

Site Selection: Process and Trends

Presented to:



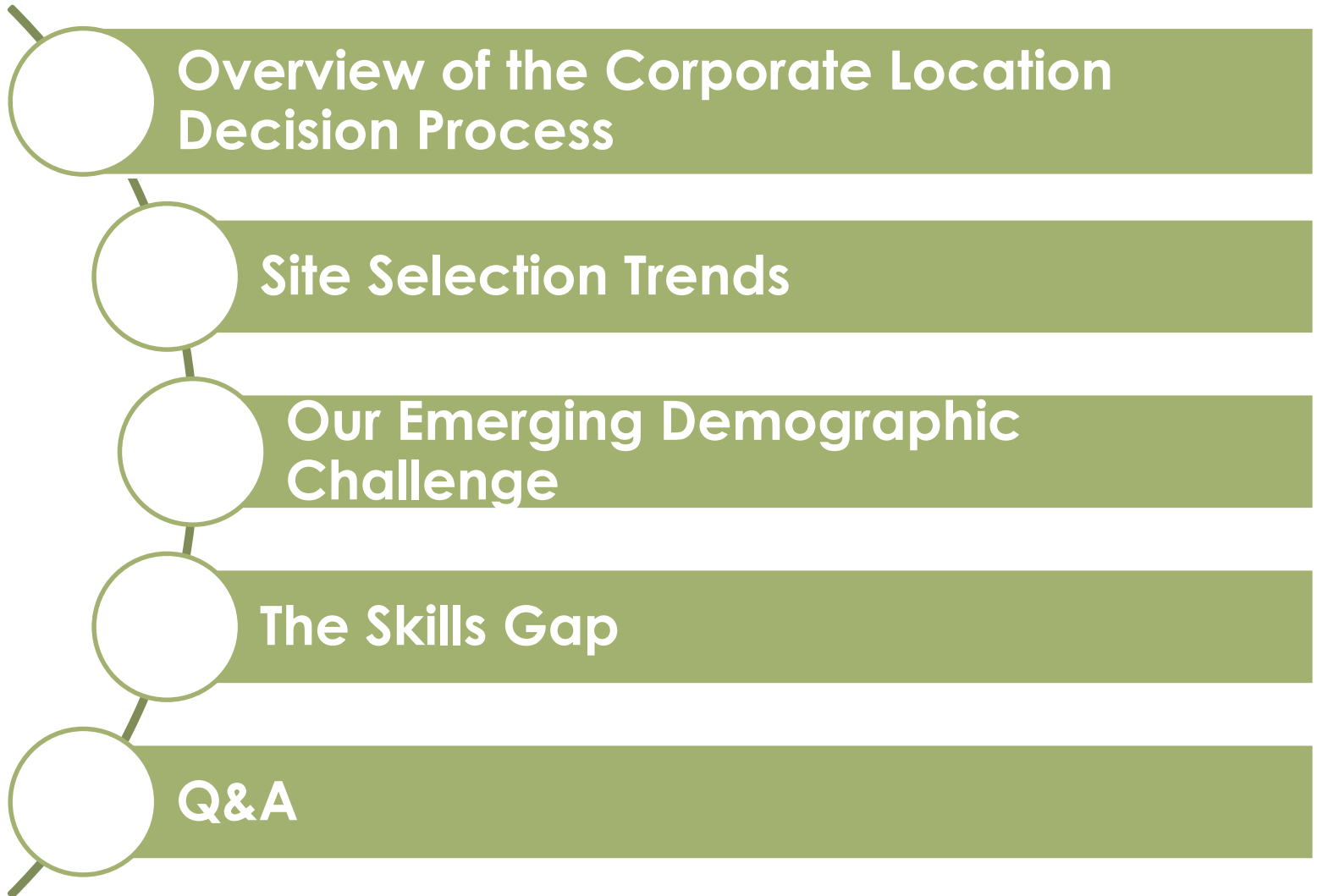
Site Selection Center Summit 2015

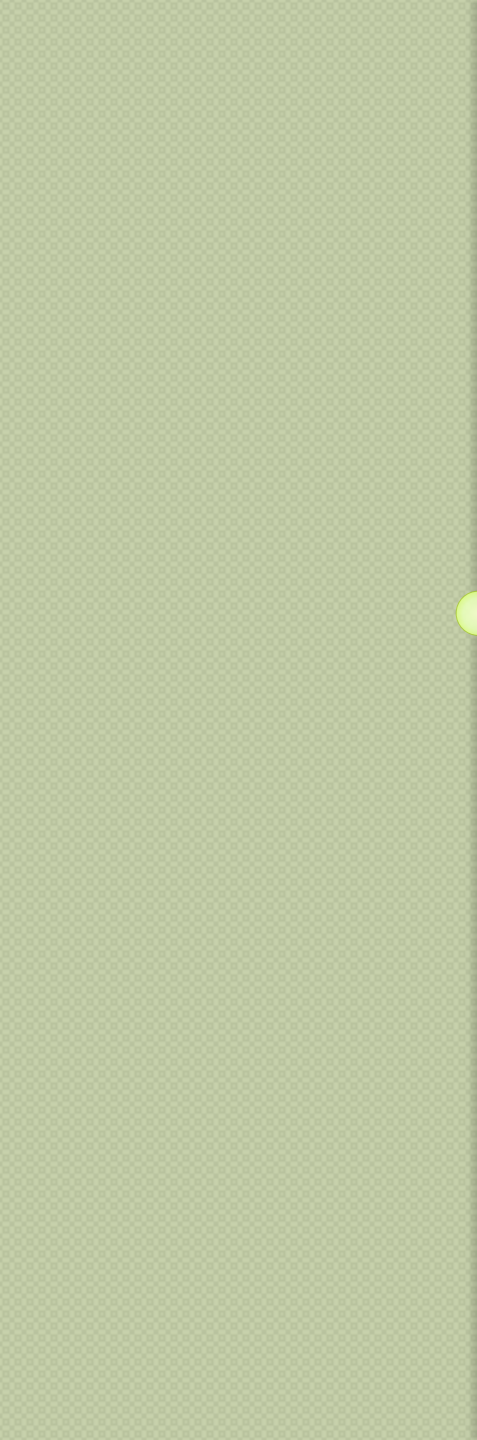
June 18, 2015

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Chairman, Site Selectors Guild



Today's Discussion





**OVERVIEW OF THE
CORPORATE LOCATION
SELECTION DECISION
FRAMEWORK AND PROCESS**

A variety of factors can initiate site selection, but the primary drivers are market access, reduce variable operating costs, and improve access to talent

Improve Market Access or Penetration

Reduce Operating Costs

Improve Access to Critical Skills/Talent

Reduce Operating Risk

Improve Supporting Infrastructure, such as Electric Power

Replace Aging Facilities, Operations, Processes

Produce New Products or Services in a State-of-the-Art Facility

Improve Tax or Regulatory Environment

Improve Labor-Management Relations

Location selection guiding principles vary by industry, function, and project but are usually driven by workforce/talent, infrastructure, and cost

