainability—in all its forms (energy, logistics, transportation, health, regional development, etc.)—now is a highly visible field that many other regions around the globe are determined to mine for economic opportunities. If Fayetteville and NW Arkansas do not focus well enough on investments and promotion relating to sustainability, there is the threat that other regions with significant assets will emerge in the coming decades as more prominent global leadership regions.

The third threat is that failure to self identify as a region, with respect to a common vision of the region’s future, shared investments, and scaled up regional promotion strategies, could lead to sub-optimization of the region’s considerable potential. It is a risk that too much energy could be devoted to local competition, rather than to the entire region’s competitive success vis-à-vis other global regions.

Summary

Local vs. Regional Strategy

As stated in *Fayetteville—Past, Present and Options for the Future*:

“The City is at a tipping point. Will Fayetteville guide change and chart its own fiscal future or will Fayetteville respond piecemeal confronting one fiscal crisis, only to be confronted by the next? ... Without the creation and execution of a strategy for fiscal sustainability, funding may no longer be available for the expansion or even continuation of some of those quality of life programs and activities that make and keep Fayetteville unique and continue to separate it from its neighbors.”

A new *Economic Development Strategy* for Fayetteville should be constructed of two types of strategies:

- Some that are specific to the City of Fayetteville
- Several that must be regionally-focused to be effective, and thus require active participation of Fayetteville's public and private partners throughout Northwest Arkansas in their definition and implementation. (This suggests that Fayetteville may ask its neighbors about a joined effort in future economic development planning.)

The new *Economic Development Strategy* should be designed to connect and help sharpen, and in some cases build upon previous work, (but not replace or set aside) the strategic plans and priorities of the many stakeholder entities in the region—including all levels of government, academia, not-for-profit social and cultural institutions, and private sector players. Again quoting *Fayetteville—Past, Present and Options for the Future*: "...everyone must be involved in the choices." In a sense, it should be a "**regional meta-plan**," including common vision and a commonly accepted set of major goals toward which all parties contribute resources and effort. Within such a regional meta-plan, there is a great deal of room for community-specific strategies, as each of the communities in the region may define for themselves.

Sustainability as a Meta-Idea

The SWOT Analysis led to the highly interesting finding that Fayetteville and NW Arkansas have a potentially unique opportunity to use "*sustainability*" as a grand theme or connecting idea in creating strategies for future prosperity and quality of place.

It now seems clear that many aspects of *sustainability*, in energy use, conservation of resources, and protection and renewal of the environment, have become of central interest on a global basis—well beyond the "environmentalist views" of a few decades ago. Economic, quality of life, and even survival factors force us to examine how we use and preserve resources. *Sustainability*, today and for the future, is about science, technology, public policy, economic restructuring, and changing social habits.

Moreover, the principles of *sustainability* are not only applicable in energy and environment. They also can be applied in health, agriculture, infrastructure, urban places, government (all levels), education and workforce, and even culture and the arts.

The *SWOT Analysis*, especially the qualitative interview data, thus led to the conclusion that Fayetteville and Northwest Arkansas may be able to use *sustainability* the same way that, in earlier decades, Northern California (Silicon Valley) and Austin, Texas used emerging and increasingly ubiquitous Information Technologies as a big vehicle by which to transform their regional economies from Industrial and Agricultural to Knowledge Economies. This opportunity arises from a truly unique set of circumstances and assets, not the least of which are the region's natural environment, Walmart, the University's strengths, and the City's already "green-oriented" culture. The theme of *sustainability* will be developed in the *Economic Development Framework Plan*.

Fayetteville
ARKANSAS



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