

Getting "On The Short List" – after the initial "Long List"

Tough competition and choices for "foreign" or local corporate direct investment projects

A review of the strategic corporate "site selection" decision process and location strategy consulting work by Bruce Donnelly, Global Direct Investment Solutions - [Biographic Profile](#)

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In the economic development profession and among site selection or business location strategy consultants, getting "on the short list" is a widely accepted goal of investment promotion agency programs designed to attract new industries, companies, and jobs to a community, whether at the local, county, city, state, provincial, regional or national level.

Although this common expression has other meanings in other contexts, the widespread usage in economic development reflects the typical business site selection process for projects as companies expand, relocate, or consolidate operations. Communities compete to develop successful business clusters according to the advantages which their areas can offer.

Their "investment attraction" promotional work to get "on the short list" complements important local "business retention and expansion" work to support the further development of companies which are already established in the community. To get "on the short list" for major projects, business locations first need to get on the "long list" of places which the key executives and their advisors regard as potentially suitable for their critical business location requirements. This often involves "location brand" marketing campaigns to try to attract the attention and arouse the interest of that small target audience, and to communicate what differentiates the location in meaningful, valuable, and memorable ways for potential investors.

Companies may choose to redeploy their operations as their growth strategies and competitive markets or internal processes and operational needs change, but this is not necessarily a negative reflection on the community they may choose to leave. Homeowners may move to a new location which better suits their current needs, without meaning that the community or building they left behind has failed or is unsuitable for others. It is the nature of capitalism to be dynamic, competitive, and innovative, constantly seeking new market opportunities and redeploying capital to where it can be profitably applied. ***Past location choices may not be indicative of what is needed to produce future results.***

Strategic capital investment project decisions therefore involve far more than just the selection of specific "sites" such as greenfield or "brownfield" industrial sites, industrial buildings, warehouses, distribution centers, industrial or business parks, office buildings, science and technology research parks or other types of commercial or corporate real estate.

The strategic importance and high value of business location selection and workspace design

To be blunt, few companies succeed or fail because of the land or building they occupy, with the possible exception of retailers and the hospitality sector (restaurants, hotels) or some other types of service providers, and even those can readily fail in a good location according to what happens inside the business, regardless of the quality of the location outside the walls.

In short, Enron was not Houston's fault (nor Arthur Andersen's, for that matter). Failure is easily self-inflicted by definition according to the expected quality and delivery of value through products and services. Even the most optimal business location choice will not save a company from making other bad choices, or simply failing in a very competitive marketplace. Companies succeed and fail. So do communities. Together, however, good companies in good business environments can do remarkable things by serving specific markets very well, and thereby deliver benefits far beyond their own local community, employees, and shareholders.

Companies occupy real estate for office work, production, distribution, or other functions, but real estate doesn't really drive the location decision. Homeowners occupy houses and renters live in apartments, but they choose the region where they want to live for other reasons, such as strategic choices about their lives, careers, and family or personal interests, even though their eventual choice of a specific property to buy or rent may reflect what is available at the time and what they can afford. As immigration patterns prove, people vote with their feet to some extent, despite the many obstacles and disruptive or even traumatic nature of relocation. This has been true since the dawn of civilization - it's not a recent

phenomenon.

The same is true of corporate relocation decisions. It is not corporate treason to move somewhere else when it becomes necessary or when the leaders simply choose, rightly or wrongly from any objective point of view, to do so. Relocation of operations is just one of many options as a competitive market changes. There are many ways to compete - not just on cost. Just as individuals make both good and bad location choices in their lives, and don't all migrate to the cheapest places on Earth to live, company executives do the same thing. They can also make costly mistakes regardless of good intentions and clever strategies.

Many personal choices are made in the design choices for buildings and the workspace environment "inside the walls", just as all homes are not the same as one objectively optimal design for everyone. It is the nature of civilization and capitalism to embrace diversity in such choices about the environment in which one lives and works, with many niche markets for different needs and expectations, and no objectively right or wrong answer about what works well. Business location decisions and workspace design are both objective and subjective choices about the future direction of a company, just as free individuals can choose the future direction of their own lives, including where and how they live.