Operating Costs

- Low-to-moderate total variable operating costs: workforce, tax, utilities, supply chain, real estate

Workforce/Talent Pool

- Develop, attract, and retain high quality skills and talent

Infrastructure

- Reliable Utilities: power, fuel, water, broadband, telecom
- Reliable Transportation: highway, air, rail, port

Other Business Conditions

- Customer and supplier access, business services, amenities, living conditions

Scalability/Sustainability

- Ability to scale, flex, and sustain workforce, supply chain, and infrastructure

Proven Industry Cluster

- Presence and success of other companies with same or similar requirements, technology, supply chain

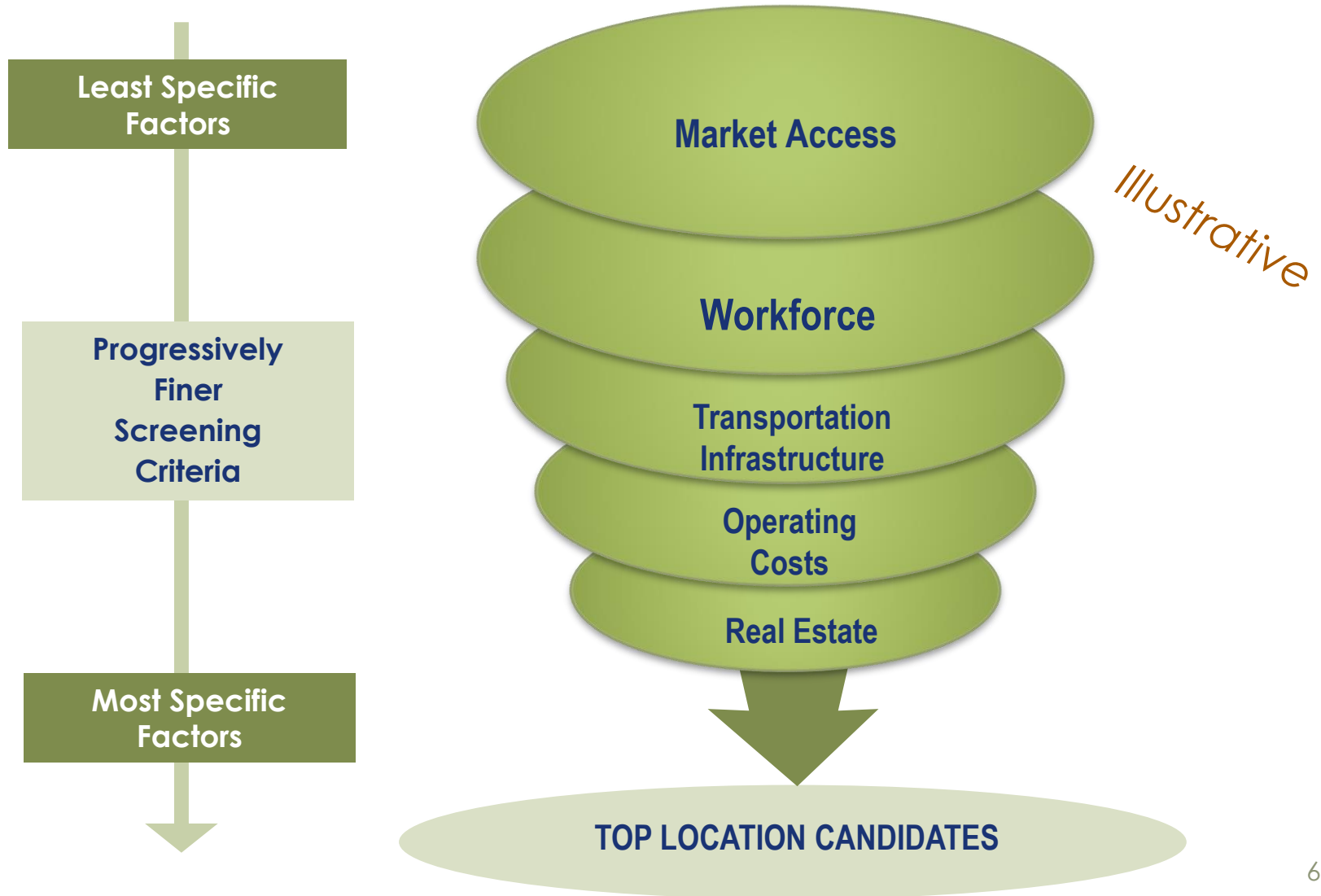
Tax/Regulatory/Incentives Strategy

- Compatible and favorable tax structure, regulatory environment, and location incentives

