



# Rural **RESEARCH REPORT**

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## **Preparing to Work with Prospective Businesses**

by Jerry W. Szatan<sup>1</sup>

Companies contacting communities to evaluate them as potential locations for a new investment present an exciting potential payoff to a community's economic development effort. Site selection typically is a process of elimination, however, and communities that are unable to respond in an effective and timely manner will be left behind in favor of their better-prepared competitors. The purpose of this report is to help communities meet the challenge by providing insights into the site selection process and the needs and practices of site selection consultants and to review common questions asked by prospective businesses or site selectors about rural areas.

The term "rural areas" in this report refers to both unincorporated areas and small cities—everything other than metropolitan statistical areas (MSAs)—though much of this information could apply to smaller MSAs, especially those that are isolated from larger urban agglomerations.

Before turning to some specific questions asked by site selectors, it might be useful to emphasize a few points about the broader economic development context. Attracting a corporate facility to your community, while offering the excitement of a ribbon cutting, is only part of a broad economic development strategy that most often includes business retention, entrepreneurship, the promotion of agricultural or historical tourism, community development as a regional retail or service center, and other goals.

Retaining and supporting existing businesses typically has greater economic impact for most communities. Commonly

quoted estimates suggest that 80-85 percent of job growth comes from the expansion of existing industries. A retention program provides an opportunity to build relationships with existing business and to understand your community's strengths and weaknesses from their point of view. Retention also supports external marketing: Expansion announcements are powerful marketing tools. Companies locate in an area based on promises and expectations. They expand based on experience. Satisfied local businesses will be your best salespeople during site visits by companies considering the area for new facilities.

The site selection inquiry may come to the community from the company directly, through a representative such as a site selection consultant, or through an intermediary such as the state development office or a regional utility. Usually when the community receives a call from a site selection consultant it may be among ten to fifteen, or fewer, semifinalists or it may be among three or four finalists for a site visit. The nature of the questions differs depending on whether the community is being evaluated as a semifinalist or as a finalist; typically, the number of questions and level of detail increases for the finalists. For example, at the semifinalist level, the request may for competitive wage levels for an occupation; at the finalist level, the request may be for introductions to several employers to talk in detail about wages and hiring. Given that many rural communities may not have had direct experience with a site selection inquiry, a review of questions communities often ask about the operating practices of site selection consultants will provide a useful context.

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## What Can We Do to Prepare?

Know yourself; do an analysis of community and regional assets. Site selection information needs will vary by project: Manufacturers will ask different questions than back office operations; foreign-owned companies may ask questions about topics, such as nearby cultural/language schools, that domestic companies do not. There are common topics that recur in almost every search, however. These include questions about labor availability and quality, local wages, available sites and buildings, major employers, utility capacity, transportation services, taxes and incentives, recent economic development news and plans, quality of life factors, and other operating cost and conditions. It is beyond the scope of this report to list all the common site selection factors; one source for more information is the database project of the International Economic Development Council<sup>1</sup> (2004; also see DCEO 2004).<sup>2</sup>

Communities that wait to collect data about themselves until an inquiry is received may discover that they do not have enough time to assemble the required information. Having up-to-date and accurate information is critical, but there typically is a trade-off in maintaining a comprehensive database for the wide variety of questions you may be asked and keeping it up to date. Creating and maintaining a large database can be very time-consuming. Target industries could help focus your database efforts.

**If we can't prepare for all possible questions, what do we do when we are asked about something we have not prepared for?** Know your allies and where to turn for specific types of information that different organizations may maintain. These include state agencies for labor, tax, and regulatory questions; as well as utilities, universities, railroads, regional development groups, and others. Relationships with local employers are crucial. A critical step in evaluating finalist communities is talking to local employers about their experiences in finding labor, sourcing business services, and working with local government.

