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## The Rankings Game

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Every year, particularly toward the end of the year, corporations can count on the latest economic development rankings receiving major media coverage. With categories ranging from top wireless locations, to top pro-business states and top stress-free locations - how is a corporation to make sense of it all? Which leads to the questions: What do economic development rankings really mean to corporations engaged in the site selection process? While rankings are important to communities and states, how can corporations apply these findings in the site search? Or should rankings have an affect on the process at all? Global Corporate Xpansion asked a few leading site consultants to share their insights as to what rankings mean to corporations. Participating in the panel are Ron Ruberg, partner, Location Advisory Services, Inc.; Jim Kupferer, principal, Global Location Strategies Group, Fluor Corp.; Buzz Canup, the new president of site selection services for AngelouEconomics Inc.; and Don Schjeldahl, vice president and director, facilities location group, The Austin Co. GCX: What role do economic development rankings play in site selection, or do they play a role? Why or why not?

Ruberg: There's never a simple answer. First, there are two kinds of rankings, one a purely subjective type ranking; the other based on one or more factors that can be rated. The purely subjective types of rankings are the popular opinion type where a group of consultants, companies or other specialized group of individuals are asked their opinions, which are then tabulated into a ranking. These types of rankings have no relevant application for a serious site selector. They may, however, have relevance for someone who doesn't know what they are doing. The second type of rankings is based on a number of factors individually assessed and then combined to form a ranking. An example would be ranking the business climate of MSAs based on workers' compensation insurance laws, state legislative record, ease of permitting, etc. These rankings potentially have more relevance if you want to dig in and find out the factors and weighting used by the ranking entity. If you were in the site selection business you would probably research each of these factors yourself and draw your own conclusions. Sometimes, however, they help for a quick verification of your opinion or if you don't have the information readily available and need a quick and dirty assessment, you can use the rankings as a surrogate measure. An example might be using Places Rated Almanac cost of housing rankings for 15 candidate MSAs if you don't have the time to research each MSA individually.

Canup: Economic development rankings of states and/or communities do not play a role in the site selection process. The rankings are of interest, and I do review them when published, but they do not play a role in my strategy or methodology. Site location studies are driven by the requirements and criteria of a specific project, and do not take into account any economic development rankings.

Schjeldahl: Rankings often stimulate discussion about the relative strengths and weaknesses of cities. In that regard rankings are useful because they help educate people about the differences and similarities found across the country. Typically rankings are narrowly focused and often subjectively based so they have limited value as an analytic tool in site selection.

GCX: As you begin developing short lists of locations for corporations, do you factor in rankings?

Ruberg: No, normally Location Advisory Services doesn't use rankings. We use our own data, supplemented by research. Kupferer: Yes. Qualified, published rankings from a reputable and consistent source can provide a beneficial resource for comparative information to be incorporated into an overall weighted decision model and risk assessment. Most often rankings are used in global and regional desktop assessments as individual sources of information to be used in developing an overall competitive picture of a location. These high-level assessments incorporate a variety of rankings, location indexes and raw data to assist in narrowing the field of competitive locations for further evaluation. Additionally, rankings can be useful guides to identify areas for further direct inquiry in the field and when completing strengths, weaknesses, opportunities and threat assessments in short-listed communities.

Canup: Rankings are not factored into the consideration of a short list. The rankings per se do not have anything to do with the project criteria, and are not considered.

Schjeldahl: No. We use project requirements to logically narrow our search to a select group of cities. For example, if we are locating a manufacturing plant dependent on a specific raw material we will select cities that are able to supply that material. Rankings are unlikely to influence the selection process.

GCX: Are there so many rankings published that they are losing their meaning? How do companies evaluate which rankings would mean more to them?

Ruberg: Rankings are not losing their meaning, because most of them never had much anyway. We don't know what companies do with rankings.

Kupferer: Rankings must be qualified to determine appropriate and applicable use. Many times, "one-off" rankings hold little validity for use in detailed business decisions. Rather, they are primarily meant to drive readership and publicity. For high-ranking locations, a second marketing approach ensues to take advantage of the situation. Countries, states and communities alike often highlight reported "strengths" to specific targeted industries in an attempt to be considered as a potential location for a company's future expansion plans. Given that this is obviously a systemic environment that perpetuates itself (driving both advertisement and readership), many of the rankings have lost meaning and are simply overmarketed. That being said, not all rankings are inappropriate for incorporation into location decisions.

Canup: There is a real danger that rankings are losing their meaning. There are so many presented in many different formats by a multitude of different magazines that it is more confusing than informative. Additionally, some states are more intense on pursuing the information and data than others, and the level of persistence of the state and/or community could have as much impact on the outcome as the data and statistics themselves. I doubt that companies performing their own studies consider rankings. Most companies are not even aware that the rankings exist.

Schjeldahl: Rankings make for good publicity. In our multimedia, headline-starved mass communication society, rankings grab headlines. Communities competing for attention can use rankings to create buzz about their areas. Serious corporate executives are not likely, however, to base location decisions on rankings that tell them little about the overall advantages of a particular city or state.

GCX: Let's discuss methodology and economic development rankings. How do these "rankers" arrive at their top decisions? And why do similar rankings that come out in the same time period have one showing the Kansas City metro for instance, at No. 1 for something while the similar ranking shows the Kansas City metro ranked as No. 20?

