

# Corporate RELOCATION

By Susan Burnell

Winning Strategies for Executives



**L**aunching a business expansion or relocation effort can be a challenging task for even the most seasoned executive. It's often a project undertaken on top of other management responsibilities, so it's essential to start with a good game plan. Full-time relocation expert Robert Ady offers insights and strategies for keeping a move or expansion on track.

## HAMPTON ROADS

“All great regions have been great port regions, and Hampton Roads is well on its way in challenging the supremacy of the port of New York.”

— Senior Irvine Fellow, Joel Kotkin, in his address to the 300-plus Hampton Roads Economic Development Alliance investors, Feb. 1, 2007

To help you in your exploration of the great port region of Virginia’s Hampton Roads, the Hampton Roads Economic Development Alliance will:

- Provide a dedicated manager for your project
- Work confidentially and without charge
- Guide and support you through the planning process
- Coordinate visits highlighting 15 localities
- Help identify appropriate sites
- Advise you on financial incentives
- Serve as your liaison with the State of Virginia Economic Development Partnership
- Become your one-stop source for information and cost comparisons
- Connect you with regional business leaders and experts for banking, legal and other services associated with business expansion



## LINING UP THE SUCCESS FACTORS

Before the first flight is booked to check out a prospective new location, your company’s reasons for moving or expanding must be addressed. You should have a clear understanding of your company’s strategic plan before you can begin to put together a relocation plan.

You should be asking questions like these:

- What is the move or expansion expected to accomplish?
- What are the key opportunities your company seeks?
- Are you looking to improve customer service, reduce operating costs, become more competitive or achieve other specific goals?
- What constitutes relocation success and what constitutes failure?

It’s essential to continue the advance planning by listing, then prioritizing, characteristics of a desirable new site. A team approach works best for this step. Depending on the scope of the relocation or expansion, a team may include the chief executive officer, chief financial officer, administration vice president, division presidents, manufacturing, engineering, real estate group and other key players. Involving human resources is extremely important, and each group should list the characteristics they would like to have in a new site.

One group may want a location with a highly skilled workforce, another may seek an abundance of minimum wage workers. Some may prefer to be within 15 minutes of an international airport, while others think an outstanding quality of life is a must. Once all the ideal characteristics are stated, the group should align the list with the strategic plan. That will help guide decisions about which site characteristics are critically important, which are moderately important and which are not important.

Realize there’s no utopia, and there will be trade-offs. But this process can keep one strong team member from dictating a location based on factors that cater to his or her own interests, rather than the needs of the whole project. Get consensus up front; otherwise it will be very difficult to make a final decision.

## CORPORATE RELOCATION TRENDS

One of the recent trends in corporate headquarter relocations has to do with changes in corporate governance. As boards of directors restructure and bring in more outside directors, they start to question the very core of a company’s existence, including the location of its headquarters. Moving may no longer be unthinkable. Rather, it may be essential for a company’s survival.

The most active relocations are distribution centers. Supply chain management has become a very sophisticated discipline because there’s a greater need for companies to move products from a production point outside the U.S. and get them to their customers throughout the country.

The biggest reason for a manufacturing location change is the shift from traditional plants to the facilities of tomorrow. The assembly line model no longer fits newer, modular assembly processes. Ten years ago, a typical manufacturing relocation might have been a \$10 million to \$20 million project with 200 employees. Now, a manufacturing project may be a \$40 million to \$60 million deal with only 75 to 100 employees.

## SIZING UP FUTURE NEEDS

The key to smooth future growth is considering project specifics for the initial plan and the ultimate configuration according to your company's strategic plan. Being in synch with your plan and market projections will tell you how many people you may need to house in a few years, ensuring an adequate initial investment.

Electrical power is another major consideration. Some planners dismiss this requirement if they're not building a manufacturing plant, but offices require abundant, reliable electrical power. Some companies neglect putting this on their radar screen at the beginning, only to realize they can't get the electrical power they need when their business grows.

## LOCATION RESEARCH GETS EASIER

The next step in the process is location research. Today, gathering information about prospective new locations is easier, thanks to the Web sites of states and communities seeking to attract businesses. The U.S. Census Bureau and the U.S. Department of Labor, Bureau of Labor Statistics, have vast databases of information on population trends, age trends, unemployment rates, education levels and other demographic data, all available online.

Site selection is a process of elimination, and looking at background data for a variety of locations will allow you to evaluate communities systematically and select those with the greatest advantages and fewest disadvantages. Approach the process with an open mind, and assess how communities and states fit the specific criteria your team has established.

## TIME TO VISIT

Only when the background work is done and the list of suitable communities narrowed should the community visit step take place. A visit to the top finalists will give you a firsthand impression of the physical environment as well as the image of the community. Employees will take a critical look at the community before agreeing to move there, so look at it through their eyes. The positives and negatives of a community's overall image are important to consider, since that image will be linked with the company once it locates there.