The place and the space or environment where employees do their work for a company is important, because good or bad location and design has long-term consequences for employee availability, motivation, performance and efficiency (like a well-designed factory or office or distribution center layout as obvious examples), but a good workspace environment can be created anywhere. Businesses can operate successfully in some of the most challenging political-economic and physical environments on the planet if there is a good business reason to do so. Oil companies, for example, operate in some truly dreadful and remote places because of the high value created by doing so, even though they might prefer to find everything they need in much easier places to do business. The company can influence what happens inside the walls to make the workplace attractive, but it can't readily change the external business climate of a location despite some potential to help improve the local community environment. Instead, the business environment needs to be carefully chosen. This choice delivers high value because it affects the available workforce, logistics, supplier base, proximity to customers, tax costs, regulatory environment, political risks and many other selection factors.

In short, when picking a new business location, the company needs to consider all of the issues which would contribute to the success or failure of an investment project, both outside and inside the walls, and the expected value of that investment relative to other potential investment alternatives. A property transaction is the eventual outcome of the location decision process and negotiations, and the availability of a suitable property may influence the eventual choice, but the fundamental issue is to find a good place to perform specific business functions as part of the global corporate strategy, rather than just to find an available piece of real estate on which to do a particular task. Business location selection affects capital investment requirements, operating costs, the availability of talented employees, and cash flows far into the future. Apparently similar locations can yield very different results.

Project definition : Location requirements and the relative importance of key selection factors

At the early stages of capital investment project planning, such as for a new factory, office, warehouse, R&D center, or other type of business operations, executives and their advisors try to define what the business needs to find in a new business location, such as critical project requirements or site selection factors, and what would differentiate one area as preferable to another. The same is true in relocation or consolidation decisions such as M&A planning and post-merger integration work. The same basic decision process to focus the location selection market research and analysis work applies to both "domestic" projects and foreign direct investment (FDI) projects. Whether one is screening out many places by general data attributes or searching for relevant places with the desired characteristics, the scope of the search needs to be focused.

Indeed, "foreign" direct investment implies a local point of view, since investment in any other city, county, or state would seem "foreign" from the headquarters location perspective. Most companies are not nationalized, nor is the scope of their business confined to national or local political boundaries. They are free to invest in growth wherever the executives may choose. Whether they choose to expand at an existing location or invest in new locations across local political borders or national ones, the decision process from a corporate perspective is largely the same.

The outcome from a local or national government perspective, such as job creation or statistics about FDI flows, is usually not a major factor in business location decisions unless the project is clearly tied to government services or programs in

some way. The fact that many areas compete very actively to attract such projects does not alter the fact that executives will invest wherever they think their business is most likely to succeed. Their success (at least in the US) is not generally driven by negotiating deals with government officials. Instead, they will want to negotiate the best deals they can for any negotiable benefits which can help their project, but location choices will usually be driven by fundamental business considerations. After all, governments and their policies about business attraction and retention change. The company needs to reliably succeed in spite of political risks or changes.

Research and analysis to select and screen an initial "long list" of candidate locations

After the "needs definition" phase, the search process moves into the "long list" phase of high-level research and screening of many potential locations to assess their relevance to the project requirements on the most fundamental selection factors. In other words, if these basic location criteria are not met, the location is considered to not be worth investigating further. This may start at the national level (which country?) or be confined to specific regions, perhaps because of supply chain and logistics considerations, raw materials, or client expectations, as in the case of just-in-time component suppliers in the auto industry. In any case, there may be a relatively long list of potentially viable business location alternatives.

Companies and their advisors follow different decision processes to select their "long list" choices, but regardless of the factors which they are evaluating or how they are approaching the site selection decision for an investment project, they will usually recognize at an early stage that they do not have the time, inclination, or resources to research and evaluate all of the places which could potentially be relevant to their interests. Instead, they need to focus their attention and work on a few places which seem to be the most relevant choices, whether for objective reasons driven by factual analysis and quantitative methods or by subjective judgment on the basis of personal experience, preferences, or feedback from others.

