

**DECIDING ON WHERE THE JOBS GO: THE ROLE OF
GOVERNMENT**

IN BUSINESS SITE LOCATION DECISIONS

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ABSTRACT

DECIDING ON WHERE THE JOBS GO: THE ROLE OF GOVERNMENT

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In all fifty states and in countless jurisdictions, economic development agencies offer a myriad of financial and tax incentives to private firms under organizational charters to create new jobs, help retain existing jobs, and stimulate economic growth. Prior research results are inconclusive as to the effectiveness of these incentives. Some research concludes that states with strong assets such as a well-educated workforce and a good location are more attractive to employers than financial incentives offered by states. So what is the real attraction?

The research addresses the following questions:

1. What factors inform public sector decision-making in business site location selection?
2. What factors inform private sector decision-making in business site location selection?
3. What are the dynamics between the public and private sector during the business site decision-making process?

The research was conducted using a dynamic decision-making theory model (Stermann, 1988) to analyze qualitative data capturing discrepancies between public and

private sector actors' understanding of the decision-making process. Through secondary data analysis, 8 factors that influenced site location decisions in New Jersey were formalized and applied in a semi-structured guide to interview 27 experts. Each participant expert ranked the 8 decision-making factors that influence their business site location decisions and provided descriptive stories justifying their ranking.

Findings indicate that factors influencing business site location selection depend upon a public versus private sector point-of-view. Experts were then asked to clarify their rankings; their responses suggested incongruence in the roles played by public and private sector participants to influence the business site location outcomes. This dynamism between the public and private sectors underscores and helps to explain the initial discrepancies in the factor rankings.

Scrutiny suggests a decision-making model operating in three phases: determining strategy options, assessing and evaluating alternatives, and implementing decisions. The private sector is involved in all three phases of the decision-making process, while the public sector is involved only in the implementation phase. The public sector's disproportional role in the business site location decision-making process suggests the need for reinterpretation of government's role in economic development.

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Table of Contents

Chapter 1. Introduction	1
The Importance and Relevance of Economic Development Policy.....	5
Research Questions.....	7
Dissertation Overview	12
Chapter 2. Decision Making and Economic Development Research	14
Introduction.....	14
Decision Making in Public Administration	15
Economic Development.....	36
Major frameworks for evaluating factors that influence site location decisions.....	48
Conclusion and gaps in the literature.....	55
Chapter 3. Framework and Methods.....	63
Introduction.....	63
Theoretical Frame: Decision Making Dynamics	64
Methodology & Research Design.....	70
Qualitative Methods – Expert Interview Protocol	74
Conclusion	87
Chapter 4. Secondary Data Analysis.....	89
Introduction.....	89
Secondary Data Sources	89
Reports Generated by New Jersey Economic Development Organizations:	101
Conclusion	113
Chapter 5. What Factors Influence Site Location Decisions?.....	115
Introduction.....	115
Differences in Factor Rankings between Government Officials and Business Executives	115
Rankings of Factors and Attributes.....	119

Conclusion	144
Chapter 6. The Decision-Making Processes	148
Introduction.....	148
The Dynamics of the Site Location Decision Process	148
Site Location Selection in a Dynamic Decision Model	153
Conclusions and Findings	169
Chapter 7. Conclusions and Recommendations.....	173
Introduction.....	173
Research Findings: Factors that Influence Site Location Decisions	173
Research Finding: A Dynamic Decision-Making Process.....	179
Recommendations.....	181
Appendices.....	192
Appendix A. Interview consent form	192
Consent Form	192
References.....	194
Curriculum Vitae	201

List of Tables

<u>Table</u>	<u>Page Number</u>
3.1 Frameworks for evaluating site selection decisions	52
3.1 Sources of factors that influence location decisions	82
3.2 Factors and attributes used in research interviews	83
3.3 Organization of interview data by phase of decision –making process	86
4.1 Summary of findings NJ C-Suite Survey 2007-2008	99
4.2 Findings from economic development research	103
4.3 Factors and attribute definitions	107
5.1 Factors and attributes used in interviews	117
5.2 Summary of factors rankings by type of interview	118
5.3 “Workforce” factor ranking	120
5.4 “Workforce” factor ranking and attributes	121
5.5 “Cost of Doing Business” factor ranking	125
5.6 “Cost of Doing Business” factor ranking and attributes	126
5.7 “Access to Markets” factor ranking	129
5.8 “Access to Markets” factor ranking and attributes	130
5.9 “Quality of Life” factor ranking	132
5.10 “Quality of Life” factor ranking and attributes	132
5.11 “Government” factor ranking	135
5.12 “Government” factor ranking and attributes	136