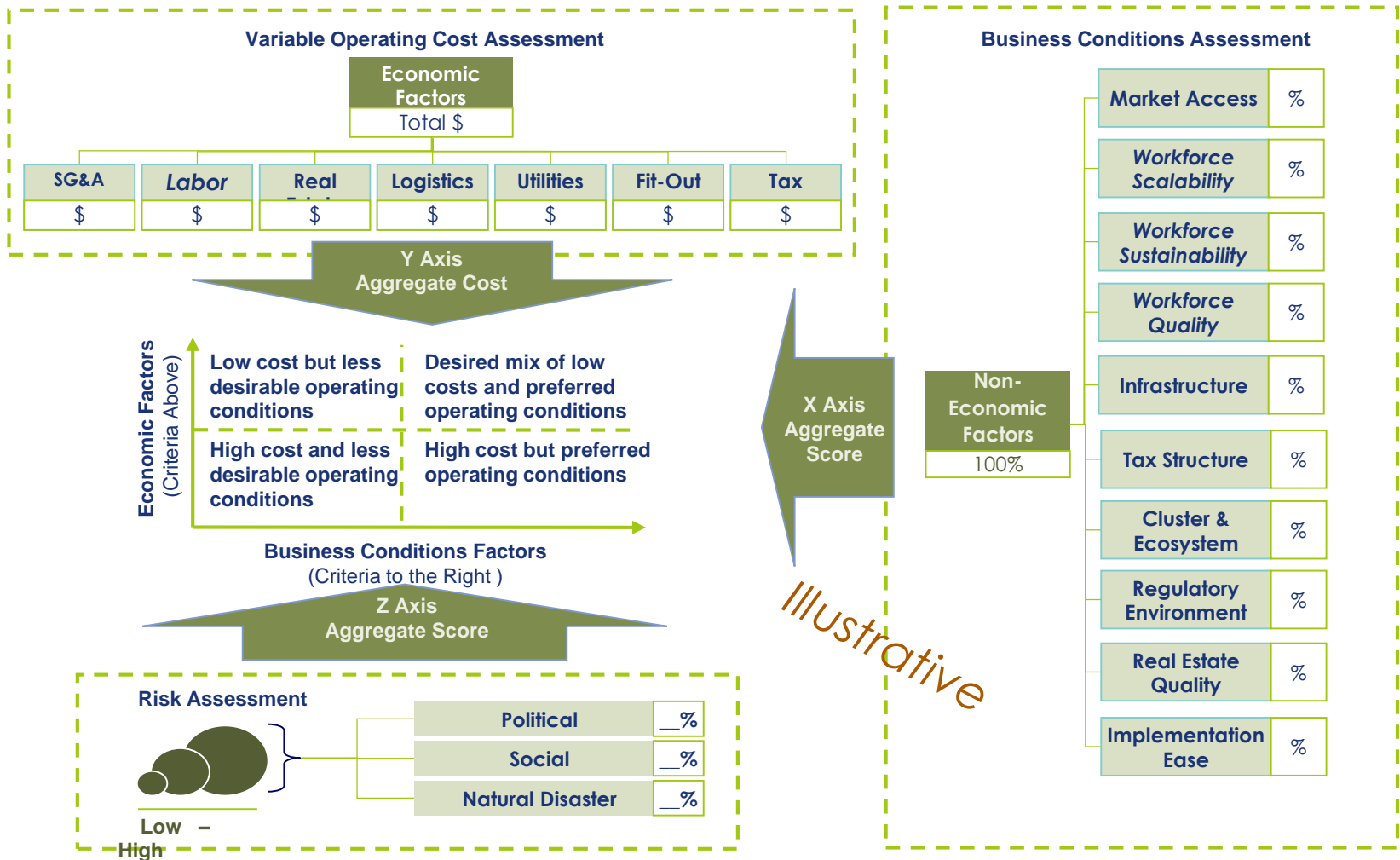
Implementation

- Ready-to-go real estate
- Ease of business establishment
 - Registration, licenses, permits, approvals

The process employs a series of screens to *systematically eliminate* areas not meeting project goals, objectives, and specifications...



...with a decision framework that applies weights and scores to each factor, and various weighting scenarios to determine optimal locations