Quick focus "on the short list" of apparently most attractive alternatives

The "long list" is soon cut down, sometimes through very superficial analysis or even personal bias and in ways which may seem suboptimal, arbitrary or unfair, especially to competing areas which are quickly excluded from more detailed research and consideration. The relatively few places that wind up "on the short list", for whatever reason, are the ones that the executives and advisors choose to research in greater detail because they are more confident that one of these places will prove to be a good choice.

That doesn't mean that all of the places "on the short list" are the optimal alternatives through analysis in any perfectly objective way. It just means that the executives and their advisors believe that one of these places will be good enough for their purposes. Once again, they don't have unlimited time and resources to investigate all potential alternatives in detail. Typically, they need to choose someplace pretty quickly that will be suitable, and get on with the project. If it is worth doing because it will be a profitable investment, then it is generally worth doing sooner rather than later. Project delays can raise costs, miss market opportunities, provide an opportunity to competitors, and be harmful in other ways. Once the basic decision is taken that the company needs to expand somewhere, the location selection process should quickly focus on a few apparently viable alternatives.

Subjective analysis - no objectively "right" location choice or decision process

It's important to recognize that there isn't an objectively "right" or "wrong" way to pick a business location. It is fundamentally a subjective judgment, usually supported by some degree of factual analysis, by top executives about what is in the best interest of their company. In the case of some privately held companies, the decision process can be quite simple and rapid. In effect, "I know my business, I know what I want to find, it's my money at risk in this choice, and this looks like a good choice to me". Even if the choice may seem arbitrary or suboptimal to an independent observer, as in the case of projects which literally go to a place where the key executive wants to live or play golf, the point is that privately held or small companies may often make faster decisions on the basis of a very simple "short list" of preferred locations and more personal knowledge of these areas.

By contrast, business location selection at publicly traded or larger corporations is typically a more methodical and slower process. Not always, but usually. These executives are investing somebody else's money and are accountable to their board and shareholders (include personal legal risk considerations) for the consequences of the investment decisions they take. Even if personal preferences may be a factor in their long list and short list preferences or the final location selection, the executives will at least want to be able to demonstrate a credible case that they were making a very

justifiable choice. Despite personal preferences, they will typically be more willing to seriously consider other alternatives. Serious location consultants will not generally want to jeopardize their own professional reputations and potential legal liability by entering into site selection work which is clearly a game of marked cards, in which they are simply being hired to rationalize the preferred choice of key executives without careful consideration of potentially better alternatives.

Getting a community "on the short list" may be a critical goal for EDO's, but it's just the start

It is the basic objective of most economic development organizations (EDO's) to get "on the short list" for any projects which might reasonably be expected to succeed in their areas. Whether that is the optimal choice for the company or not isn't really their concern. They want the jobs, investment, and growth potential to come to their community. They don't want to just get "on the short list". They generally want to close the deal to win the project as fast as possible.

From a corporate executive and location consultant perspective, however, the "short list" is simply a necessary step in the selection process to focus the research and analysis work. Consultants may feel more confident about recommending a location for the "short list" if they have actually done work recently in that area for other clients, or have visited recently. Realistically, there are so many potential business locations and so few consultants that they cannot possibly have timely knowledge of everyplace. That's why the more exploratory initial research to identify the "long list" alternatives is important so that potentially good solutions are not simply overlooked, particularly because each project has different needs. What may have been unsuitable for one client may be a great fit for another. Communities are not a commodity, and they are dynamic. They change. It is therefore a constant challenge to develop and maintain adequate market knowledge across many locations to consistently identify very good location choices for clients. Business advisors who rarely confront such issues in their work for clients will have even less market knowledge to guide their recommendations, and may not be as expert at recognizing all of the critical issues for a project, or how to compare the alternatives. After all, there is rarely an obvious "right answer", and subtle differences can prove to be critical or very costly.

No visit, no project : with many millions of dollars at stake, community visits are a critical step

Regardless of the site selection decision process or who performs the work involved - whether it is done in-house, with a top location consultant, or with some other advisor - the bottom line is that executives at private or publicly traded companies will rarely invest in a location until they visit to check it out carefully. They have a "due diligence" obligation for major investment decisions, and their professional advisors have their company and personal reputations and liability risks at stake. They will probably visit a favored location repeatedly and review it very carefully before making a final choice. It all depends, however, on whether the community made the cut to get "on the short list" for closer consideration.

