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# Executive Exchange

The Role of the Board in Site Selection and Talent Development

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## The Role of the Board in Site Selection and Talent Development

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### Panelists

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- **Tim Hicks**  
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## PART I

## TALENT DEVELOPMENT

## Development of Talent Strategy

- **Articulated** – those in positions of hiring, firing, coaching, and evaluating should know the strategy
- **Reinforced** – the strategy needs to work effectively with adjacent or dependent systems and processes, e.g., compensation, benefits, etc.
- **Consistently Applied** – leaders should be held accountable for their performance within the framework of the strategy
- **Evolving** – continuous learning is key. Best practices and societal sensitivities are evolving and must be acknowledged

## Role of the Board

- Directors can play an active role, including:
  - Mentor the management team
  - Spend time with high potential executives
  - Ensure that a CEO succession plan exists
  - Ensure the risks and consequences of changes in the executive team are known and mitigated

## Importance of Context

- Directors must determine what is appropriate given the company's circumstances
  - Is talent management a priority and therefore an appropriate use of Director and Management's time?
  - What is the company's current level of sophistication with respect to talent? What is the proper pace and level of change?
  - What is the Board's relationship with the management team? What level of involvement is appropriate or welcomed?

## Talent Management Strategy Benefits

- Improved fit during the process of hiring; less misses
- Improved retention of employees
- Improved employee effectiveness through a more thoughtful approach to development
- Planned succession can lessen the risk of business disruption due to departures or absence of talent in key positions

## Examples of Board Engagement in Talent Development

- Alcoa
  - CEO calls their workforce talent the “Alcoa Advantage”
  - CEO receives regular reports from CHRO & CDO, and the CEO reports to the Board, reviewing progress towards benchmarks in key areas (hires, promotions, exits)
  - Compensation links to people goals for top company execs, including CEO
  - Board drives discussion

## Examples of Board Engagement in Talent Development

- Barclays
  - Pilot program developing top female executives for outside board service, working closely with the board as mentors
- Kimberly-Clark
  - Role of the board in driving conversation and initiatives around gender diversity and women's leadership

## Key Takeaways

- Treat talent development as a business imperative (as important as financial and safety metrics)
- In addition to planning for CEO succession, board should be monitoring the talent pipeline
- Boards play an important role in driving culture and culture change; may also be more attuned to issues of reputational risk

## Discussion Questions

- Is talent management a board priority at your company?
- How is the board informed and what talent metrics do you look to the CEO/CHRO/CDO for?
- How are the talent metrics your board reviews related to your company's business strategy?
- What do you see as the biggest talent-related risk in the next 5 years?

## PART II

### SITE SELECTION

## Site Location Decisions

- Alignment with Talent Strategy (lack of a strong talent pool is a deal breaker)
  - Location decisions should lead with availability of “key” talent
  - Education and training resources should be strong to support talent pool
  - Talent pool should include adequate millennials

## Site Location Decisions

- Industry Related Supplier Base (don't become an endangered species)
  - Supplier base should be concentrated within reasonable proximity to expansion location (ensures limited interruption of key resources)
  - Drives education and training resources to support talent pool



## Site Location Decisions

- Economic Health of Target Locations (often overlooked during due diligence)
  - Primary focus should be on state/local government budget health (avoid new taxes to fill government budget gaps after the location decision)
  - State/local government credit ratings should be understood
  - Communities should be vibrant, offering lifestyle options for talent

## Site Location Decisions

- Business-Friendly Tax and Regulatory Environment (can impact business success)
  - Business taxes competitive relative to other locations
  - Outreach to Peer companies to gauge regulatory environment (leverage network of board members)

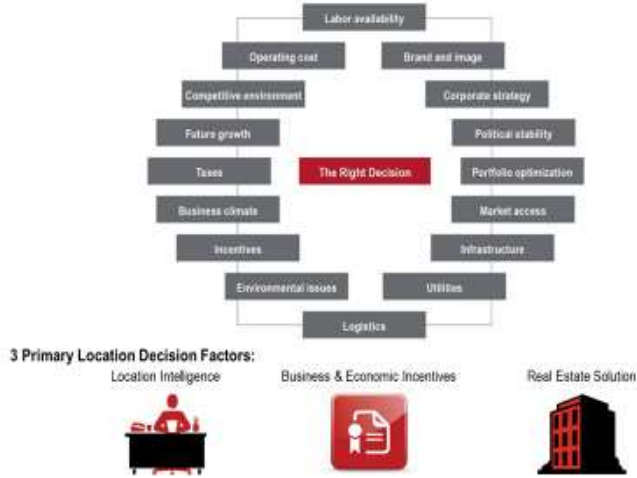
## Site Location Decisions

- Access to Low Cost Capital (potential favorable ROI if upfront)
  - Use of incentives to offset business costs should be understood (are incentives actually paid out?)
  - Tax Credits vs. Cash
  - 10-year vs. Up-front

