

Behind the Scenes in the Manufacturing Site-Selection Process

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Whether seeking to expand an existing operation or grow into a new business, manufacturers large and small must evaluate locations with an eye on whether they would benefit their operations' bottom line. Industries ranging from aerospace, agribusiness, automotive, and advanced manufacturing to the life sciences have identified site selection as an integral aspect of their short- and long-term investment strategy.

Today, supply chain reliability is a priority for most companies. Further, geopolitical tensions have pushed companies to favor reshoring manufacturing to the United States and near-shoring to nearby countries, such as Mexico and Canada.

Key Factors

While there may be industry-specific emphasis on certain key variables, common considerations exist across industries in most site-selection processes. Optimal access to markets (local, national, or, often, global) while keeping delivery costs at a minimum and availability of a workforce with the skills to meet the demands of the company's operations today and into the future often determine whether a particular location is attractive.

The list of factors that influence delivery costs is extensive, and the emphasis on the right location to support just-in-time and just-in-sequence supply lines is important. For example, if an airport is available, can it accommodate a Boeing 747 carrying parts such as semiconductors or is a runway expansion necessary? Are direct rail connections available if needed? Access to major interstate connections for transportation by truck is also an important consideration, and, in the case of shipping by water, is the port easily accessible by land, rail, and ship? Against this backdrop, a state communicates support of a pro-business climate and aspirations to attract and retain manufacturers.

Well-publicized changes in mobility and electrification in the transportation industry have escalated competition between states. An entire region can be transformed by the ripple effect of joint venture partners or suppliers locating nearby. To underscore a site's strength as a preferred manufacturing location, a state's economic development team may highlight low electricity costs or renewable energy leadership, incentive programs (such as block grants, property tax exemptions, foreign trade zones), or other growth-minded initiatives.

The attractiveness of a particular location often depends on its available workforce and the state's ability to address not only the company's needs today, but into the future. Questions include:

- Is there vocational training such as welding, metal fabrication, machine repair, and advanced training for robotics and controls?

- What is the availability of targeted degrees in engineering functions such as industrial, electrical, and computer?
- Has the state made investments in education to strengthen that workforce, along with funding to back up that commitment?

Other Factors

Housing and placemaking (*e.g.*, infrastructure, quality health systems, public transportation, social services, and recreational and cultural activities) also are part of what companies look for in the vetting process. High-skilled employees would not be drawn to an area unless convinced that schools, housing, parks and cultural, entertainment, and other activities are available in the area. A comprehensive suite of programs to foster talent through training, recruitment, and quality of life weigh heavily in the final site selection.

Manufacturers also look for insights to workplace culture, which includes an analysis of collective bargaining dynamics in a particular state, as well as the application of state statutes on right-to-work and wage and hour regulations, for examples. Many of the same site-workforce considerations are also important as part of the due diligence review of potential merger or acquisition targets and partners. They can influence the viability of entering a financial arrangement.

If you have any questions about a location's workforce regulatory environment or history of collective bargaining activity, please do not hesitate to contact a Jackson Lewis attorney.

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