The purpose of the Professional Site Selection Tour is therefore to help communities to attract the attention of relevant professional advisors and their clients, according to the type of business which the community is trying to attract and retain. At the same time, the Tour helps such advisors to develop and maintain better and more timely knowledge of potentially good business location alternatives for their clients. They can also provide useful feedback about the viability in practice of the targeted marketing strategy of the community, including informal suggestions about how to improve and the perception of their competitive strengths and weaknesses. This isn't in-depth research and analysis. It's more of a quick reality check, such as the work they would do to validate that an initial short list is appropriate and to focus the more detailed research and analysis work on likely preferences.

The competition for a major project really heats up after getting "on the short list"

Nobody can assure that a community will get "on the short list" for all projects which are potentially relevant to the area's investment promotion strategy, but this advance research work should at least help to get fair "long list" consideration by making it easier to recognize when the area is potentially relevant. It also make it easier to quickly evaluate whether the area merits inclusion in the "shortest list" as a finalist. Given recent personal experience through a well-organized visit program, the consultant can speak more confidently to a client about the potential pros and cons of a location which the client may not otherwise have considered seriously. This can be particularly important if there are negative stereotypes about the area, or if recent developments have significantly changed the business environment in a way which the consultants or their clients may not yet recognize..

After the short list definition stage in the selection process, however, it all boils down to how the competing locations stack

up against each other in the more detailed market research and analysis for the needs of a specific project. The Tour is intended to help areas as they compete for general consideration as "short list" candidates for target industries or projects, but it remains a very competitive process. After all, if a company narrows all of their alternatives down to 5 "short list" locations, that still means that 80% (4 out of 5) of the communities will be unhappy about the eventual outcome of the process. Attracting a consultant visit does not assure that the area will win the projects of their clients. It just improves the probability that the area will be carefully and fairly evaluated as a potential short list alternative when it is relevant to the needs of a client.

How Global Direct Investment Solutions helps executives, professional services, and business communities

Our role is to help support business location choices, delivering value by sharing practical market knowledge and networking contacts through working relationships and contact with :

- Top executives facing strategic choices about where they do business (where to establish, expand, move or restructure their operations or alliance as markets and plans change.
- Professionals representing areas which are motivated to attract and retain companies. Refer to the [Area Search](#) feature, our various directories, and the Area Surveys, Profiles, and Reports such as those developed through the Professional Site Selection Tour or other research work for examples of many economical ways in which we can share knowledge about communities to help recognize when they may be relevant to the needs of a particular investment project as executives and their advisors search for new business locations.
- Professional service providers for projects in North America, Europe, Asia or worldwide. Refer to the [global Contacts directories](#) for examples, or the selective Professional Search tool and Professionals or Biography directories at OnTheShortList.com for examples of how we can highlight professional capabilities and introduce relevant contacts..

The OnTheShortList.com website is intended to serve as a research tool for executives and their business advisors as they confront business location research needs in general, and site selection and service provider choices for capital investment projects in particular. It selectively shares knowledge, market research work, and contacts as an open resource supported by independent professional research and referral work.

The GDI-Solutions.com website serves as a more comprehensive resource, but all of the content is readily accessible through the more selective OnTheShortList.com website, such as through the various Search tools and highlighted directories which have been designed to make it very fast and easy to find relevant resources in this niche market as they are needed.

The work of Global Direct Investment Solutions is the market research, relationship development, marketing and independent referral work to bring these three groups together as a more efficient global marketplace and executive decision support tool in support of the flow of billions of dollars in capital investment projects each year. Thousands of corporate investment projects each year affect communities worldwide, and the millions of people who work at those companies or live in those communities. Such investment choices obviously have a major impact on the companies, present and potential employees, and communities involved.

Like a global concierge service, we organize market knowledge and contacts in advance so that we can respond personally and professionally with helpful referrals. That is the "response-oriented" side of our work, beyond the research content which we can openly share through our websites, but we can also perform custom market research and marketing work as a more proactive service to assist clients as above according to their own interests at the time. We openly disclose current or prior working relationships with communities or professional service providers for independent referral purposes, but corporate project plans are of course handled in confidence according to the direction of the executives who request our assistance.

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