

Podcast: Chris Steele, COO & President North America, Investment Consulting Associates (global management consultants) interviewed on Regional Business Talk podcast by Ed Burghard (on date?)

<http://regionalbusinesstalk.com/chris-steele-investment-consulting-associates/>

Transcript (by Stone & Associates)

2:30— 5:36: Q: Ed: Is pursuing FDI a smart strategy for all EDOs?

[3:39] Ed: A lot of pursuing FDI -- and I'm taking a very naïve perspective on this -- but a lot of times, it involves foreign trade missions and things of that nature. If you're a small economic development organization, is it really worth your while to get on a plane and go over and try to talk to some companies? Or should you be part of a larger, maybe regional, type initiative?

[4:24] Chris: As we typically see it, there are a couple different ways to get directly involved in FDI, regardless of size. Certainly, there is -- should you have the resources-- the ability to make those connections overseas, which is always culturally and personally enriching, in addition to being a good economic development experience. But whenever you do economic development, it's within a context. You do have partners that are out there that very likely already have an FDI arm. And, a topic I'll come back to later: if there is a legitimate benefit that you can bring towards that FDI conversation, making sure that those partners that are already out there in the FDI arena are aware of that advantage, is helpful for them to be able to help you make that case.

The other part that people often overlook is: just as much as we have foreign trade missions overseas, foreign nationals, foreign countries, foreign regions very often have their own missions here in the States. And the more you can be aware of those, through the consulates or even through international business organizations, you can still make those relationships without actually leaving your own home community or going very far at all.

Ed: Great point.

11:07— 13:01: Q: Ed: What does a community have to have in place to be successful in FDI? Or what mistakes do communities make in FDI?

[11:28] Chris: It's interesting, I'll start with: I don't know if it's a mistake or a misapprehension, just as in many other sectors and opportunities that come to the economic developer's plate, we see -- occasionally -- economic development agencies that want to specialize in FDI to the exclusion of all else. And I think that one basic bit of advice, of course, is to remain diversified. Even on its best day, FDI is not going to be as significant a part of the local economy as a lot of the things that are happening in a much closer proximity to that location.

[12:07] That having been said, I think that FDI really does belong as a well-balanced breakfast of economic development. And quite honestly, it doesn't require that much different from what a decent and well thought out economic development strategy should be. If a community already has a fairly good idea as to what its strengths and weaknesses are -- from an industry and a use perspective -- and understanding the kinds of economic networks that it plays well in, it's a simple matter from there of taking a look at what kinds of companies [and] what kinds of investors would find that appealing. And from there it should be relatively agnostic as to whether that's a domestic or a foreign kind of concept. Yes, how you contact them, how you engage them maybe a little bit different, but it all starts from that same place of "know thyself".

14:07—15:04: Q: Ed: How friendly is the community for foreign nationals and their families... and how does that play into the ultimate siting decision?

[14:24] Chris: That does come into play, particularly with FDI. Interestingly enough, we do see if there are going to be... Well to some degree, it actually fits into your traditional site selection side of things if you've got executives moving from a company to a new location, they're going to think of this as one of those few times when quality of life actually enters into the site selection decision: a quality of life that resonates with them, that is comfortable for them. And when you're dealing with FDI, you add on that additional layer of culture, and very often the resources -- even to the degree of food and religious and other cultural kinds of concepts that will be familiar and expected by those individuals.

16:02 —18:15: Q: Ed: What's hot right now?

[16:20] Chris: I'm always going to caution everybody with the 'what's hot right now' is not necessarily what your community is going to be very good or adept at. So, I think that going from your own strengths -- and then understanding the actors in those areas -- is critical. It's the classic concept of going around to any of the conferences as a site locator and go around speaking with economic development agencies in the old days, it seemed like everybody came with the *same* answers as to what the hot topic was at that point. I think folks have gotten a lot better about understanding their *specific* strengths and their own *specific* ability to play in the overall marketplace.

[17:00] That having been said, coming back to your original question, I did a little bit of looking at, so we have a database that we use -- ICA Incentives -- and one of the things it allows us to do, is to track deals that have received incentives compensation from any of the public agencies -- a topic we're going get back to later-- but one of things it allows us to do, is to take a look at those projects by industry and take a look at where there have been a large number of deals or large amounts of investment. It's really quite interesting how -- particularly in the wake of Marcellus shale -- a lot of the shale gas activity, we've seen a lot of foreign direct investment in energy in the US in the past couple of years. Some of it -- yes -- is oil, gas, chemicals related. Others involved in electricity. The other two big sectors that we've seen a lot of projects in are automotive -- particularly after the restructuring of the US automotive industry. And to your point from before: food and beverage. There's been a considerable amount of FDI that's come into the US on the food and beverage side.

20:38— 23:08: Q: Ed: One piece of advice for EDOs for FDI?

