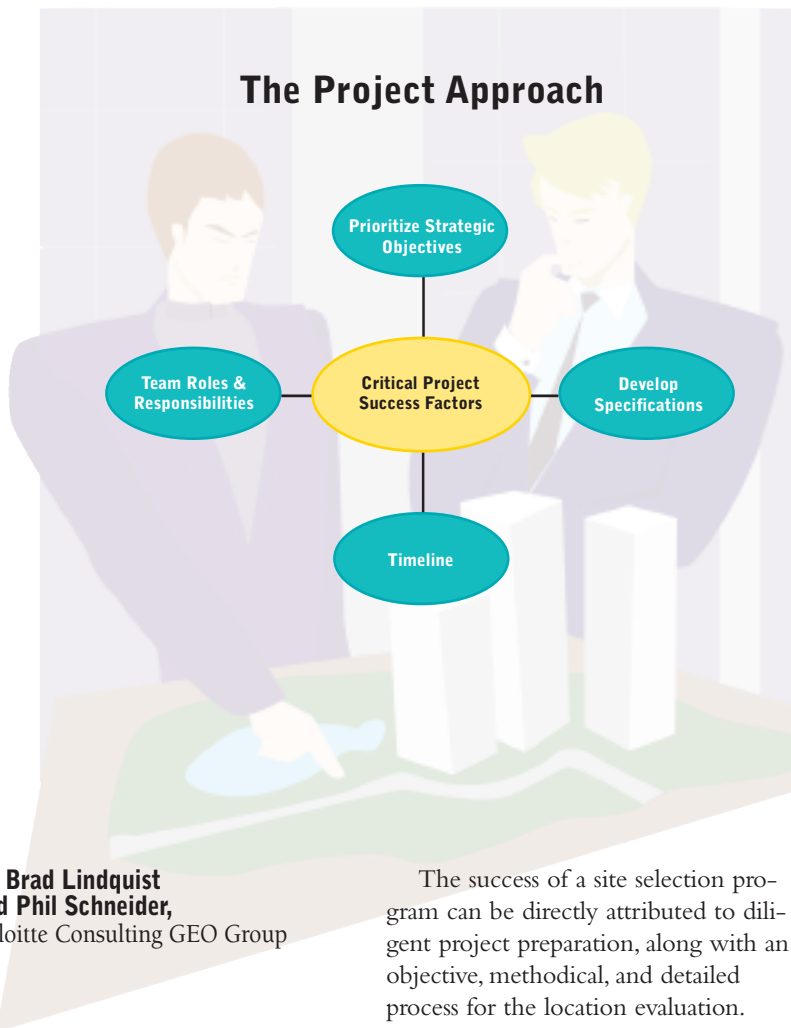


# THE SITE SELECTION CHECKLIST: Prepare Your Approach

Regardless of which and how many factors make up the checklist, understanding these decision-drivers, their priority, and potential impact on the project will provide the foundation for the location analysis.



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The success of a site selection program can be directly attributed to diligent project preparation, along with an objective, methodical, and detailed process for the location evaluation. Based on our experience drawn from working with clients of all sizes, industries, and functions, we have found that successful projects begin with a checklist of issues and factors, appropriately

weighted and prioritized for the client's specific situation and needs — and the best checklists emanate from strong initial project planning and team organization.

Developing the project-specific plan and checklist is usually a relatively short step in relation to the full location evaluation process; yet, it has proven time and again to be among the most important determinates of overall project success.

### **Step 1:** **DEVELOPING THE LOCATION PROJECT FOUNDATION**

Without a proper project foundation and plan — including an engaged team, appropriate resources, and an agreement on the project's guiding principles, decision drivers, specifications, and timeline — the proper execution of the site selection project will be threatened from day one.

Although corporate site selection projects can often emanate from a single issue (e.g., improve customer access, reduce operating costs, or solve a pressing space constraint), many other issues and factors will need to be prioritized and evaluated for the site selection project to be a long-term operating success. Therefore, prior to finalizing the project site selection checklist, to ensure that the process comprehensively reflects the client's long-term objectives and requirements, several preliminary

questions should first be addressed:

*Have all key project objectives, guiding principles, criteria, and specifications been identified?*

As the saying goes, you will never get there if you don't know where you are going. Similarly, companies that launch their location projects without first establishing clear objectives, guidelines, specifications, and decision-drivers will still find plenty of candidate locations — they just won't have a good way of knowing whether they are the right ones.

Numerous surveys are conducted annually to rank the factors that drive site selection decisions. While different industries, companies, and corporate functions typically have unique and highly variable specifications and drivers, the factors listed in Figure 1 are common to most projects, regardless of industry. Whether the project has a global or domestic focus, understanding which factors are decision-drivers, their priority, and the potential impact they have on the project will provide the foundation for the location analysis.