**How fast do you typically need the information?** This varies by project, but a good rule of thumb is one week, though it could be two or three days. Project deadlines are shorter today; companies demand two to three weeks' response time for a site selection step for which they

allowed two to three months ten years ago. Improved communication technology, especially the Internet, has speeded up the ability to conduct site selection research and has raised client expectations for delivery speed. This reinforces the point that you can't wait until you get the call to know the basics about your community.

**What do we do if we can get most of the information by the requested deadline, but need another day or two for one item?** Send what you have by the deadline and explain your plan to get the missing data and when you will have it. Responding to deadlines is crucial: don't miss a deadline for one missing item. Not responding in time when there are competing communities with similar assets who can respond by the deadline may cause your community to be eliminated. Site selection consultants have to meet client deadlines and that determines the deadline you are given. When you discuss the information request with the consultant or the company, ask about project timetables and be clear on deadline expectations.

**There is more to my community than covered in the questions asked. Should my community communicate this information?** Consultant requests for information typically are focused and structured based on a prioritized list of factors for the site search. Since time is usually short, answers to these questions must be provided as quickly as possible, even though there may be other community assets that might be useful for the consultant to understand. Most site inquiries will be narrowly focused—especially at the semifinalist stage when a community is still being qualified for the presence of a particular business asset or service. Communities that provide extraneous information, hoping that if they “throw it out, maybe it will stick” often make finding the required answers difficult. Be sure to answer the questions asked, then place additional information in an appendix. This makes it easy for the consultant to find answers to the questions that are asked and gives you an opportunity to showcase your community.

**It would help if we knew the company's name. Why all the secrecy?** Companies value confidentiality because it gives them control over the site search process and it helps prevent the rise and spread of rumors that would

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<sup>1</sup>This website contains a discussion of the program to develop consistent economic development databases and a downloadable spreadsheet with the data elements. It also is a good source for information on economic development practices, trends, and resources.

<sup>2</sup>DCEO has developed a database website and template for communities to create an IEDC consistent database. Other states have similar efforts.

harm morale among their workforce. Site searches often are feasibility studies and, therefore, no action may result. Rumors that a company is looking for a new site, even if this is for an expansion that will not affect employment in any existing facility, easily can become rumors of potential facility shutdowns.

Communities may try to guess a company's identity and sometimes succeed. Be warned that your community must be discrete and respect the company's desire for confidentiality. It is not uncommon for a company to drop a community because its identity was revealed inappropriately. If companies want you to know who they are, they will tell you at the appropriate step in the process.

**How important are incentives?** To the extent that incentives are predictable in dollar terms, they are part of the total financial analysis with other items such as electricity or labor costs. In other instances, incentives may be tie-breakers among equal or near equal finalists offering similar long-term advantages. Companies are definitely more aware of incentives today, and they seem to be growing more prominent. Know the incentives that are available in your community from local, state, or other sources. From a community point of view, look at the benefits the new facility promises in terms of payroll, investment, and taxes and decide if the economic impact offers the appropriate payoff for the proposed incentive offering. Companies should be able to tell you what they plan to add to the economy of an area. If a company

calls and asks only about incentives, be sure that you understand the potential return to the community before making a commitment (Gambale 2003<sup>3</sup>).

**How subjective is site selection?** Objectivity and subjectivity both play a role in site selection and their relative importance may change as the site search narrows. If a company starts with a large number of candidate communities, by the time the finalist stage is reached, unless the search criteria are unusual, the communities will be very similar on most factors that can be measured. When the company visits a community at this point, subjective factors may make the difference. Company representatives may like or dislike a community because of its appearance, because of some incident on the visit, or because it reminds them of another community where they had a good or bad experience. If the communities are objectively similar, then this may be the appropriate place for subjectivity to influence a choice among the communities vying for the company.

**Any other advice for responding to inquiries?** Present a unified front when dealing with site selectors. Companies or consultants likely will be looking at a broader region around a community. Perceived distrust or feuding creates concern; the company may wonder what will happen if they locate their facility in your community and the company needs regional cooperation to address some unforeseen need. Having a single point of contact to arrange community tours offers speed, efficiency, and accountability for follow-up.

