

Large-scale decisions await medium-size firms



Area Development Site and Facility Planning

January 1, 1999 | Bastian, Lisa A

Smaller companies have their own set of site selection issues, but the idea that only size matters when choosing a new location is a misconception.

YOU MAY have to look closely at the facts to find them, but the truth is out there: Despite claims to the contrary from some quarters, medium-size companies face site selection challenges different than those of smaller or larger businesses. The truth-tellers interviewed for this article are veteran site selection experts with experience honed by years of assisting these medium-size firms, which for discussion's sake are defined as employing 100 to 500 people and generating annual revenues of \$100 million to \$250 million.

Start With a Solid Team

Every successful, effective site selection process begins with the organization of a well-rounded corporate "dream team," asserts Betty McIntosh, an industry consultant who has assisted hundreds of companies of all sizes for more than 10 years. Create a small, tight circle of professionals for this all-- important internal research and review group, says McIntosh, national partner in charge of technical and partner in charge of the Southeast region for KPMG Peat Marwick's strategic relocation and expansion services in Atlanta. "Include employees with various backgrounds who can offer different perspectives on the situation. The human resources manager is a key player, since labor is a major driving force with most companies."

Additional employees to bring on board may include those representing operations, finance, engineering, manufacturing, and other areas pertinent to the company's health. In mediumsize firms, the team has to be charged with the task of "making it all happen," McIntosh says. Its efforts will counterbalance the company president, who often gets caught up in micromanaging the site selection process and can end up

neglecting the responsibilities inherent with running the show.

Another reason to support a team approach may only become evident later on during on-site inspections. Typically, representatives of prospective communities wine and dine the team, and "it's easy to like them all," jokes McIntosh. That's when the team comes to the rescue - making decisions based on reasoned group input rather than on an individual employee's impressions about the friendly people he or she encountered.

A Potpourri of Factors

First and foremost, a relocating medium-size company must find an area that meets its basic operational, labor, and customer requirements, says consultant Mike Butler. "Then, look at the quality-of-life issues to help prioritize the locales that remain," adds Butler, vice president and partner of Semradek & Co., Inc., a Boca Grande, Fla.-based management consulting firm specializing in site selection and incentive negotiations.

Transportation issues will be critical, too, in terms of bringing in a medium-size firm's suppliers or customers, so airport proximity is important. Moreover, although these firms will often bear the same costs as their larger counterparts, Butler believes they're often more sensitive to the labor-cost issue and may have tighter upper boundaries on what they want to pay to get into a desired area.

"A company doesn't want to be the highest-paying employer," explains McIntosh, "but it wants to attract good labor. Develop a hook, such as great benefits and training and/or a dynamic corporate culture. Also, form an alliance with other noncompeting companies in the area, so if problems arise they can be solved together."

Population density is another consideration. Generally, half of a county's population is thought of as a potential work force, says Butler. But instead of just looking at the "labor shed" from a county perspective, he suggests taking into account the primary commuting area, which is typically 20 to 25 miles from the office.

"There are lots of dynamics involved here," Butler says. "Talk to other employers in the area. Consider the true commuting pattern; don't just draw a circle around the site on a map to find it." Moreover, when a medium-size firm grows into a multifacility company, management shouldn't forget to pay attention to the disparity issue in terms of quality of life.

"The ideal is to find a new location that is on the same level as the other locations," Butler points out. "At the very least, don't go into locations that wouldn't be acceptable to people you want to recruit from the original site."

In some respects, quality-of-life factors are less important to medium-size companies because they're more inclined to do local hiring than larger firms, which often are caught up in the transferring game. Thus, most quality-of-life decisions were already made by the existing labor force.

Don't Settle for "Cookie -Cutter" Deals

Unquestionably, incentives can become a critical issue in the site selection process for medium-size firms. "Normally, a company gets down to several finalists that are competitive and deemed acceptable from all perspectives," relates Butler. "That's when the incentive issue truly can make a difference."

No matter what kind of incentives are offered, Butler cautions medium-size firms not to fall into the trap of accepting existing "cookie cutter" incentive packages. "A company doesn't have to - and shouldn't. Focus on particular needs, just like a large corporation would. A mediumsize firm may not have the clout on the state level to change legislation, but it might very well have it on the local level if its bringing in a sizable project." Actually, most creative incentives begin at the local level, Butler maintains, because the community has most of the site selection factors (land, utility lines, schools, etc.) under its sphere of influence.

According to Butler, the most beneficial incentives involve reducing operating costs within the first five years and directly trimming the capital budget; i.e., through cash grants, no-cost land, or site improvements that a company would have been responsible for. What about the plethora of low-interest financing incentives available? He thinks many of them don't meet the needs of large corporations because the dollar amount "isn't significant enough to make a difference. Chances are better that these financing programs will be of more benefit to medium-size firms."

When considering any type of low-interest financing, Butler advises companies to carefully consider the long-term paperwork and red tape. "Is it truly worth it to go through the hoops for the money? In many cases, the answer is no. But it's an incentive worth exploring."

