

# Information Please: The First Step in Locating Operations in the U.S.

Companies contemplating locating facilities in the United States should thoroughly investigate the intended market and get professional advice.

By Cynthia Scanlon

**W**HEN ONE of the largest diesel engine components manufacturers in Europe wanted to relocate its operations to the United States, company representatives talked to their major suppliers and



peers to find out who might assist them with such a move. The firm ultimately found was Semradek & Company, Inc., a site location consulting firm with offices throughout the United States that helped them with the myriad details involved in such a transfer. The manufacturer is now part of the business and economic landscape here in the United States, and the United States has gained another international neighbor.

This scenario is becoming more and more common as numerous European companies are deciding to develop a U.S. presence by moving some or all of their operations stateside. According to Dorothy Bigg, director of the International Trade

and Investment Division of the Arizona Department of Commerce, international companies setting up shop in the United States generally follow a pattern: "Typically, it seems to start with a sales office



and then a distribution center. When critical mass is reached, a manufacturing facility is built.”

But whether a company coming from overseas starts its relocation to the United States on a large or small scale, international businesses are making their presence felt here. Because the U.S. government does not require international companies relocating all or part of their operations here to register such activity, the numbers of overseas companies calling North America home is difficult to track. But clearly, for a variety of reasons, international companies are giving the United States serious consideration for expanded operations or, in some instances, for complete transitions.

Bigg believes one of the reasons

overseas companies are making their moves now is to get into the United States before NAFTA deadlines, many of which will be phased in over the next 15 years, with possible negative effects on businesses: “There may be an external tariff barrier for their product that will knock them out of the market unless they are here.”

#### **Professional Services Required**

To make these moves in efficient and cost-effective ways, international business will need to rely on the professional help of companies that provide expert corporate site selection services, demographic information, and labor and economic data, notes James Semradek, Jr., president of Semradek & Company, Inc: “International compa-

nies look for internal advice, and the internal advice they receive is somewhat limited because their European counterparts don't have a great deal of experience in America.” Semradek estimates that 20–30 percent of his business revolves around international relocations. “Professional assistance helps them a great deal.”

Semradek's company, which specializes in Fortune 100 and 500 companies mainly in the manufacturing sector, has also recently relocated a truck manufacturer from England to Waco, Texas. “[The truck manufacturer] had worldwide distribution and needed a North American facility to handle its requirement for additional capacity,” Semradek explains. “They also wanted to be closer to this marketplace.”



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#### **Do Your Homework First**

Along with choosing specific experts in the field to assist with any major move, Dr. Paolo Palombo, deputy commissioner, International Division, Empire State Development Corporation in New York, advises any company thinking of moving any part of its operations to the United States to do its homework first: “You have to make a detailed, analytical study of the market you want to enter, and you have to access the product you want to bring to this marketplace. And it can be expensive, so you need the proper capital and know-how.”

In addition to the logistical and economic implications of moving a business overseas, Palombo reminds us that cultural, linguistic, and management differences have to be faced. And, he cautions, once all of these factors are ironed out,

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success is still not guaranteed: "If you are marketing a pencil abroad that is popular, there is no guarantee that that particular pencil is going to work in the United States. There is no guarantee if you set up a plant in the United States that it is going to be successful. And this bewilders small and medium-size

international businesses."

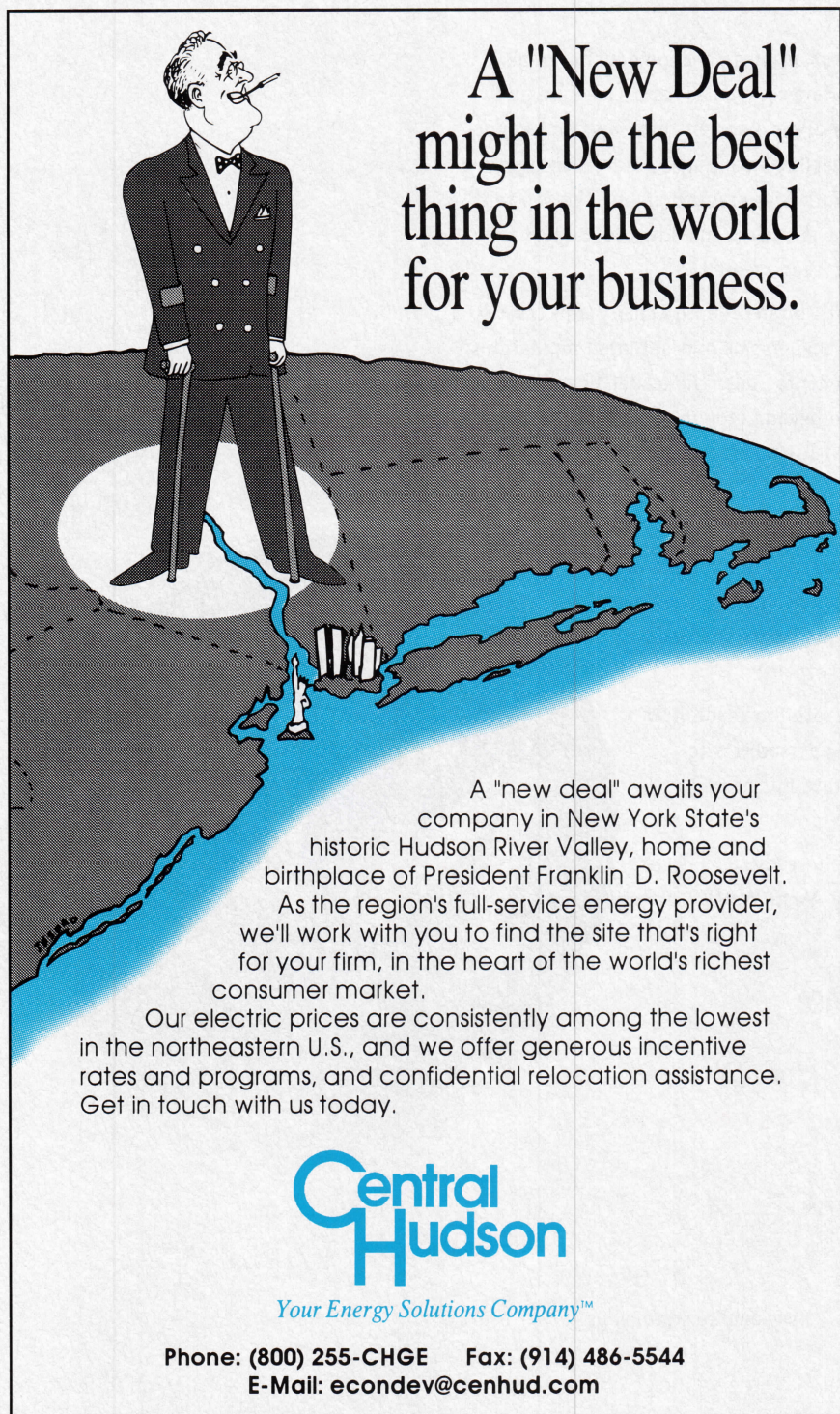
These preconceptions can sometimes get in the way, confirms Gene Richards, director of Market Texas for the Texas Department of Economic Development. To prevent this and give international executives a true taste of what it will be like to live and work in the

