

Workforce: The Location Factor Companies *Must* Get Right

In over 25 years of assisting companies with their location strategy and site selection projects, I have been privileged to work on hundreds of location strategy and site selection projects across industries, functions, and countries, along with dozens of economic development strategy projects for countries, states, provinces, utilities, chambers, and cities. As part of these projects I have directly interacted with hundreds of economic development and investment promotion organizations working to attract companies and business investment to their area. I have also been the direct marketing target of countless EDO's and IPA's hoping to influence me and my clients to include their area in site selection projects.

During these interactions, I have observed that these organizations typically employ one of two primary methods to attract new investment:

1. target companies within specific industries that they hope match their economic strengths, along with their site selection consultants, and then embark upon pursuing them through direct marketing campaigns, armed with promotional materials, and often various incentives, specialized real estate, and so forth
2. actively develop and maintain a business and living environment that nurtures business already there and future start-ups, providing a medium for them to grow and prosper, which, in turn, they hope attracts new investment that is enticed by that business climate

The first approach, extremely common domestically and abroad, assumes that if only locating companies and their consultants knew of and more about them, they could be convinced of their suitability, which will in turn lead to the creation of jobs and investment. While this can happen, this approach further assumes that companies and their consultants don't already have this information or cannot readily obtain it when needed for a specific location project. And if it turns out that the area actually does not have very well-matched conditions, this approach

appears to further assume that if a dialogue could be started with the company, they could somehow still be convinced -- or induced -- to invest anyway.

The second approach assumes that if an area possesses or creates, and then works hard to maintain a good business and living environment, existing local and start-up companies will thrive and invest, which will eventually become known to other companies and their consultants, who will want to learn more. If these companies then discover that the area business environment does indeed match their needs and [will](#) likely make their business more prosperous, the area will be on their short-list for a future jobs and capital investment decision.

While you may surmise that I not so subtly find the second approach much more tenable, the point is that, in either method, to actually successfully attract new business investment – or even retain what you already have - **any economy** has to have the right environment – or very close to it - already in place. The critical prerequisite - the foundation for sustainable growth and prosperity - is creating and maintaining an attractive business and living environment, one where the types of companies and businesses an area wants and needs can prosper.

So what is the business environment that companies want? While this question spawned an entire consulting industry 100 years ago, [in](#) my experience, while there [is a set of fairly](#) common or similar needs that are typically of higher importance to most [location](#) projects, there is no one answer to this question. Every sector, every industry, every company, and every project is different. The world, its places, and the companies themselves are constantly changing and evolving. New technologies – and competitors – emerge, and in turn, processes and products transform, which in turn again change the dynamics of [a company's](#) locational requirements.

For example, in the 19th century and through the first half of the 20th, immediate or close proximity to a port was a critical advantage for larger scale, exporting manufacturers. As the rail system continued to expand

and improve, immediate proximity to a port became less critical, as long as the company had good rail access and service. Then, in the 1950's with the advent of the Interstate highway system and extension of quality highways nearly everywhere commerce occurred, access to rail for all manufacturing became less important, supplanted by the need for suitable highway access with trucking service. This further evolved for some industries to the need for proximity to superior air cargo service, and then again for the need for superior broadband service. A similar evolution occurred in utilities, real estate and business services.

However, perhaps the most important evolution in site selection has been constantly changing workforce requirements. In the first half of the 20th century, the need for large numbers of lower skilled, less educated laborers began a steady march to the need for the moderately trained semi-skilled, then to the highly trained/experienced and skilled, then to the highly educated/experienced/skilled and technical, and now to a business world where the majority of the workforce is expected to essentially be knowledge workers, adaptable to constantly evolving technology and requirements, and life-long learning.

Today's companies require -- and expect -- a blend of strengths across multiple economic variables and factors, and their recipe for that blend is always evolving, even when it is a similar project for the same company, just a few years down the road. But throughout this ever-shifting landscape of corporate site selection needs, there is one common denominator that the vast majority of companies and site selection projects demand -- the need and expectation for a superior workforce. The availability, quality, sustainability, flexibility, and cost of the workforce is the most common critical location factor; it may not always be the number one factor in the decision model, but is nearly always in the top five. While the type of workforce, the specific skills, and how many of them are needed changes with every project, the need for a high quality, sustainable workforce does not. And this need is not diminishing with technology; it is increasing.

This is not to say that other factors such as market access, robust infrastructure, and effective governance aren't also important to nearly all location projects; they are. But in my experience and that of most of my colleagues, workforce is the undisputed champion of location factors. If an area has to get one thing right, it is workforce. To get it wrong is fatal and will put an economy in to a death spiral.

What constitutes a "good" workforce? While a definition of a good workforce naturally differs by industry, function, and project, there are common traits, such as a:

1. deep and sustainable pool of educated, trained, and experienced workers in industries or fields relevant to the companies
2. diverse range of skills to staff needs across a broad range of corporate functions and project types
3. creative and Innovative talent pool, with proven ability to conceive of and develop new products, processes, and services, along with the ability to make constant small improvements to existing processes
4. demonstrated flexibility to adapt to new processes and technologies, and [willingness to](#) engage in life-long learning and training
5. shared goal for constant quality and productivity improvement

Areas that already possess and maintain a workforce with these qualities do exist, and site selectors make it their business to find them, but unfortunately they are not the norm and seem to be increasingly rare as demographics change and technologies evolve. [This is](#) for understandable reasons: getting the workforce right requires a lot of hard work, investment, and time. Developing as superior workforce does not happen overnight and [requires](#) a never-ending effort.