5.13	“Transportation” factor ranking	139
5.14	“Transportation” factor ranking and attributes	139
5.15	“Infrastructure” factor ranking	141
5.16	“Infrastructure” factor ranking and attributes	141
5.17	“Politics” factor ranking	142
5.18	“Politics” factor ranking and attributes	143

List of Figures

<u>Figure</u>	<u>Page Number</u>
2.1 A Model: Dynamics of Decision Making	69
4.1 Geographic distribution of “C-Suite” survey respondents	94
4.2 Distribution of respondents by industry segment	95
4.3 C-Suite responses: rating New Jersey	96
4.4 C-Suite responses: most important factors	97
4.5 C-Suite responses: ranking New Jersey factors	98
4.6 New Jersey changes in employment	100
4.7 BEIP grants by industry sector	110
4.8 BEIP grants by size of industry	111
4.9 Distribution of BEIP grants by county	112
6.1 Dynamic decision making	153

Chapter 1. Introduction

In an era of government budget shortfalls and fiscal distress, every line item in government budgets is scrutinized, and more than ever public officials are reviewing the methods and practices of government and governing. In the field of public sector economic development, it is standard practice to offer financial incentives to firms willing to create jobs in a region or jurisdiction. In the face of a global recession and historically high levels of unemployment, can states afford not to do everything possible to attract jobs? The dilemma facing public officials is compounded by global competition for economic activity and job creation. Public managers charged with implementing economic development policy are challenged to adopt the most promising techniques for attracting the best paying jobs, and yet research on economic development program efficacy continues to produce mixed and controversial results.

Economic development agencies exist in countless jurisdictions today, and are charted to create new jobs, help retain existing jobs, and stimulate industrial and commercial growth in economically distressed areas of the United States (US Department of Commerce, 2009). In New Jersey, economic development decision-making functions are led by a member or members of the Governor's cabinet; historically this has been the Chief of the Office of Economic Growth, the Commissioner of the Department of Commerce, or the Chief Executive Officer of an independent public authority, the New Jersey Economic Development Authority (NJEDA). In 2007, Governor Jon Corzine abolished the Commerce Commission, consolidating accountability for economic

development activities in a single independent authority at the state level. This consolidation of activities placed the NJEDA in charge of streamlining activities in support of job creation and land development. Primary accountability for tax incentives, grants, and marketing are also consolidated at the NJEDA.

Many job creation incentives have been offered by governments in all fifty states, ranging from job creation tax credits to property tax abatements and zero-interest government financing. Research results have been mixed on the effectiveness of these financial and tax incentives. Some research concludes that states with strong assets such as a well-educated workforce, access to markets, and good transportation networks are more attractive than states with big tax incentives. After serving in the New Jersey Governor's Office of Economic Growth since its inception in 2006, I believe that additional insight into the job creation decision process would support better decision making by government agencies chartered to attract jobs and capital to states.

Private firms frequently approach the state of New Jersey with requests for financial incentives designed to encourage them to build new facilities or to create and retain jobs in the state. Without state support, companies contend they will move jobs out of New Jersey or create new jobs in states other than New Jersey; if carried out, such threats typically would result in loss of jobs, or loss of opportunity to create new jobs. In response to this competition, New Jersey has offered tax and financial incentives to firms as a method for winning site location decisions and job creation opportunities. Since 1974, the State of New Jersey committed over \$19B in tax incentives, abatements, grants, and low cost financing to support job creation in the state. The state's measurement of the success of these investments concludes that the funding created almost 290,000 jobs.

It is difficult, if not impossible, to measure is what job growth would have happened without the state's \$19B investment.

The purpose of this research is to contribute to understanding of the site location decision-making process so as to provide helpful information to guide government officials in making economic development policy. Research in the field of site location decision making points to specific factors that influence location decisions; however, research regarding the success of government sector interventions in site location decision-making is inconclusive. Why do local and national government officials pursue financial incentives to lure jobs to a jurisdiction if the research shows those incentives to be questionable instruments (Wolman, 1988; Warren, 1996, Buss, 2001)? Several explanations have been offered for the race to offer more incentives. Government economic development officials argue that states and regions cannot end incentives without an “arms truce” by surrounding jurisdictions; these officials fear that giving up financial payments will result in losses to other similar jurisdictions that do offer financial support. Rogers (2000) explains this behavior as individually rational—but collectively irrational—as states spend money to compete with each other rather than negotiating regional strategies. Others explain this seemingly irrational strategy as political; politicians are unwilling to risk being perceived as doing nothing as jobs flee a state (Schwartz et. al, 2008). If Pennsylvania offers financial incentives that New Jersey does not match and wins a jobs competition, New Jersey's elected officials fear being voted out of office for not responding with matching dollars.