**Do Companies Have Certain Questions They Usually Ask about Locating in Rural Areas?**

Definitely. From a site selector's perspective, the general concerns with rural areas are about availability or capacity of labor, infrastructure, suppliers or business services from a production standpoint, and quality of life for potential corporate transferees. While the specific resources and business services differ from company to company—a manufacturer may ask about tool and die shops and highway access, while a customer contact center will ask about customer service labor availability and telecommunications services—general categories of questions that most site inquiries will include are discussed below.

**Is there enough labor? Where will we find workers?** This almost always is a critical question. Some manufacturers may plan to pay well and expect to attract workers easily

and, thus, may be less concerned, but they will still ask. Labor availability, quality, and cost are the most important questions for back office facilities and other labor-driven operations. It is a greater concern for larger employers and those who will be hiring rapidly or when specialized skills and seasonal or unpredictable hiring spikes are expected.

Communities can take several steps to address this question. One of the most important is to understand and emphasize the broader regional commuting patterns often found in rural areas; workers usually commute farther and longer than in more urban areas. Companies coming from urban or suburban environments typically expect most of the hourly workforce to commute no more than 30 minutes which translates into ten to 15 miles or less, depending on

<sup>3</sup>Gambale (2003) reports on a survey of *Area Developments'* readers' plans for new facilities and their ratings of the importance of different factors in site selection.

congestion and alternative employment opportunities. In less congested rural areas, 30 miles can often be covered in 30 minutes. Moreover, in areas with fewer employment opportunities, longer commutes, 45 minutes or an hour or more, may be acceptable. In sum, potential workers often come from a much wider area than more urban companies expect. There may be untapped sources of labor such as members of farm families willing to moonlight for extra income or health benefits. Your challenge is to understand and document these patterns so that you use the data to persuade potential employers. Another step is to develop programs, often with the help of state employment agencies, to help employers with initial hiring and recruiting.

**Where will we find skilled labor?** Even if labor availability in general is good, a company often will be concerned about the specific skills it needs for its operation. The advice to emphasize the regional labor force still applies. Developing strong training capabilities, even at the regional level, cannot be overemphasized. Much of the workforce in rural areas may have mechanical skills learned in agriculture that provide a sound base that can be augmented with training if they are not directly applicable to the new facility. Training capacity is needed not only for initial staffing but for ongoing training of new hires, hopefully stemming from expansions, and for retraining of existing staff as business needs change.

In many areas of the country, the community college system has taken leadership of both ongoing career training and customized training for specific employers. Know your area's training capabilities (i.e., make friends with the community college). Also, be aware of applicable state incentive programs and build capabilities to support your economic development goals. Nissan Motors located a new auto assembly facility in Canton, Mississippi, where there was no auto assembly history, in part because the state provided substantial training incentives, including building two training facilities and subsidizing other training activities (Canup 2004; Kanengiser 2003).

**Are sites or buildings available?** Companies conducting a site search often want an available building, and if there are no buildings, then sites which are available and ready to build on are usually needed. Ironically, though an available building may be necessary to keep a community in consideration, companies often construct their own facility if the community meets their other needs. An available building sometimes is like the ante in a poker game; it allows the community to stay in contention and provides the opportunity to present its other operating assets. Many communities have built speculative buildings to attract potential tenants. Another tactic is to identify buildings that can be converted from their original use to a new use;

the most common examples of these are former retail buildings being converted to back office facilities. Know your potential sites and characteristics such as ownership, for sale status, and whether they are served by utilities or how long it might take to extend necessary utility services and who would pay for the extension.

In some parts of the country, rural communities have joined forces to develop regional business parks offering higher-quality business environments with up-to-date telecommunications, more extensive landscaping, architectural standards, and other amenities. In Maine, 24 communities jointly developed FirstPark (2004), which enabled formal sharing of park costs and revenues. As one person involved in a similar project being planned in North Carolina stated, "It will give our five-country area a marketable product that none of us can afford to create alone" (IEDC 2003).