Illustrative

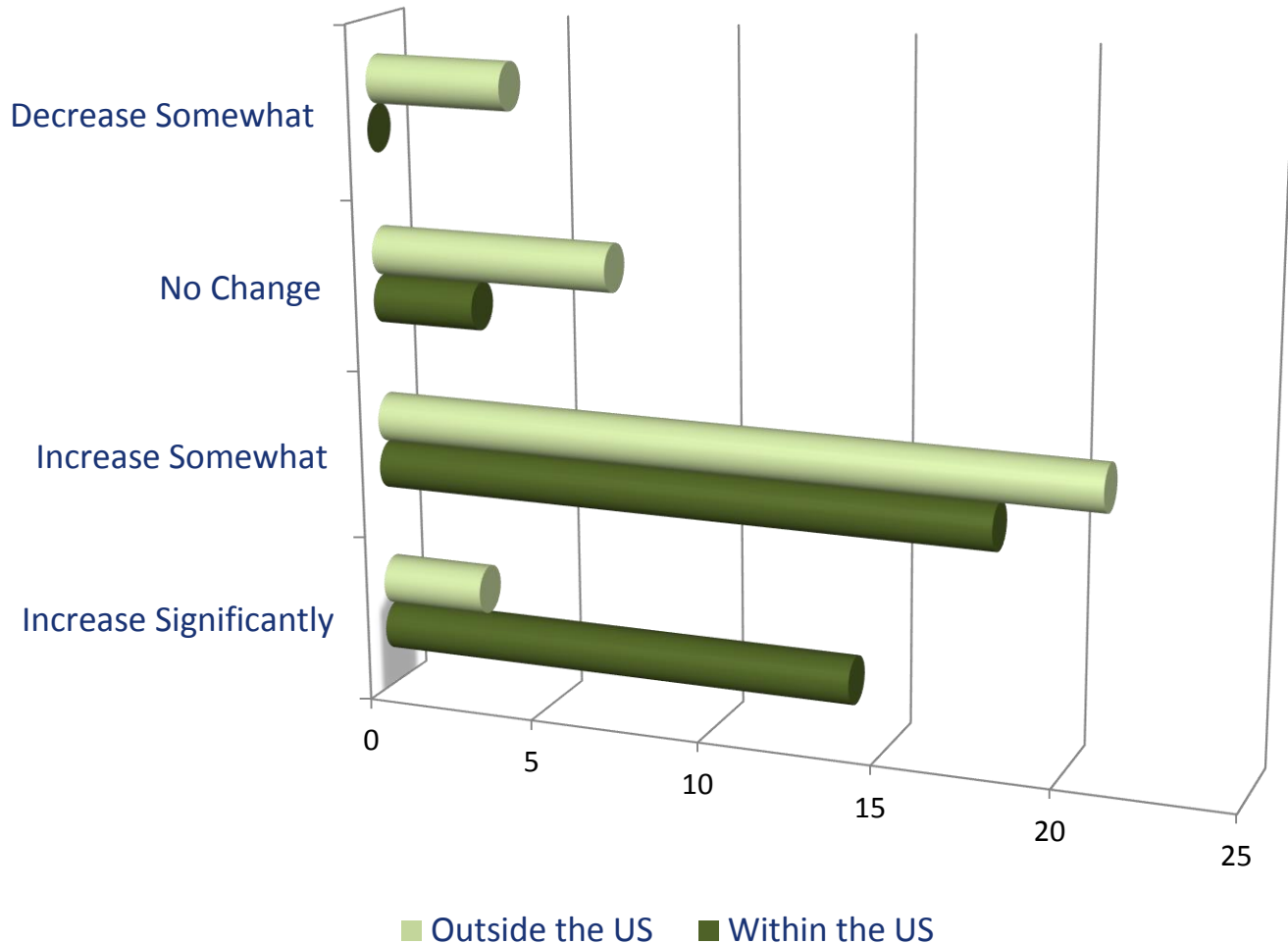


SITE SELECTION TRENDS

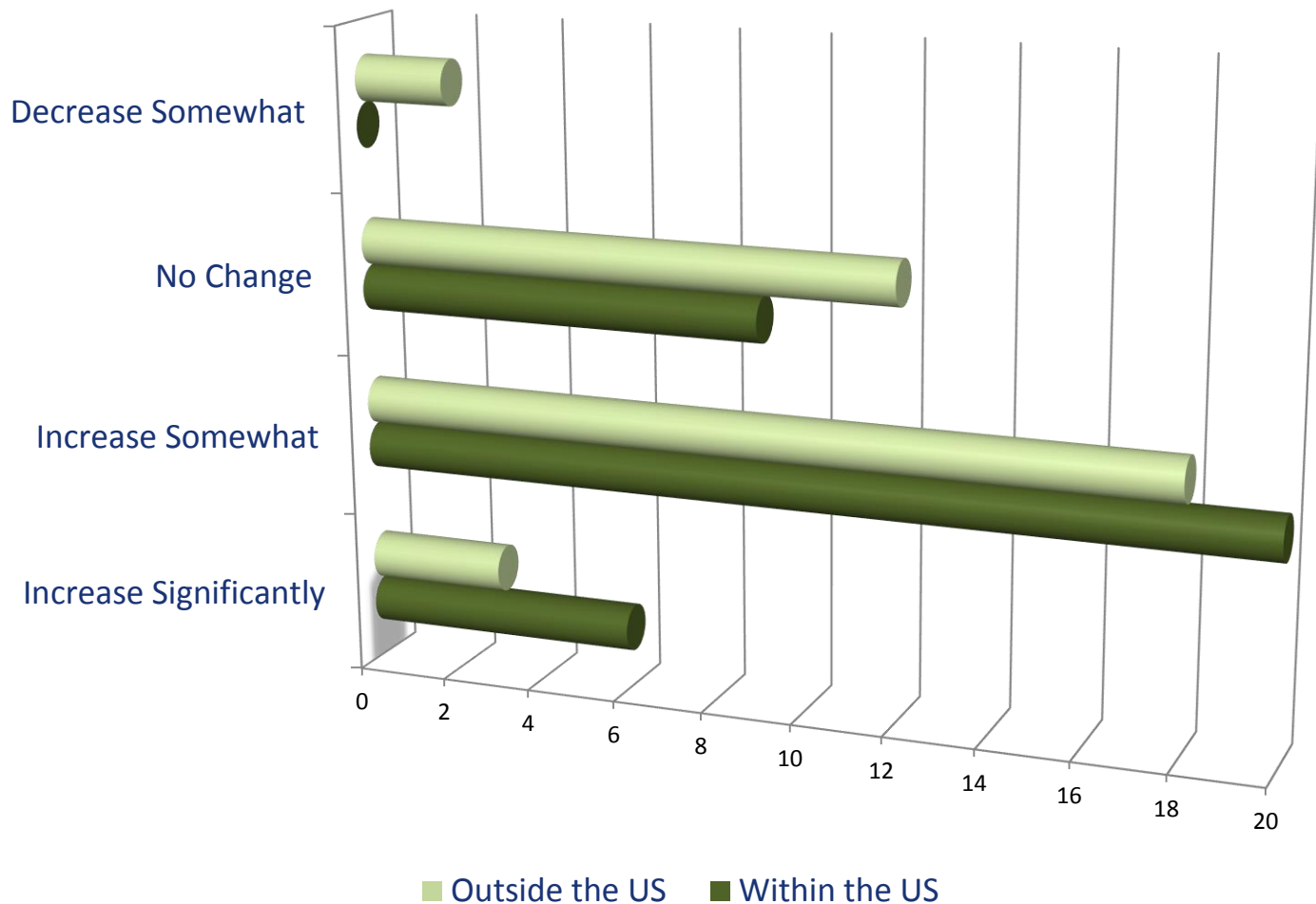
FROM THE SITE SELECTORS GUILD 2015

MEMBERS SURVEY

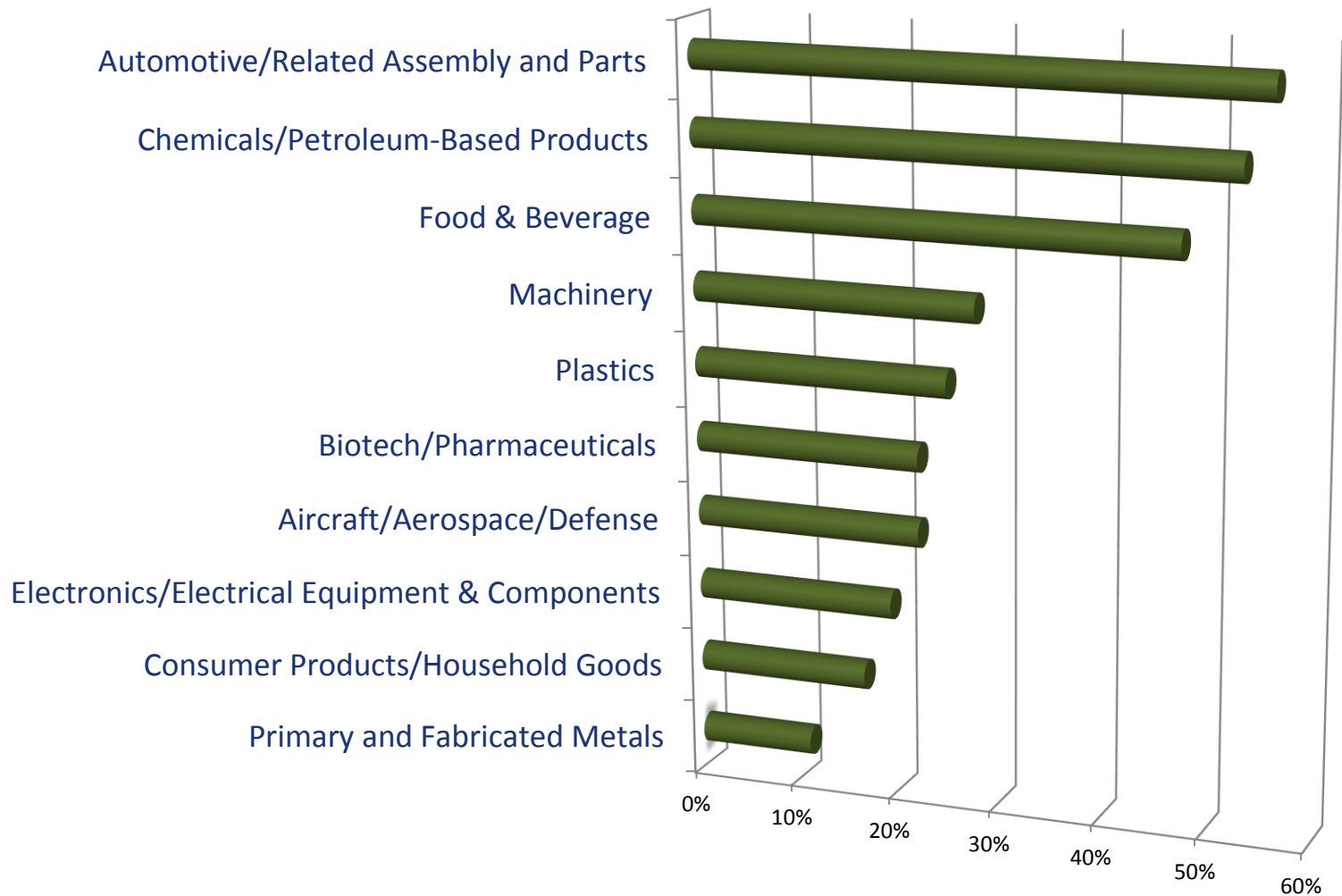
Site Selectors expect a significant increase in the number of manufacturing site selection projects in the US over the next three years...