United States, Richards says he tries to get companies hooked up with the communities they are interested in as quickly as possible because that is where the property, buildings, and labor force are located: "Where we provide the biggest input is in the site selection process and in educating companies about the nuances of the state that they might not be aware of."

This, in his case, helps dispel some of the larger-than-life myths surrounding Texas, he says: "They see us as rolling tumbleweeds and cowboys. If they are flying into Houston or Dallas, they say, 'I didn't know that was here.' So we get a significant look from international companies."

According to Wilson Baker, president of TETRAD Computer Applications, Inc., a Bellingham, Washington, software company that supplies demographic software programs for site analysis and selection, international companies should start their site selection search with solid numeric, economic, and census data. His company offers a demographic software package called PCensus to many businesses and business organizations. The software takes a specific geographic district and describes the individuals in the area by income, age, ethnicity, and language. The software is aimed at franchise and retail businesses, but can be utilized by any company needing specific demographic information. The software is global in nature as well, containing data for the United States, Canada, Puerto Rico, and the Federation of Russia.

By utilizing these kinds of software packages and accessing the information that is available, many



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international business executives can do much of their preliminary research right from home base. However, many executives throughout Europe may be unaware of just how much free or low-cost information is available, says Baker, because the same type of information is not available in

there is always the Internet. So far, for finding information on international relocation, the World Wide Web has met with mixed reviews. Some are finding the Internet helpful, and others less so. Still, it can be a great place to find initial sources and contacts for the area of the United States in question. "We

porting passengers all across Europe in a relatively short time. "I went [from Phoenix] to London last weekend, and it didn't take me any longer than it takes me to get to Washington, D.C.," notes Bigg. "To the foreign business person, this is very important. The British Airways flight has been one of the largest single factors in our foreign investment."

After negotiating all the logistical, economic, cultural, and linguistic challenges, one other area that is occasionally overlooked when an international company is thinking of planting roots in the United States is immigration laws. Richards reminds companies that these laws will have to be addressed: "Any foreigner who comes into the country has to fulfill certain immigration requirements. While some companies from different countries are familiar with that process, others have a little bit more of a learning curve to go through. You can't just show up and start working or investing."

However, since most states do not differentiate between local, national, and international companies in terms of tax breaks and other business perks they offer, international companies have a level playing field in choosing to find a U.S. home. "If someone from, say, Denmark wants to come here and open a factory, she would have the same privileges we would extend to someone coming here from Michigan," Palombo concludes.

With all of these advantages so readily available, international expansions and relocations are likely to continue to flourish as the United States becomes a truly global community. 

## **International companies are giving the United States serious consideration for expanded operations or complete transitions.**

other countries: "It has been our experience that governments in other countries are reluctant to give out information, and, in some countries, census information is not available at all to the public. [Executives] might be surprised at how much information is available in the United States."

### **Information Sources**

For those companies thinking they may want to explore the possibility of moving part or all of their operations to the United States, there are numerous avenues through which to contact people and organizations that can assist. Almost all economic development divisions of the 50 states have foreign offices in places such as Munich, Taipei, London, Tokyo, Mexico City, and other popular foreign cities. Representatives from these economic development organizations also attend trade shows, advertise in the trade press, and conduct diplomacy missions throughout the world. "Our people are out knocking on doors, and we conduct regular calls on multinationals," Bigg remarks.

And, for the technology-minded,

get a lot of hits on our home page from overseas," Bigg observes. "There are a lot of tire-kickers, but for the cost, it's worth it to us."

Semradek, however, hasn't found the Internet to be that helpful: "Many Europeans coming over here are not that familiar with the Internet, so that would probably not be their first choice." But Texas' Richards says more and more individuals overseas are emailing him for information: "[The Internet] is one of the new areas of communication. We'll open up our e-mail in the morning and there will be a request from a company in India saying, 'What can you provide me?'"

While the Internet has opened up the world in terms of communication, modern air travel has also allowed business executives to see and experience firsthand parts of the world that may, at some future date, be called home. According to Bigg, British Airways has done wonders in showing Europeans the business opportunities and quality of life offered by the United States. The airline has destinations throughout North America, trans-