*Do the project manager and support team have a clear set of roles and responsibilities?*

As with any major corporate initiative, the information flow emanating from the location selection process can be immense. The primary project manager must take responsibility for information exchange and for communicating a clear and consistent message, both internal and external to the company. Given the vast number of issues and factors that must be evaluated across widely variable location candidates, identifying and engaging a project team consisting of members across all relevant corporate functions will ensure that project specifications, criteria, and operating impacts across the company's functional spectrum will be adequately considered. For example, even a location decision driven primarily by labor issues must still ensure that other operating issues (e.g., tax, supply chain, infrastructure) support long-term project objectives and requirements; if only HR team members are involved, other important operating issues may be overlooked.

*Is there management consensus on the objectives and criteria that will drive the decision?*

At the beginning of corporate location projects, it is not uncommon for nearly every member of the internal location selection team to have differing views on the rank and priority of factors and criteria, and for functional heads to assume that the factors related to their area of responsibility are the most important factors and therefore should drive the project. Before detailed location screening and validation activities begin, the team must first reach consensus on primary project objectives and how the critical location decision factors in the checklist will be measured, scored, and weighted. Without consensus on the location evaluation structure, the process can quickly bog down in internal conflict. It is far better to have consensus on the criteria that will drive conclusions prior to the emergence of conclusions.



**Figure 1**

*Is there an agreed project timeline and milestones?*

Another important initial step is to develop a project timeline that is realistic and meets company expectations, and that everyone understands the consequences and risks associated with missing the expected completion date.

While companies demand that projects reach conclusions at an ever-faster rate, the complexity of the global business environment constantly threatens delay. Whether the project has a hard-

stop completion date (e.g., lease expiration, product delivery contracts), or simply a soft target for planning purposes, location project timing implications and milestones should be analyzed and agreed before project launch.

## **Step 2:** **LOCATION EVALUATION**

Once the site selection team has the project foundation in place — objectives, issues, factors, criteria, and timeline are identified, prioritized, and weighted — the company-specific site selection checklist can be completed.

Site selection checklists vary, often greatly, by industry, function, and company. There are potentially hundreds of factors that could be compiled into a master checklist that would cover all of these scenarios — a quick Internet search will yield several of these “hyper-detailed” checklists. But in general, location checklists can be summarized into the four following categories, and will typically include some variation or subset of the following factors:

### **I. Business and Operating Conditions**

- **Access** (customers, suppliers, connectivity)
- **Work force** (availability, capability, scalability, sustainability, livability)
- **Utility infrastructure** (power, fuel, water/sewer, telecom)
- **Transportation infrastructure** (roads, air, rail, port)
- **Regulatory/permitting environment**
- **Business/support services and amenities**

### **II. Geographically Variable Costs**

- **Work force** (wages/salaries, benefits)
- **Taxes** (income, ad valorem, sales, customs/duties, fees)
- **Real estate** (land/sites, buildings, lease)
- **Utilities**
- **Logistics**
- **Incentives** (variable cost offsets)
- **Inflation**

### **III. Real Estate/Site**

- **Availability**
- **Fit**
- **Expandability**
- **Flexibility**

- Access
- Supporting infrastructure
- Terms
- Timing

#### IV. Risks

- Natural disaster
- Political
- Social/safety
- Economic and currency
- Regulatory
- Timing

However, it is important to keep in mind that the specific number of factors — and their rank order within the checklist — will vary greatly by function and industry. For example, there will typically be significantly more issues of importance on the checklist of a complex manufacturing plant location project relative to that of a back-office function. (Figure 2 illustrates this variability.)

#### In Sum

Successful site selection projects result in the identification of a location with the optimal balance of company-specific operating costs, business conditions, infrastructure, and risk. Regardless of which and how many factors ultimately make up the site selection checklist, what is most important to the project is to ensure that the site selection team adopts an appropriate decision-making framework and criteria weighting scheme so that the factors on its checklist are evaluated within a company- and project-specific context. And, of course, it will also be critically important to ensure that the location data collected for each of these factors on the checklist are also project-specific as well as accurate. A checklist that feeds a poorly constructed location decision model, or poor data feeding that checklist, will both yield precisely the wrong result. <sup>[AD]</sup>

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Importance	Manufacturing		Shared Services	
	High	Low	High	Low
<b>Business and Operating Conditions</b>				
Market Access	X			X
Work Force	X		X	
Utility Infrastructure • Power, Fuel, Water • Telecom	X	X	X	X
Transportation Infrastructure • Road/Commute • Air • Rail, Port	X X X	?	X X	X
Regulatory/Permitting Environment	X			X
Business/Support Services & Amenities	X		?	X
<b>Geographically Variable Costs</b>				
Wages/Salaries	X		X	
Real Estate	X		X	
Taxes	X			X
Utilities	X			X
Logistics	X			X
Incentives	X			?
Inflation	X		X	
<b>Real Estate/Site Factors</b>	X		X	
<b>Risk Factors</b>	X		X	

Figure 2