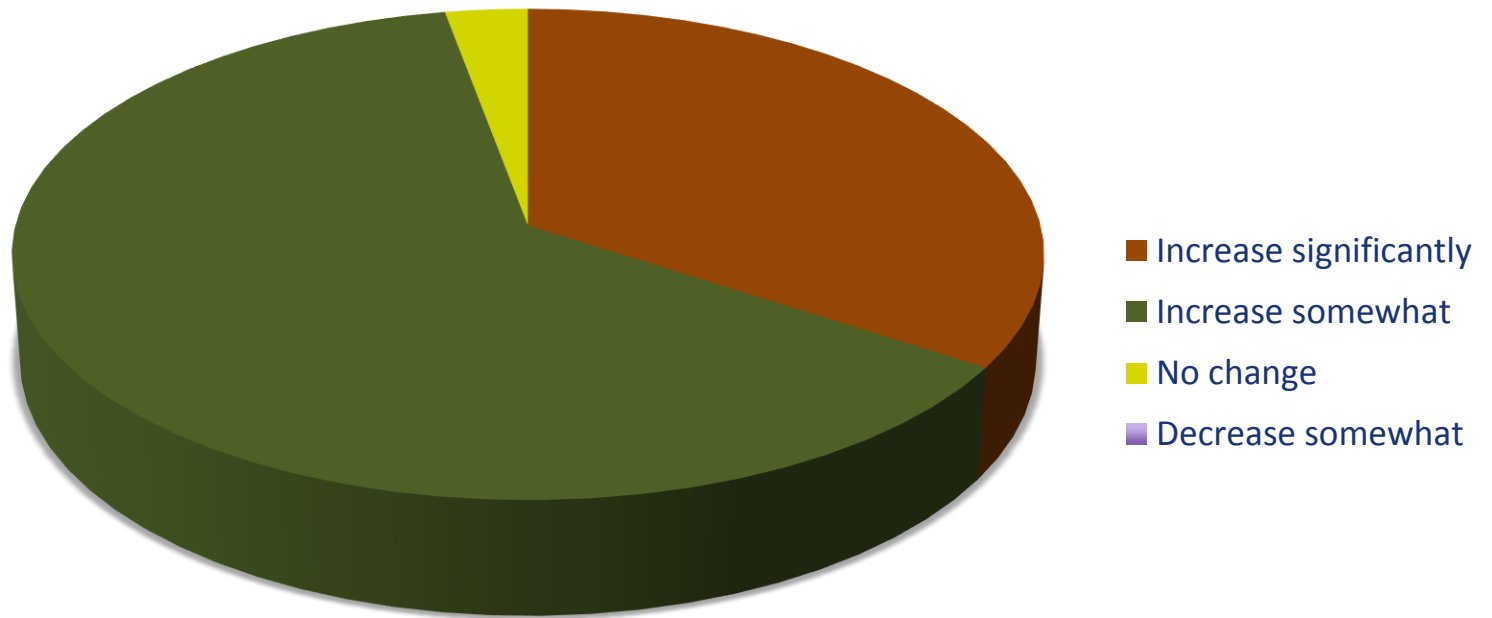
...and also expect an increase in the number of office/service site selection projects in the US at a more rapid pace than overseas



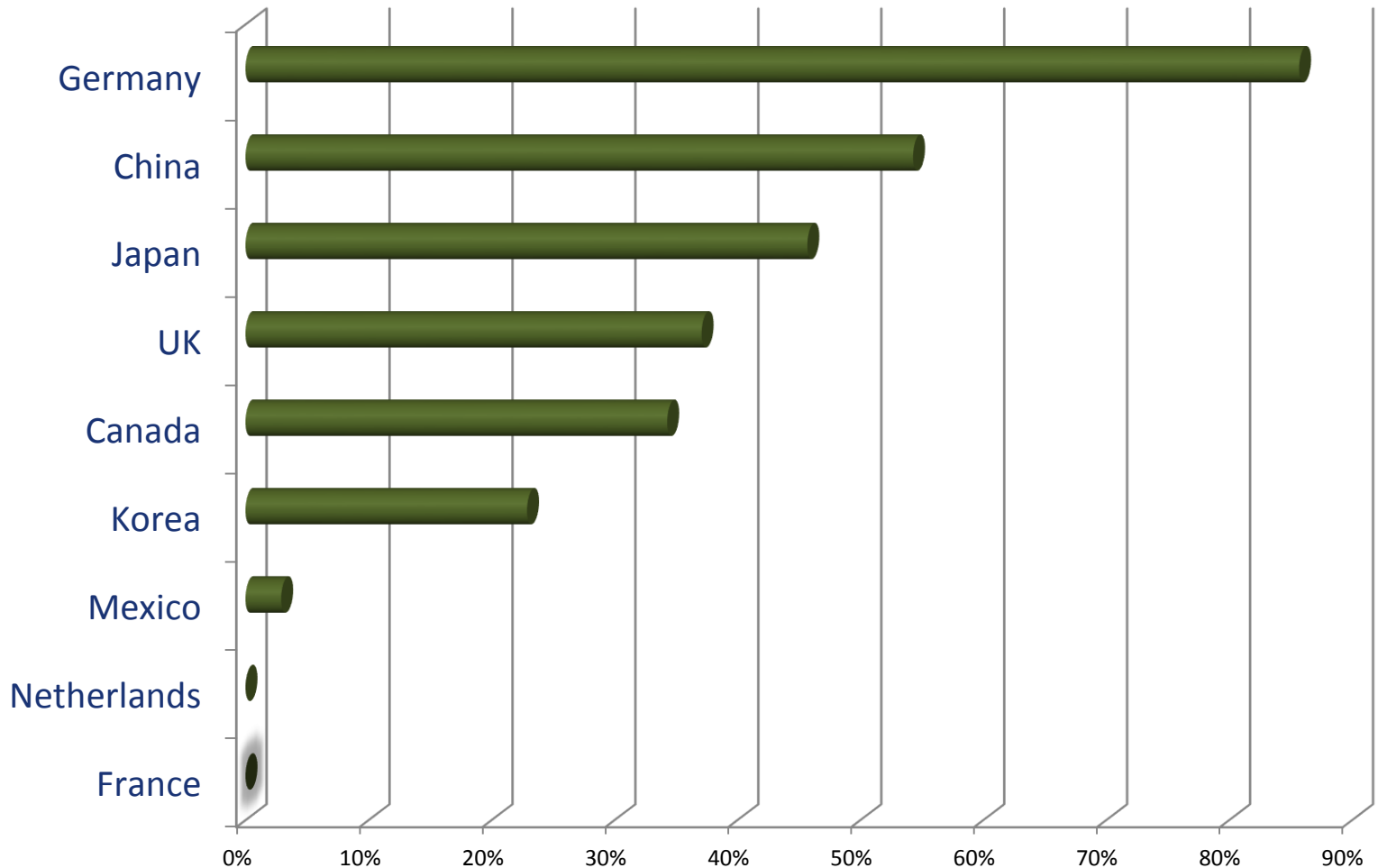
Within manufacturing, site selectors project that the automotive, petro chemical, and food/beverage sectors will create the most new projects in the US



