

Strategies in Site Selection: New State-of-the-Art Manufacturing Facility Supports Global Supply-Chain Goals

BY DON C. SCHJELDAHL

PRODUCTION IS ABOUT TO BEGIN AT A NEW STATE-OF-THE-ART MANUFACTURING PLANT IN THE UNITED STATES. THE \$70+ MILLION INVESTMENT WAS BORN FROM THE NEED TO ACCELERATE SALES GROWTH AND GENERATE SAVINGS THROUGH THE DEVELOPMENT OF A TRULY GLOBAL SUPPLY CHAIN CONSISTING OF MORE SOPHISTICATED GLOBAL AND REGIONAL MANUFACTURING CENTERS.

Location selection for the new plant was the outcome of a systematic decision process involving Analysis — Review — Consensus at multiple steps, reflecting at each step the global interests of the company. Location selection required nine months from start through property acquisition.

This article reviews the site selection process followed by this Fortune 500 company. The article discusses how the selection process was aligned with corporate global strategy to ensure the new facility will support the needs of the company's Global Supply Chain strategy.

ALIGNING SITE SELECTION WITH GLOBAL STRATEGY

Location selection routinely follows an iterative process that first considers stra-

tegic alternatives and then narrows the focus until one final location remains. The traditional approach focuses on the specific needs of the new facility. The demands imposed on individual facilities by a global production and distribution network, however, requires that this iterative process carefully weigh interests of the larger organization.

For this new facility, the company aligned the location selection process with its corporate philosophy that a successful global strategy requires a global team working together across countries and throughout the world. Only by sharing ideas, technologies and talents can sustained profit and growth be achieved.

Consequently, the location search that ended in the new U.S. plant involved a wide array of corporate interests. Representatives from supply chain, engi-

neering, production, human resources, environmental compliance, legal, tax and finance were routinely convened to review and refine findings before the project moved to the next step in the process (see Figure 1).

STEPS IN THE SITE SELECTION PROCESS

A Lead Team consisting of company management and the location-consulting group from The Austin Company guided the site selection effort. A key responsibility of the Team was to ensure that the interests of global stakeholders were represented at all steps in the process.

Throughout the process stakeholders were asked to contribute to the development of project requirements and measurement metrics. The Team then conducted or directed data gathering and analysis and reported results to the larger group. Review

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and refinement of the analysis was conducted and once a consensus emerged the project moved to the next step.

To facilitate efficient and timely project reviews many meetings were conducted using web based conferencing.

THE PROJECT INVOLVES FOUR STEPS:

STEP 1 - SUPPLY CHAIN STRATEGY: The project began with an assessment of the global supply chain. The goal of the assessment was to find an optimal combination of production and distribution that would meet growing demand in North America while optimizing the global supply chain. Company operations were evaluated to identify synergies that would best serve North America and still satisfy global requirements.

Among the facilities evaluated were the company’s aging U.S. operations. While these facilities could no longer support modern production requirements, they were considered valuable for the institutional knowledge about product manufacturing and a supplier network that efficiently served the needs of each plant. After careful study, however, knowledge was deemed transferable and the traditional supplier linkages were found to be inefficient when realigned to the global supply chain.

The supply chain analysis concluded that a new production facility was needed to

replace the existing operations and that the new facility should be located in a search area encompassing parts of six states.

STEP 2 – SCREEN STATES & COMMUNITIES: Guided by the broad directives of the supply chain analysis the next step was to narrow the search to a handful of communities from across the multi-state search area. Candidates emerged through a careful screening of communities where each community was graded on its ability to satisfy key project requirements.

The first cut involved looking at basic project requirements including state tax code, access to highways, commercial air service, and size of the available labor force. The screening effort also incorporated the latest thinking from project stakeholders relative to the needs of a global manufacturing center. These factors centered on work force skills, work ethic, training resources, utility infrastructure, cultural diversity, education and quality of life, and industrial support services. In addition, the screening effort also included a careful assessment of local supply chain characteristics including rail versus truck shipments for key raw materials.

The Lead Team prepared a report detailing the screening effort. Stakeholders reviewed the screening analysis of more than 40 cities in six states and selected 10 communities representing five states for consideration in the next step.