[20:55] Chris: I'm actually going to give two pieces of advice -- this is me ignoring the instructions. It's actually two parts and it's two things that we had spoken about earlier. The first I think is just good economic development practice anyway and that's 'know thyself'. Really understanding your own strengths, your own workforce, your own economic networks. And understand how those can be leveraged and really reused in new and innovative ways. But never presenting yourself as something that you're not. Always coming to the conversation from a point of strength. That's absolutely critical. And it's the only way to actually gain legitimacy into the marketplace. And if you do that, people pay attention.

[21:38] The other side of that is, clearly we're not going to be sending people on round the world flights on a regular basis, especially if you're dealing with a small or mid-size community. However, the more that you can network with those that are already involved in FDI -- whether it's your businesses that are already in your own community or with a local consulate -- so that you can understand the moving parts and the trends and be able to, kind of, read the barometer of what's going on in that marketplace, the more you're going to be able to connect those local strengths with the trends that are happening in that global marketplace.

Ed: I'm translating what I think I'm hearing is the sales activity doesn't necessarily need to be local, but the product is always local.

Chris: The product is always local.

[22:25] **Ed:** Yeah, and to your point about knowing thyself I would say that also includes knowing your product extremely well and having those data at your fingertips, so that you can quickly respond when asked questions about that product. And I find, I don't know what you find, but my observations are an awful lot of communities do *not* know their product very well and they have to go out and... even things like electrical rates and so forth. It's like it's a whole new exercise for them to go out and get those data, when they really ought to have them immediately available.

Chris: It is interesting and it really does happen.

24:02— 26:00: Q: Strategic planning- big challenge for EDOs. Fundamental difference between FDI and domestic?

[24:20] **Chris:** I think that there's a certain degree to which there is. There's always the basics: you know being able to catalog -- just as you were saying -- have the basic data and be able to interpret it in a meaningful way. And to be able to supply it when somebody asks a question. Those are basic fundamentals that anybody should have and which could be leveraged - either for domestic or FDI kinds of activities.

[24:44] I think, really, where we start to get into a discernible difference between a domestic and an FDI side of things is of course identifying those parts of the economy now that already have an FDI component to them or an international component to them. And then, as one is trying to develop how they're going to do their outreach, trying to figure out what resources the community itself can bring to the table and also what resources it can borrow. That's important both in terms of just the overall capabilities that one has, as well as, you know after we get outside the great 48 of the lower American states, it's a certain kind of a concept to be able to have mind share and have awareness of our communities. The more that one can bundle our communities with something that might be recognizable to an FDI buyer – for lack of a better term – you're already starting to build comfort with a construct. Especially in this kind of a concept, the more that perhaps the first touch might go with something where you have a little more critical mass, might be a little bit different than what you would do in a domestic strategy.

28:25—31:45: Q: Incentives... real controversial topic... Same role for FDI and domestic?

[28:49] **Chris:** There are definitely differences in terms of perspective and it's interesting if you can kind of get the incentives picture of the nation or the region from which the investment is coming, that can help to inform kind of where things are coming from. For example, within the EU, the use of incentives is generally frowned upon in terms of going nation to nation, so, in other words, if you're looking at both – for example – if you're looking at Western Germany and you're looking at France and you're looking at The Netherlands, don't expect that you're going to be looking at any sort of large incentive package. I mean it does happen, but it's a slightly different kind of a conversation. So, when FDI comes into the states, it's always part of the discussion, but it may be secondary.

Others, you do get those outliers that basically that say: I'm just going to go anywhere I can get free land and \$4 million. And when you figure out that it's just basically a back office of 50,000sf, you start wondering if somebody has actually done the ROI on that.

For the most part, especially when it's somebody that's entering the country for the first time, they *really* want to know that their risk-return on that investment is solid. So, they're going to want to know workforce first. They're going to want to know regulatory, environment first. They're going to want to know value chain first. The incentives will help to mitigate whatever is left of that risk profile.

Ed: Got it. And I would imagine that local EDOs can lean into organizations like yours for guidance on how to approach it, because the last thing you want to do is offend somebody by putting too big of an emphasis on incentives when it's not a common practice.

[30:40] Chris: That's quite true. Although being prepared for that conversation when it comes up – and being able to respond appropriately when it does come up – is always a strength.

Ed: Right. I'm thinking that's yet another reason why partnering with companies like yours is a smart thing because you guys know the ins and outs and the cultural norms and how to maneuver around those sorts of things where a local economic development organization may be fundamentally less sophisticated in those areas.

Chris: Sure. And make no mistake, many of those lessons that we can bring to the table were hard and perhaps embarrassingly learned the first time. But we absolutely have quite a few examples of understanding how best to engage in those conversations in a way that is real, meaningful, and which actually starts to create much stronger relationships and a much better opportunity over time.