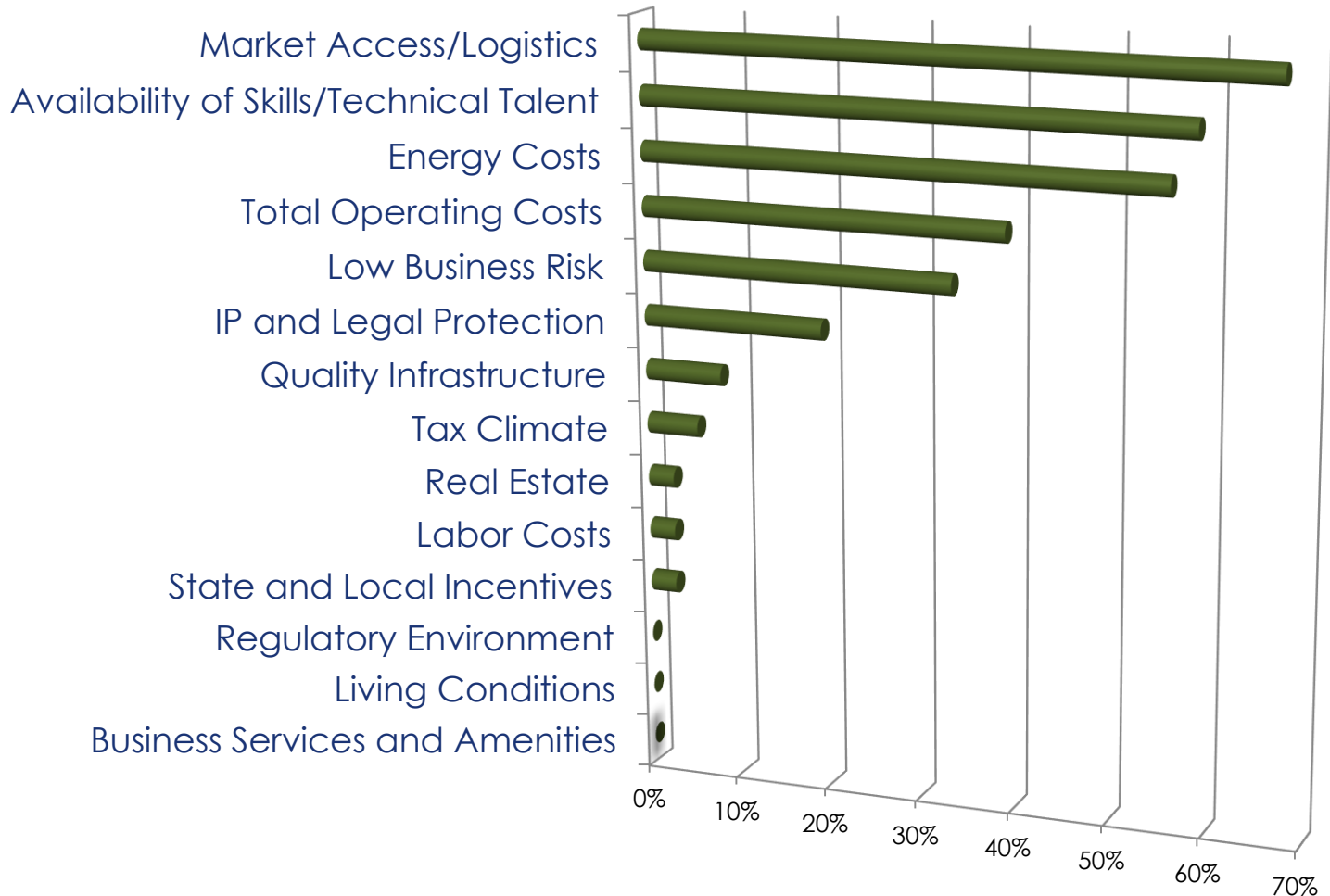
Site selectors expect a significant increase in the number of foreign direct investment (FDI) projects locating in to the US in the next three years...



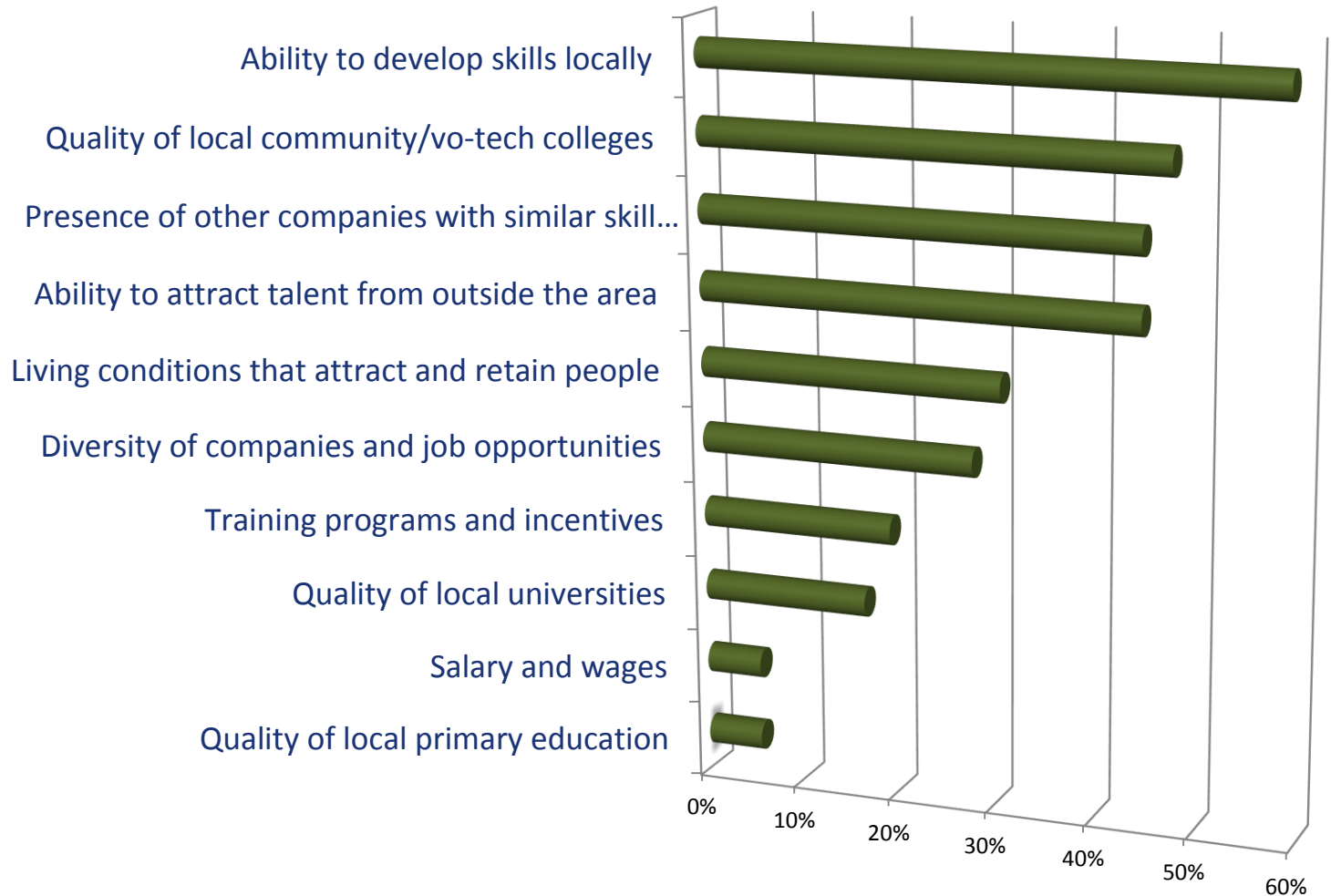
...with Germany, China, and Japan leading the way for new FDI in to the US