STEP 3 – SELECTION OF SHORTLIST COMMUNITIES & PROPERTIES: With 10 candidate cities still under consideration, the Lead Team developed a template for collecting and measuring detailed attributes of each community. The template ensured that data collected from each location followed common metrics allowing side-by-side comparison of communities across all attributes.

The Lead Team made several visits to each community meeting with local economic development officials, employers, education administrators, work force development agencies, utility company and city utility engineers, city and county building departments, zoning officials, and property representatives. State economic development officials were included in all visits.

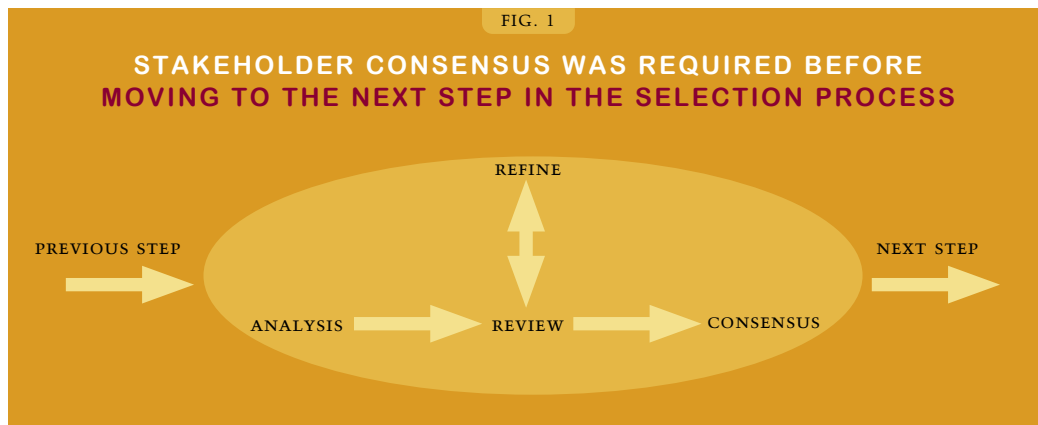
Stakeholders emphasized the evaluation of labor force and culture within each community. During the Step 3 investigation, the Lead Team included extensive interviews with employers in order to develop a comprehensive profile of the local work force and culture.

Initial findings from Step 3 found that four cities in three states were well suited for the project. The Lead Team orchestrated tours of the shortlist candidates for project stakeholders. After careful review and refinement of the analysis, two communities in two states were selected as the final candidates.

STEP 4 - DUE DILIGENCE & INCENTIVE NEGOTIATIONS: All work on the project through Step 3 was conducted in complete confidence under a project code-name. While state and local officials were given sufficient information to facilitate a true assessment of project fit with each community, the company name and the true nature of the proposed project were not divulged.

In Step 4 the company name was revealed and state and local officials

FIG. 1



were invited to engage in serious negotiations. Negotiations first centered on the results of the Lead Team's community and property due diligence investigation. The investigation concentrated on documenting gaps and advancing remedies within the two finalist communities.

For example, local work force training and recruiting programs were given careful scrutiny with specific recommendations emerging on how these could best be aligned with the company's global mission. Site attributes were also studied including site development and infrastructure needs along with estimated cost and schedule implications for alternative solutions.

A negotiating team was assembled that represented the company's global interests including legal, tax and finance representatives who played an active role. Incentive proposals were received from each location and terms were negotiated. Selection of the final location was achieved after one last tour of the two candidate locations and a careful audit of the entire process from Step 1 through Step 4.

GLOBAL STRATEGY GUIDES LOCAL SITE SELECTION

Operating a successful global enterprise requires that teams work together by sharing ideas, technologies and talents. In today's challenging global economy this applies even when the task is site selection at the local level. A system of collaboration and consensus across the broader organization proved to be an effective model for realizing global thinking in location decisions.

In keeping with the theme of global teamwork, location selection for this state-of-the-art manufacturing facility was the result of high quality cooperation by stakeholders both within and outside the corporate organization. The community was selected not only because it provided an ideal location relative to global supply chain, but because it also satisfied the stringent scrutiny of global stakeholders.

ABOUT THE AUTHOR



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