McIntosh believes there are some misconceptions about which companies receive incentives - and why. "Sometimes the media set expectations higher than what reality is, and that can cause people to become disgruntled," she says. "For example, rarely is up-front money from states given out to companies anymore. These days, incentives are more often performance-based, meaning a certain profit or payroll level has to be met before the state writes a check. A company has to meet certain, set obligations."

McIntosh feels that existing legislation offers plenty of good incentives for medium-size firms. In contrast, larger firms (such as those hiring 1,000 new people and investing \$100 million) are more likely to have legislation tailored just for them. That's not discrimination against smaller firms, because any company meeting the requirements would have access to those incentives, McIntosh says. "Generally, they're written to entice larger firms expected to make a significant impact on the state's economy. In lots of instances, medium-size firms have more access to individualized incentives because they're a lot closer to the process."

Security Advances Add New Criteria to the Mix

When seeking the perfect site, medium-size companies might consider it prudent to place employee-safety concerns at the top of the list. The average settlement cost for workplace violence cases settled out of court is half a million dollars, according to David S. Kennedy, division manager of the engineered systems division for PASS Security in Belleville, Ill. "Those cases that get to court are probably a lot higher," he adds.

Kennedy says that in the last decade, corporate America's concept of security has evolved from focusing on merely protecting a facility to protecting a company's valuable human resources as well. In the past few years, technological advances in the security industry have helped firms of all sizes to eliminate workplace crime with "access-based" systems. No matter what security type is chosen, these systems can be easily managed on-site by an employee using software compatible with a Windows 95 environment installed on a personal computer.

Until recently, only big companies had enough financial resources to buy such systems, says Kennedy. But today, even small businesses with a handful of employees can afford them. To gain entry to one or more facilities, an employee simply uses a plastic card with a magnetic strip in combination with a wall-attached security box or enters his unique access code onto a security keypad.

Kennedy contends that these systems are standard issue nowadays and widespread in newer office and industrial parks. It's "common sense" for relocating companies to look for these systems when seeking a site, he maintains.

The Value of a Household Name

A majority of medium-size firms are talked about in "ho-- hum" terms by countless locales because they lack a marquee name. Despite the absence of a household moniker, most medium-size firms can have an impact on the vast majority of communities based on the number of jobs created by the company and in

combination with others its size.

True, many communities go the extra mile for a wellknown company, says Butler. "However, others are delighted to get a no-name firm and do whatever it takes to make it happy. They understand that just because the organization doesn't have a recognizable name doesn't mean it's not a worthy company."

Current data indicate that manufacturers are not looking to build megaplants with 2,000 employees as they were in the past, Butler continues. Most plants now max out at 300 to 500 employees, regardless of the parent company's size. This partly explains why a smart community will look at the medium-size entity knocking at its door, scan it for growth potential, and establish a partnership for years to come. "They know it demands just as much respect as a Fortune 100 firm," Butler says.

The Tri-County Economic Development Corp. (TRIED) based in Ft. Mitchell, Ky., illustrates this point. TRIED is northern Kentucky's economic development agency, representing booming Boone, Kenton, and Campbell counties.

A majority of relocating businesses attracted to this "300,000-people-base" region are medium-size, maintains Dan Tobergte, senior vice president of TRI-ED. "We're not going to wait for the large 1,000-employee project to occur. It does, but the 50- to 100-employee projects are more abundant - and better match our community [requirements]." It's also important, he relates, for these businesses to fit into TRI-ED's mix of existing companies.

Regions with a stable unemployment rate such as northern Kentucky are increasingly interested in attracting skilled positions rather than just "hordes of employees," continues Tobergte. "That's why we target medium-size companies. We're more attuned to their needs."

Hiring a Relocation Expert

Unlike many large corporations, medium-size firms generally do not employ relocation consultants. Instead, they tend to rely entirely upon local economic development agencies (that have a good-natured bias toward their own communities) to guide them through the site selection process. Sometimes this scenario works well, sometimes it doesn't.

"If you're going to use a consultant," says McIntosh, "get that person on board early in the process. Too often a consultant is brought in late, when the in-house team is feeling overwhelmed." On more than one occasion, McIntosh relates, she has been called in at the eleventh hour to "undo things."

For example, often a human resources person from a medium-size firm will go into a market and inadvertently leak confidential information about the firm looking at a town, McIntosh explains. "The company might set certain expectations or get backed into a corner, and then feel bad about backing out and creating potential ill will in the community."

McIntosh says that third-party consultants are more objective and efficient than a company's in-house selection team and have a better chance not to offend a community by accident. "We're able to do stealth investigations without letting the cat out of the bag. That's our job. Our responsibility is to get enough of the right information to the company to enable an intelligent site selection decision."

This investigative process is a "special, unique time in the operating life of a medium-size company," McIntosh concludes. "That's why it pays to hire an expert who does site selection all the time."

Copyright S/H Publications Incorporated Dec 1998. Provided by ProQuest LLC. All inquiries regarding rights or concerns about this content should be directed to [Customer Service](#). For permission to reuse this article, contact [Copyright Clearance Center](#).

HighBeam Research is operated by Cengage Learning. © Copyright 2014. All rights reserved.

www.highbeam.com