Ruberg: There are different reasons why this disparity occurs. For the subject opinion type polls, if you survey two different types of professional groups, on the same question, it is very likely that you will end up with two different rankings. For the factor oriented, more statistical method, if you have two surveys even utilizing the same five or 10 factors, you get a different ranking depending on how you weigh the factors. Or similarly, maybe three out of 10 factors used to rank the same topic may be different. Even with equal weighting of all factors, you are likely to come up with different rankings.

Kupferer: The situation you describe is why rankings have been given somewhat of a bad rap of late in addition to my comments above. Too often, seemingly similar rankings yield very different location results. It has been my experience that because so many copycat and one-off rankings are published, it requires the reader to be extra diligent in understanding the basis of the ranking in order to appropriately interpret the results. Many times, there are simply no set standards for the ranking in terms of repeatability, quality of information gathered, etc., and should be considered more entertainment than anything else.

Canup: This situation gets back to two issues: 1) the manner in which a particular state or community tracks and reports data, and 2) the manner in which the "rater" treats the data. In some rankings, the data is measured against "per project," or "per capita," or "per square foot," or "per thousand dollars of investment," or "per number of jobs created" or several other categories of measurement. These can have a significant impact on the rankings, and can shift the order dramatically.

GCX: What about those places that aren't ranked. Obviously these communities are still open for business and have an industry strength or two where businesses would make a profit. Should rankings be accepted as fact or even as a

guide?

Ruberg: No, they should not be accepted as fact or even a guide unless you agree with the methodology employed. The only rankings of fact are rankings of individual specific factors. Say; rank the states by median household income, one to 50. If the rankings are based on two or more factors, it is less factual. Ones that are based on votes I don't accept, even though I participate in them.

Kupferer: Aaahhh, the ones that have been poorly ranked or even worse, simply omitted from the ranking altogether. As with any ranking or grading system there are always those that don't make the cut one way or another. This is the world we live in. As experienced site location consultants, it is our job to present recommendations of locations for further evaluation and ultimately present a recommended final location based on a comprehensive, all-inclusive evaluation of the identified regions of interest. In this regard, it is extremely important to not only obtain apples-to-apples comparisons of data sets, but also to ensure appropriate market-level and comparable administrative boundary data (i.e., census block, county, MSA, state/province, country, etc.) is obtained to comprehensively evaluate the region of interest. This is no small task to obtain, and expensive to say the least. A key reason why companies enlist the expertise of a site location consultant is to not only access a comprehensive database of location information but also to provide counsel on how and when to best use the data for comparative purposes. Many times rankings are not inclusive enough to even consider including them in an analysis, and alternate sources of raw data, rankings or indexes must be obtained. An old adage is still in effect with regard to rankings - you get what you pay for.

Canup: I do not accept rankings as a fact, nor do I believe others should either. The rankings are not even a guide for consideration. Statistics from the past do not necessarily predict success for the future.

GCX: Places Rated Almanac author David Savageau has noted a few things about rankings: To sum up the ratings game it is best to not take them so seriously. Savageau suggests that rankings may not be so important, on an overall scale. "As it turns out, the reason why institutions, publications or books rank places is to get media attention. The stats and the logic behind producing the ratings are interesting and might benefit the users. But, you can say something good about every place in the country, even places that always end up at the bottom." What would you add to this?

Ruberg: In addition to being a sales pitch for the books, it is a way to reward advertisers or entice other communities to advertise in a particular publication.

Kupferer: I think his comments are right on target and are in keeping with our overall methodology for assisting companies to identify the appropriate location. Rankings can play a beneficial role in an overall comprehensive location evaluation if used wisely, but no one ranking should be looked at as an overall judgement for any location.

Canup: Rankings also become an excellent tool for selling advertising in the magazines that produce the rankings, and it creates a continuing strategy for marketing and advertising, i.e. "We are in the top 10," but in actuality, has little, if any, impact on the location decision

GCX: Final thoughts about rankings that you would like to share with corporations?

Ruberg: Probably a final thought to corporate readers is: don't use them. If you do, know how the ranking was done, what factors were used and see if those factors individually apply to your project.

Kupferer: A vast number of rankings are published today with a multitude of intended purposes for their targeted audiences/readers and not all are intended for practical use in business decisions. It is important to note that with an ever-increasing use of published rankings for a variety of purposes comes a corresponding increase in the inconsistency in the level of accuracy and quality of their results. To be sure, rankings can most definitely be a helpful guide in comparing one location to another for a variety of different location criteria. However, it is advisable for users to review the source(s) of the information collected, understand the basis employed for calculating the results and be familiar with the intended uses for the specific published rankings. When qualifying steps are taken to understand location rankings, many can be incorporated successfully into an overall assessment of a location's attributes or existing conditions. Appropriate use and application of rankings can assist in determining a location's competitiveness relative to your business drivers and customized project needs.

Canup: Corporate readers should review rankings with interest, but should also make sure they have a clear understanding of exactly what is being measured, how the data was collected and reported, and whether it really

makes any difference for them in their location analysis. In the end, rankings do not, and will not, drive the location decision. To learn more about the site consultant firms featured in this article, visit: AngelouEconomics, [www.angeloueconomics.com](http://www.angeloueconomics.com) Fluor's Global Location Strategies, [www.globallocationstrategies.com](http://www.globallocationstrategies.com)

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