## Location Advisory & Economic Incentives

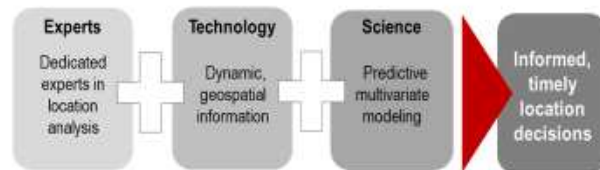


# Approach and Process: Integrated Analysis



# Approach and Process: Location Intelligence

Providing you with the data and insight you need to help make strategic business decisions.



- Site selection analysis
- Customized location analysis
- Comparative site analytics
- Demographic mapping
- Location amenity reports
- Drive-time area analysis





| State      | Incentives Assessment |
|------------|-----------------------|
| Florida    | Aggressive            |
| Georgia    | Aggressive            |
| Texas      | Competitive           |
| Virginia   | Competitive           |
| Arizona    | Average               |
| Colorado   | Average               |
| California | Below Average         |
| Minnesota  | Below Average         |



| Components                 | Weighting |
|----------------------------|-----------|
| Individual Income Tax      | 32.1%     |
| Sales Tax                  | 21.6%     |
| Corporate Income Tax       | 20.6%     |
| Property Tax               | 14.6%     |
| Unemployment Insurance Tax | 11.1%     |

| Best 10               | Worst 10        |
|-----------------------|-----------------|
| 1 Wyoming             | 41 Iowa         |
| 2 South Dakota        | 42 Connecticut  |
| 3 Nevada              | 43 Wisconsin    |
| 4 Alaska (not ranked) | 44 Ohio         |
| 5 Florida             | 45 Rhode Island |
| 6 Montana             | 46 Vermont      |
| 7 New Hampshire       | 47 Minnesota    |
| 8 Indiana             | 48 California   |
| 9 Utah                | 49 New York     |
| 10 Texas              | 50 New Jersey   |

## Approach and Process: Incentives Negotiation

Incentives negotiation can take as little as 8 weeks, and typically run parallel with real estate due diligence

| Phase I<br>Project assessment  | Phase II<br>Analysis and modeling        | Phase III<br>Project negotiations                | Phase IV<br>Implementation   |
|--|--|--|--|
| Analyze and model project facts, projections, timing and parameters    | State & local project introduction       | Highlight RFP deficiencies                       | Prepare reports and applications                                   |
| Understand client's tax and business fact pattern                      | Distribute Request for Proposal (RFP)    | Highlight project impact                         | File for benefits  |
| Review of tax statutory environment & identify issues                  | Analyze state and local response         | Negotiate to improve or modify incentive package | Track pertinent data   |
| Develop project strategy based on complete tax and business assessment | Model incentive offers                   | Achieve approvals                                | Monitor and ensure terms of compliance                             |
| Create business driven presentation                                    | Identify project obstacles and solutions | Ensure flexibility/ mitigate 'clawbacks'         | Track payments   |
|  | Detail approval process                  | Gain approvals                                   | Train client staff on implementation process for smooth transition |
|  |  | Create documentation solution that is achievable |  |

## Key Takeaways

How business and economic incentives can help your business

- Type of projects
  - Any industry or project type, most typically when there is the potential for net new employment and/or capital investment (+25 net new jobs and +\$1M of capital investment)
  - Specific incentives may be negotiated for unique projects (data centers) or particular industry types (shipping and logistics)

## Key Takeaways

How business and economic incentives can help your business

- When and how to engage
  - The best results are achieved when incentives are involved up-front as part of the project analysis or due diligence phase
  - Incentives and location advisory can determine if a project can be viable from a cost, HR or business service perspective

## Key Takeaways

How business and economic incentives can help your business

- **Cost savings**
  - Typically 10% to 30% of overall project capex can be mitigated with incentives benefits. Savings often exceed 50% when positioned and negotiated properly
  - Type of incentives include cash grants, income tax credits, forgivable loans, land & building concessions, job training reimbursements, property tax abatements, sales tax credits, infrastructure costs, etc.