Creating a sustainable, flexible, evolving workforce requires a number of stakeholders to pull together -- for the long run. Developing the workforce that today's successful economy requires cannot be the responsibility of one entity, organization, or institution. Five pillars of

the area economy need to come together with a common goal and vision to develop and maintain the modern workforce:

1. The Private Sector: The private sector must embrace – more than ever – their increasingly necessary role in the ongoing education and training of the local workforce. Only the employers truly know how skills are evolving in their business, and only companies can provide the necessary data and feedback to other stakeholders on changing skill needs.

Most medium- to large-sized companies now understand that demographics – the inevitable “gray tsunami” of retiring skills without adequate numbers in the generation behind them – are forcing this issue upon them. They are well aware of how constant technology and process improvements make past training obsolete faster than ever. They are also learning that for many, if not most, of their operations, they cannot simply continue to chase elusive pockets of skills around the world and still effectively service wide-spread domestic and global markets without also absorbing ever-increasing supply chain cost and overall business risk. Addressing the skills gap in the local market is rapidly becoming the more feasible option.

2. Educational Institutions: Our economy can no longer afford the disconnect and lack of synergy between the worlds of academia and business. Too many students, burdened with enormous education debt, graduate without skills – both technical and soft - that match the actual needs of companies looking for new employees. To address workforce shortages and student needs for a viable economic future, universities and technical/vocational/community colleges must link arm-in-arm with business in the joint mission of developing a relevant, flexible, and sustainable workforce.

Universities can learn from the responsiveness of the vocational colleges to business needs, while the vocational colleges can learn

from the research depth and technical rigor of the universities. Both can learn from companies about ever-changing skill requirements driven by technology and global competition. In addition, primary and secondary institutions - where the development of creativity and innovation as well as soft and technical skills should begin – need to become partners in the process as part of the continuum of education and training.

3. Local and State Governments: While state and local governments have long played a direct role in workforce development and in subsidizing education and direct training grants for new and expanding companies, they will need to become more direct partners with business and educational institutions to develop effective and efficient policies that encourage and reward real skills development (as opposed to just rewarding “jobs”).

Incentives can be re-worked so that they specifically reward advanced skills training and development that improves the quality of the local workforce. New incentives may need to be developed that target individual skill-sets and the workers that have them, as opposed to only incenting the companies that may employ them. Developing a sustainable advanced-skills workforce may require the incenting of the critical skills themselves so that they are developed, attracted, and retained in the community.

4. The Workforce: Workers themselves must accept that their own prosperity will require lifetime learning to meet the needs of continually evolving skills and capabilities. Workers can no longer afford to rest on past education, training, and experiences and will need to adapt to ongoing education to ensure economic viability.

Labor unions and associations will need to stop trying to protect the status quo and the jobs of yesterday, and fully embrace and partner with business and educational institutions on the development of the flexible, innovative, and employable worker of the future.

5. Social Institutions: The challenge in today's world with tackling expensive, long-term structural problems like the constant re-tooling of our workforce, is that key stakeholders – namely government and companies – have inherent characteristics that limit their ability to effectively maintain the momentum and constant focus on a problem that may take 10 or more years to fix. In the US, our governments are finding it increasingly difficult to act on expensive projects at all, especially those that will not be realized until well after the next electoral cycle. The private sector has an overriding fiduciary responsibility to their shareholders to look after their own interests and near-term returns. To sustain the training, re-tooling, and constant refreshing of the workforce, it is my view that new partners will need to be brought to the table; namely, entities that have the mission and ability to focus on and invest in the solving of long-term problems.

Many not-for-profits and philanthropic institutions already have a stated mission to work with the less fortunate or the casualties of the economy. The rapid changes in skills requirements have created many such casualties in our workforce. The long standing mission of these organizations, along with their long-term view of problem-solving, could be re-configured and brought to bear to help develop and manage sustainable, long-term workforce development investments.

These institutions may be more adept and willing than traditional stakeholders at developing and funding strategies that go beyond the currently skilled, capable, educated, and immediately employable workers, and help invest in those who for whatever reason do not have or no longer have the required skills to make them economically viable in today's economy and are therefore now an ongoing cost, as opposed to a contributor, to the economy and our society. In today's hypercompetitive world, our economies cannot afford to lose the productivity, creativity or innovation of large blocks of our society, particularly in light of the coming

global demographic tidal wave and relentless evolution of technology and its skill requirements.

Sustainable success in attracting and retaining corporate business investment requires excellence across a range of location factors, but chief among them is workforce. Developing and maintaining a skilled, innovative, and flexible workforce ensures economic vitality and prosperity. Not doing so, in the not-so-long term, is fatal to the local economy and to the prosperity of its businesses and people.

To create the workforce companies increasingly demand as a prerequisite for their business location investment, the approach to workforce development and maintenance must evolve in parallel with the needs of those companies. All of the stakeholders in the economy will need to accept and embrace the fact that this will be an ongoing investment requiring constant refreshment and process improvement – just like the needs of business.