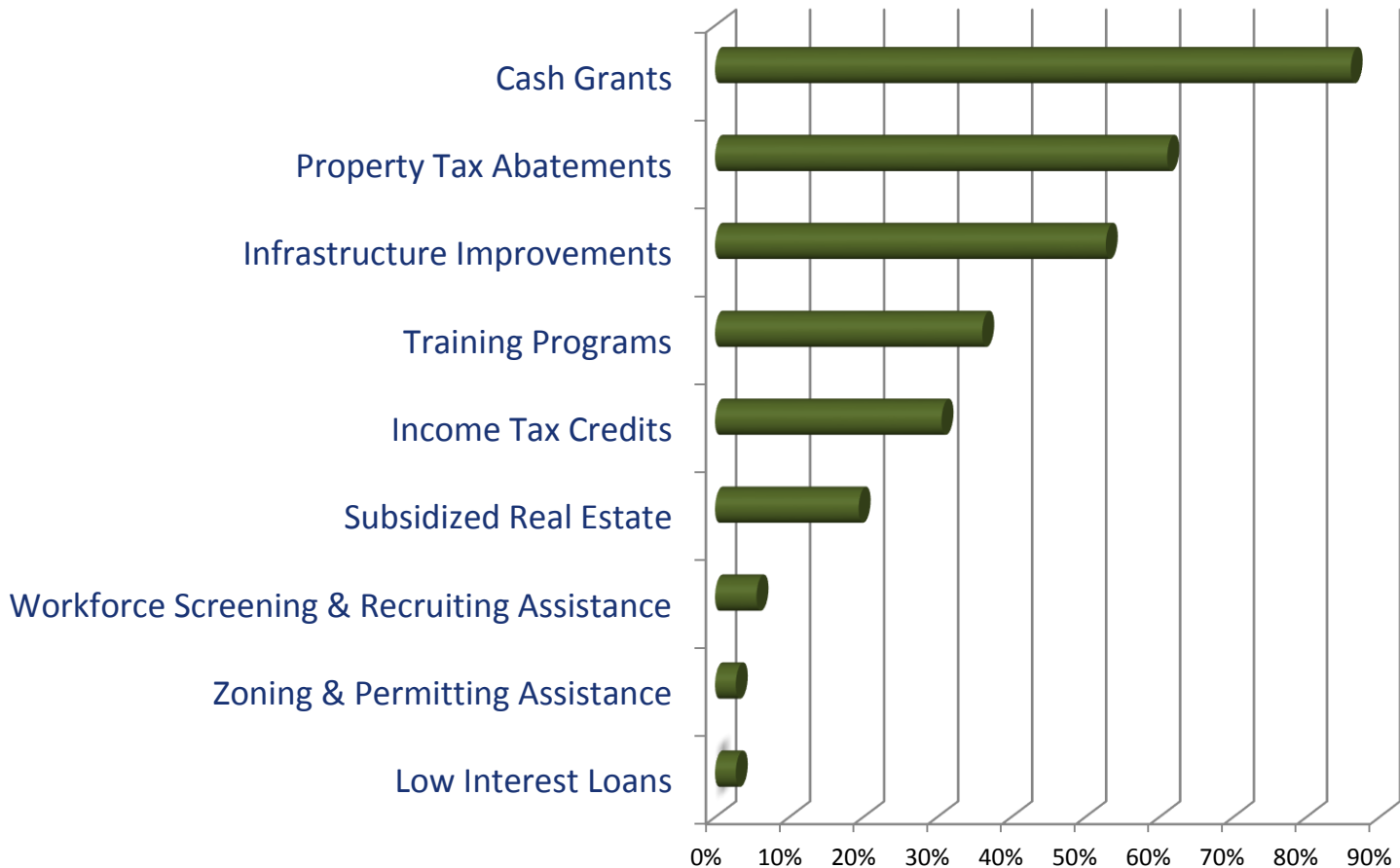
Site selectors say that market access, the availability of talent/skills, energy costs/*total costs*, and low risk are the key drivers behind both domestic and foreign location investment in to the US



When evaluating talent availability, site selectors say the most decisive criteria are a region's ability to develop skills locally – especially the presence of quality tech colleges and of other companies with similar skills – and the ability to attract and retain talent from elsewhere



While cash is always the preferred incentive, tax abatements/credits, infrastructure improvements, and effective training programs are the most helpful during the final location selection decision





- **Emerging demographic challenges**

There is an emerging demographics time bomb that will strain our future workforce

95 million baby boomers will be exiting the workforce by ~2030

40 million Gen X and Y workers will be available to replace them

The National Center on Education predicts that by 2020, the US will be short 14 million workers with at least some college experience

A recent Deloitte study indicates that by 2025, US manufacturing will experience at least 2 million unfilled skilled jobs

By far the fastest growing segment of population in the US is the elderly - growth in the number of working-age adults and those in prime childbearing ages, is down sharply

The number of people under age 18 declined by 190,000 between 2010 and 2011...the number of elderly increased by 917,000 in that same time period

40.2 million people – 13% of the US population – are 65 years or older and eligible for Medicare and Social Security

By 2030, 19.3% of the population will be claiming SSI and Medicare benefits

Likely effects of an aging population will include...

The Good News

Declining unemployment, higher labor force participation rate

Growing domestic services economy (e.g., healthcare, personal services)

Lower crime

Lower resource consumption

Higher voter turnout

The Challenge

Loss of key skills and knowledge in the work place

Much lower worker/retiree ratio

Exploding social security and Medicare costs

- CBO projects spending to increase 150% over the next 25 years
- Roughly 2 workers for every retiree by 2035

To address our emerging and serious demographic and workforce challenges, the US will need to seriously debate:

Higher labor force participation

Longer work life and careers


Increased and life-long skills training

More and freer immigration of talent

Freer flow of needed labor globally



° **The Skills Gap**



We have not and are not adequately preparing America's youth to effectively participate in the workforce of the 21st century

Over 90% of senior US executives believe that there is a serious skills gap

44% cited **soft skills - communication, critical thinking, creativity, collaboration - as the area with the largest gap**

- lack of technical skills (22%)
- leadership (14 percent)
- computer skills (12 percent)
 - Gen X executives are most likely to believe that the lack of computer skills is having the most serious affect on the US workforce

64% who believe there is a skills gap feel the greatest threat to US businesses is the number of investments going offshore

- 34% believe the US skills gap poses a threat to R&D capabilities

30% said the skills gap most affects the manufacturing industry

- technology (21%)
- professional and business services (19%)

67% of manufactures report experiencing a moderate to severe shortage of available, qualified workers

