

Insights

By: Ed McCallum

Don't Sit on the Sidelines

Do Something...Your Competition Is

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I was asked by *Trade & IndustryDevelopment* magazine to write a brief "opinion" piece. There were no guidelines, nor rules on its content. The request was, "Make sure the article is something that is important to you and is something you think the readers would find relevant during these trying times."

It's no secret that we are facing a possible recession, the likes of which we have not seen since the 1930's. The difference this time, though, is that there are concerted moves by almost every major economy in the world to avoid it through a combination of monetary policies and fiscal initiatives. The question on everyone's mind is, "Will it work and how long will it take?" For those of you contemplating a "let's wait and see" attitude, I suggest you move out of the way when the economic bull comes out of the gates. They will probably run over you.

Massive layoffs in the last several months have significantly affected production and lowered inventories causing many companies to step on the brakes much harder than is probably required as an overreaction to the recent financial and credit crisis. There is also the added punch of a brief hiatus from high energy costs as well; but, don't get too comfortable with that one.

Perhaps standing back and watching is prudent for some companies; however, our European friends, who have enjoyed a currency advantage for the last few years, are not sitting this one out. They are entering the U.S. market because, though weakened, it is still the world's largest and strongest. The currency exchange rate hedge is simply the impetus that is driving good business sense. Being the market leader may be more about being bold when others are timid – or possibly being there first while others watch.

For the better part of this decade, we have watched refinancing of existing debt take the place of significant capital investments in technology and people. The result is that there is a pent up demand for both, coupled with a competitive disadvantage in production efficiency, and it is increasing. In light of these facts, slowing down may be appropriate in some circumstances while pushing the throttle full ahead makes sense in others; but, stopping altogether certainly is not. Once you are behind, it is difficult, if not impossible, to catch up.

It is incumbent upon corporate decision-makers to exercise prudence when contemplating investments. It also dictates that contingency plans are made in order to capture market opportunities without delay once the tide turns. It is not enough to know where your next manufacturing facility should be located or where consolidations will, or should, occur; instead, it is imperative that that location is capable of helping your company implement the plan of action according to schedule and the demand of the market. The plan of action includes financing, engineering, construction, hiring, training, permitting, and a multitude of other activities that are required for plant startup and operations, none of which happens in a vacuum. These things require planning, teamwork and committed partners.

Unfortunately, not all communities and states are equal and too many companies assume that the resources and capabilities are relatively equal, when in fact they are miles apart. Where your company goes should be predicated on the factors that drive your business, with the capabilities and resources of the location factored into the implementation plan, and not governed by them. For many projects, this is a fatal flaw.

Look to those states and communities that are aware of your industry's needs and are willing to move forward as partners, in spite of the doom and gloom that seems to be popular these days. These partners include those who will be advocates not only at the local level for project execution (training, permitting, etc.), but also at the state and federal level for issues important to, and relevant for your industry (policies, legislation, etc).

Identifying these partners takes time and should take place sooner, rather than later. Sitting on the bench watching will not get it done, nor will it prepare you for the inevitable economic turnaround that we believe will occur.

About Ed McCallum

Ed McCallum is a senior principal and partner at McCallum Sweeney Consulting, Inc. McCallum Sweeney provides site selection, incentive negotiation and economic development consulting services to leading companies and organizations worldwide. Clients include American Titanium Works, Nordex GmbH, Paccar, LM Glasfiber, Nissan, BP-Innovene, Boeing, Boy Scouts of America, Michelin, Harley Davidson and many more. For more information about McCallum Sweeney Consulting, Inc., please go to www.mccallumsweeney.com.