**What can we do if we don't have sewer capacity or other infrastructure?** This is often a knock-out factor in a site search, and there likely is not much you can do in the short run. If a company needs five million gallons a day of sewage treatment capacity and the community cannot offer it, then the community will be eliminated. Even so, there may be cases where there are options or opportunities to build over the long run. Rochelle, Illinois, built a short-line railroad over several years to connect its industrial area to both Union Pacific and Burlington Northern rail lines, offering potential companies competitive rail shipping rates (Szatan 2003).

**What if we are not on the interstate highway system?** Again, this will be a knock-out factor in some site selections. Often, companies will want sites that are within a predetermined maximum distance from an interstate. In other cases, though, there may be an opportunity to emphasize compensating advantages. Sites away from the interstate likely will cost less than sites on the interstate, and the land cost savings may offset the cost of extra gas and driving time, as may advantages such as better utility services or a less expensive and more stable labor force or other factors. Some states provide greater incentives or make it easier to obtain incentives in rural areas through criteria such as lower qualifying wage thresholds. Amazon.com built its eastern distribution center in Campbellsville, Kentucky, about 35-40 miles from the two nearest interstates because it had an available building and workforce going for it (Fishman 2000; Sheilly 2004). Do you have a good four-lane or even two-lane road that can be upgraded if necessary?

**A neighboring community has an intermodal freight facility or a UPS hub; we do not. How can we compete?** Consider these regional assets. Admittedly those

companies that most value proximity to such facilities will tend to locate in the community or its next-door neighbor; however, other companies may be satisfied to locate somewhere nearby. According to economic development representatives for The Burlington Northern Santa Fe Railway, their new intermodal facility in Elwood, Illinois, will benefit companies and communities 50-100 miles away and perhaps farther depending on company freight patterns and road networks (Szatan 2003).

**Can we transfer employees here? Where will their professional spouses work? What are your health services and cultural attractions?** This may not be an

issue for some who have grown up in rural areas and seek to return to a lifestyle they know and prefer. For persons not familiar with rural living, they will want to know how long it will take to reach services, recreation, and other amenities. Is there a larger community within an hour's drive that could offer a greater variety of employment opportunities? Is a larger hospital with more services available within an easy commute? Is there a university nearby that provides cultural opportunities? Remember, it is not uncommon to travel an hour or more in major metropolitan areas a few times a year to attend cultural events. Your community may be equally accessible, but you need to know.

### How Can Our Community Market Itself? How Do We Get on Your Company's Radar Screen?

Regional efforts are especially important in rural areas. The combination of being small and possibly little known outside the immediate area and having limited resources for marketing makes a compelling case for regional marketing efforts. Executives in Chicago will not be familiar with many, probably most, communities in southern Illinois; and executives in New York likely will know even fewer. Examples of rural areas organizing a regional marketing effort are increasingly common. For example, regional efforts have been organized along geographical lines—North Carolina has divided the entire state into regional county groups; others have focused on a stretch of highway, seacoast, or river; and others have made alliances of neighboring communities. The public-private I-39 Logistics Corridor (2004) in Illinois, which stretches more than 150 miles from Beloit, Wisconsin, to Bloomington, Illinois, was

formed to market the area and to take advantage of new intermodal freight facilities.

The questions reviewed above are common in most site selection inquiries in rural communities, but they are not a comprehensive list; that is something that may not be possible to compile. Site selection inquiries will arrive unexpectedly, and questions may be asked that the community has not anticipated. This report has attempted to help rural communities successfully respond to site selection inquiries by providing some insight into the site selection process and reviewing common questions that site selectors will ask. To better prepare themselves, communities should understand their assets, know where to turn for help with unexpected information requests, and take a regional approach to identifying assets.

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