56% expect the shortage to worsen during the next three to five years

74% report that skilled production workforce shortages or skills deficiencies are having a negative impact on their ability to expand operations or improve productivity

- Shortages are most pronounced in skilled production jobs requiring specialized capabilities:
 - machinists, operators, craft workers, distributors and technicians

Parents like the idea of manufacturing jobs and trade schools, but not for their own children

US workers have significant foundational skills gaps at both middle and high levels of education

For manufacturing, healthcare, construction, and energy-related target occupations, the majority of “WorkKeys” examinees were not able to demonstrate the required skill level for locating information

Lack the ability or training to locate, synthesize, and use information from workplace graphics

Lack the ability or training to think creatively and to innovate

Education level does not necessarily relate to gaps in foundational on-the-job skills

- ...the gap demanded by employers appears to widen as the level of education increases

59% of Senior Executives do not believe US college and university curriculums adequately prepare students for today's workforce

72% of educational institutions believe recent graduates are ready for work - only 42% of employers agree (McKinsey)

- **we live in a world in which half of today's jobs didn't exist 25 years ago**
- Universities weren't designed to change curricula and introduce new classes at the pace required by ever changing market and industry requirements

89% of Senior Executives believe **corporate apprenticeships or training programs could help alleviate the problem** (Adecco)

- ...but 42% said that high development cost is a significant barrier to creating in-house training programs (Adecco)

After nearly over 20-years of laser-like attention on test scores and graduation rates, we have...

...stubbornly stagnant standardized test scores and low high school graduation rates

...a future American workforce potentially unable to effectively compete in a rapidly changing global economy

...overlooked the huge percentage of youth lacking “soft”, creative, and applied skills to make them effective employees and managers

- **“soft” skills are just as essential to success as the more common academic indicators – STEM may be hampering US creative ingenuity**
- both federal and international commissions have concluded that soft skills are essential prerequisites for high school graduates to enter the workforce successfully

40% of employers indicate that hired high school graduates lack the “soft” skills needed even for entry-level jobs

Youth lack not only required skills, but also the opportunities to develop them

- insufficiently challenged
- school work is not relevant to potential future careers
- Have too few significant career-building opportunities, such as internships
- lack of opportunities to practice and master soft skills
 - academic engagement
 - participation in real-world work situations

The line between the years we learn and the years we earn is gone

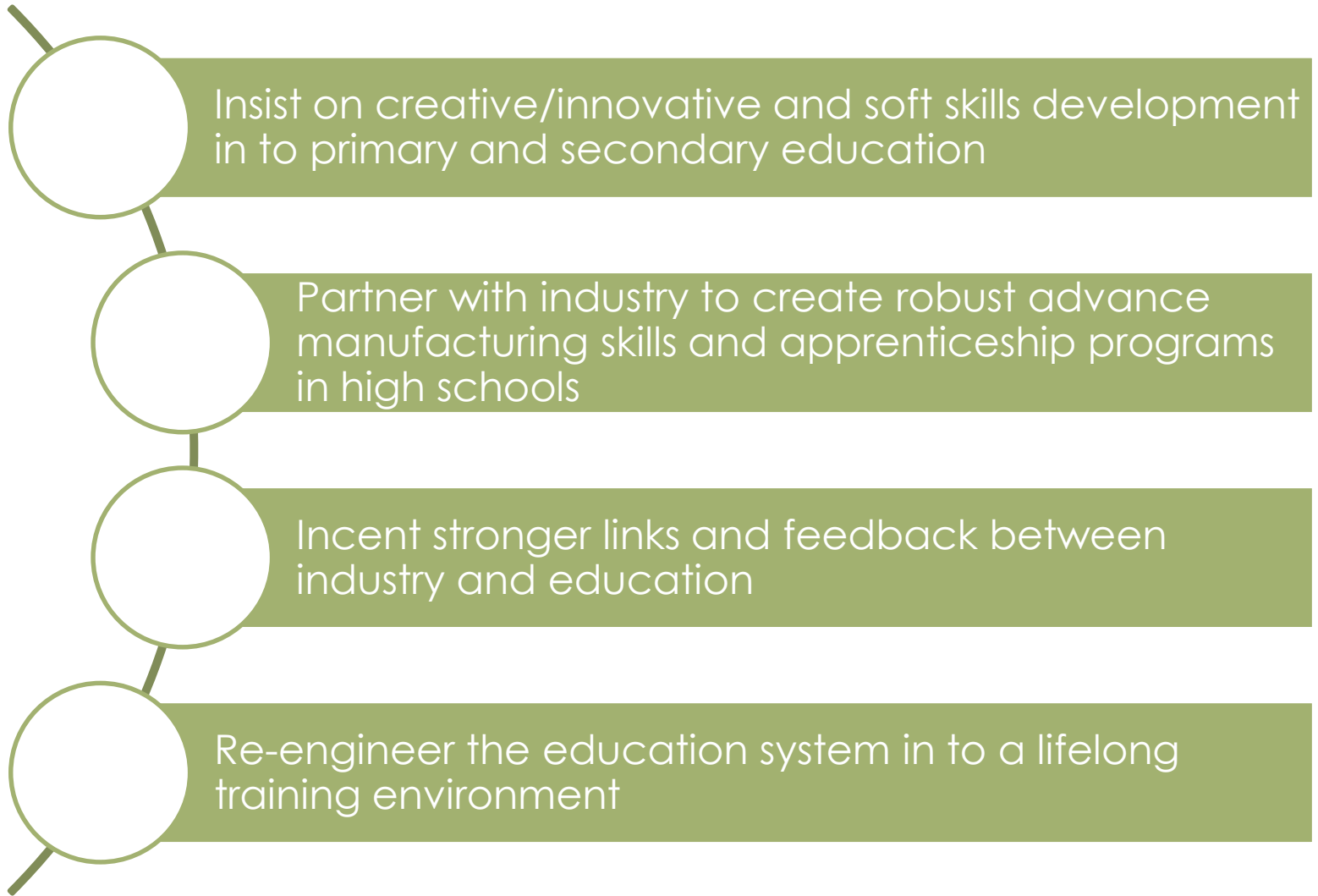
- to stay relevant, skilled workers must learn and train nonstop

Commonly indicated soft and creative skills deficits in the US workforce...



◦ **What can be done?**

Federal, State, and Local governments **MUST** focus and invest more in workforce development

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- Insist on creative/innovative and soft skills development in to primary and secondary education
 - Partner with industry to create robust advance manufacturing skills and apprenticeship programs in high schools
 - Incent stronger links and feedback between industry and education
 - Re-engineer the education system in to a lifelong training environment

Companies **MUST** focus and invest more in workforce development

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- Develop national, portable skills and training standards
 - Re-create and embrace a revitalized apprenticeship model
 - Take an active role and invest in local education and training institutions
 - Treat (and pay) the emerging workers like the Knowledge Workers they have become
 - Don't rely on government subsidies only – invest in the workforce of the future or competitiveness will decline
 - Embrace and help finance a lifelong training environment



Q&A