## THE ART OF NEGOTIATING INCENTIVES

Even if your relocation project isn't on the scale of a major corporation, you can still negotiate incentives. In actuality, few relocations involving major corporate headquarters occur each year. For every one of those major projects, there are 500 smaller announcements that are still of major value to a community. A project that brings in 75 to 100 people is normal, and the right community will welcome a project of that size — especially if it is a good match — bringing desirable jobs.

There are several levels of negotiations:

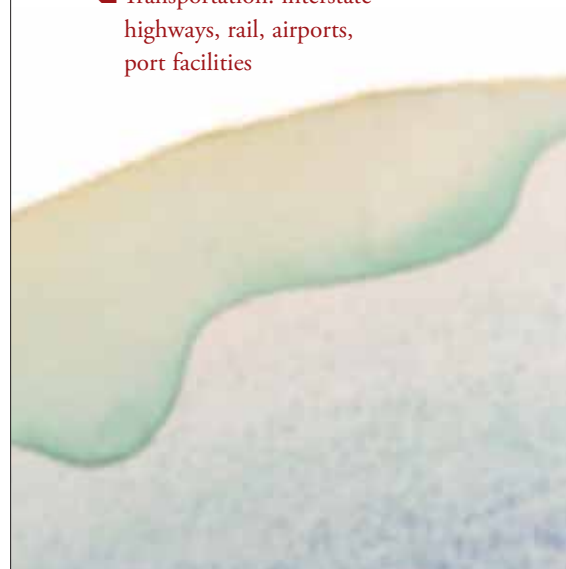
- Set up a competitive situation between top prospects. Each community should know there is another dynamic finalist — this provides tremendous leverage.
- Allow sufficient time to negotiate incentives. Any time you short-change the negotiation process, you are going to lose. Depending on the level of incentives you seek, you should allow a minimum of a month to get through this stage.

- Know what the as-of-right incentives are. These are the incentives offered to every company, as part of local policy or legislation.
- Identify and ask about special incentives geared specifically to the needs of your company. For example, you may be looking at one site with all utilities, but it's in a state without tax abatements, while the other site has no utilities, but its state offers tax abatements. You can then negotiate with each location to level the playing field.

## CORPORATE RELOCATION CHECKLIST

When approaching a corporate relocation or expansion, view each site criterion through the lens of your company's strategic plan. Among the criteria to consider and rank according to importance:

- Labor availability (skilled/hourly)
- Management-labor relations climate
- Education levels
- Availability of community colleges
- Quality of life
- Cost of living
- Housing costs
- Availability of housing for management
- Crime statistics
- Site security
- Availability of land for expansion
- Utilities infrastructure
- Community image
- Proximity to customers
- Transportation: interstate highways, rail, airports, port facilities



There are a number of incentives corporations may overlook, and an incentive negotiation checklist can help them decide what they want to ask for. These include recruitment assistance, applicant testing, free space for recruiting, spousal employment opportunities, subsidies for communication costs and even free country club memberships for executives. Tax abatements and financing assistance are fairly universal. Some of the hottest incentives companies are negotiating right now are employee relocation expenses and state rebates on personal income taxes for new hires.

## WHO SHOULD DO THE NEGOTIATING?

Beginning negotiations may be handled by independent, third-party location consultants who can “set the table” and start the process. One advantage of consultants is that they need not reveal the identity of the prospective company. This can provide some extra leverage before any tension builds up between a company and the community.

At the second level of negotiation, the company relocation project team should participate. At this point you will engage the community’s interest by telling the company’s story and emphasizing the benefits it can bring to the community. For the final negotiations, let the chief executive officer be the one to say, “The one thing we need to close this deal is…” and wait for the community to meet those conditions. Don’t sign any commitments until all negotiations are concluded, and don’t make the mistake of letting a decision leak prematurely. Once word gets out that your company has chosen a site, you lose negotiation leverage. Well-orchestrated timing is essential.

Armed with knowledge and a clear strategy, you can accomplish a corporate relocation project that enhances your company’s — and your own — success. ■

## Web Directory

The Hampton Roads  
Economic Development Alliance  
[www.hreda.com](http://www.hreda.com)

Jacksonville Regional  
Development Partnership  
[www.citywithoutlimits.com](http://www.citywithoutlimits.com)

Virginia Economic  
Development Partnership  
[www.YesVirginia.org](http://www.YesVirginia.org)

### Resources:

U.S. Census Bureau: <http://quickfacts.census.gov/qfd/>

U.S. Department of Labor, Bureau of Labor Statistics: [www.bls.gov](http://www.bls.gov)

Ady International Company: [www.adyinternational.com](http://www.adyinternational.com)

Robert M. Ady, former president of PHH Fantus Consulting, has identified more prime locations for businesses in the United States than anyone else. He is frequently quoted in the national media on topics such as global competition, business location trends, future workforce availability and incentive negotiations.