The state of New Jersey has experienced mixed results with incentive programs over the past three decades. Some programs seem to produce positive job growth and

others do not. These reported results are available because New Jersey's economic development agencies have developed robust reporting tools to support decision making and to improve transparency in reporting public sector spending and results (NJEDA, 2009). In 1996, the state launched a new program specifically targeting creation of new jobs. Heralded as a win-win strategy for working with the private sector to create New Jersey jobs, the tax incentive program, known as the Business Employment Incentive Program or BEIP, provides tax credits only if a new job is created in the state. Under this one tax incentive program, New Jersey extended tax credits worth more than \$1.4 billion to 414 firms in anticipation of the creation of 77,078 jobs. However, after ten years, 51% percent of the jobs created via these tax credits were jobs that simply moved across the Hudson River to New Jersey from New York. And although the jobs are "new" to New Jersey, many of the employees were already New Jersey residents, so no new jobs are really created; the jobs simply moved across the river. Despite investments in job creation, the state's employment growth stagnated, with job creation growing more slowly than the national average (Hughes and Seneca, 2007). Would job growth have decreased by even greater numbers if the state had not offer robust tax and financial incentives to the private sector? What jobs left the state because other states offered "better incentives" for job creation? Are there other factors that drove jobs out of New Jersey, and how are government officials deciding which programs to offer as companies make location decisions? Economic development research to support public policy implementation is inconclusive on these topics. New Jersey is not alone in struggling to ensure that job creation policy works effectively. Because all 50 states offer private firms

some form of tax incentives and financial support to create jobs, public officials require feedback on optimizing investments for job creation (Buss, 2001; Bartick, 2005).

The Importance and Relevance of Economic Development Policy

The rationale for financial incentives used in economic development public policy is based on three important impacts of job creation. First, jobs provide income to residents. To improve the well-being of residents, state and local governments seek to attract higher wage jobs which provide sustainable living wages and benefits. Secondly, government agencies also seek to more evenly distribute the income earning potential of residents by working to attract new jobs to cities and areas with lower overall income levels. The third reason for states to offer financial incentives to create jobs is to improve state and local tax revenues. States and municipalities are motivated to ensure revenue-producing activities in the state—a tax base. Income taxes, corporate business taxes, sales taxes, and construction activity can all be increased by attracting new jobs and companies to a geographic area. In addition to direct taxes that are collected from firms and wage earners when new jobs are created, government revenues are improved by the increase in spending associated with services provided to new businesses in an area: restaurants, print shops, and personal services increase sales when a new employer arrives or an existing employer expands in an area.

Given the potentially enormous financial impact that employment provides in a region, governments are motivated to intervene in the private sector's decision-making process regarding where to locate and expand firms. Through the creation and use of economic development agencies and programs, government bodies select interventions

ranging from direct tax incentives to low cost financing to infrastructure investments in order to improve the likelihood of attracting new and better paying jobs to a jurisdiction. Extensive research over several decades has identified specific factors that influence business decisions about establishing a new location. These factors are identified in the business location literature, providing insights about priorities that employers place on regional assets and financial factors when deciding where to locate a firm. Public policy research on business location decisions focuses on the efficacy of economic development strategies that rely heavily on financial incentives to produce long-term job growth. There is conflicting evidence in the research regarding how and when public financial incentives influence job creation. Some evidence suggests government incentives are offered after site location decisions are made, and are therefore not material to the decision. Other research claims government incentives are a key element in site location decisions. A gap in the research exists with respect to how and when government officials decide to offer financial incentives to firms that are making location decisions.

Existing Research is Contradictory

The existing research elaborates on the private sector decision process, but does not reach a conclusion on the efficacy of government programs. The research described here addresses the gap in the literature, exploring qualitatively how government bodies decide to intervene in the site selection process. How are decisions made to intervene? What is happening? How are companies making decisions to relocate jobs in one state rather than another? How are government officials deciding to offer tax incentives to specific firms? What role do private sector actors have in influencing public policy on financial incentives? This research is designed to empirically examine the roles of

government officials in a dynamic decision-making model. Looking specifically at economic development public policy and using the existing research on factors influencing site location decisions, this analysis explores the role of government officials in impacting site selection. This research adds to the literature through a review of how the dynamics of the decision-making process and actors change over time, and how this dynamic corresponds with the known factors in site selection. Within the field of economic development, the factors identified by businesses as important to influencing a site selection decision are overlaid with the public official's actions and decisions to determine how the processes are informed by each other.

Research Questions

This research compares and contrasts the roles of public officials and government programs in the site location decision-making process with the factors that influence those decisions. Informed by the factors that influence site location decision making, government officials chose economic development policy options to support the creation of jobs and economic activity in a jurisdiction. This research will analyze the actions and information that governments use to evaluate and influence the site location decision-making process, and that businesses use to evaluate and make the site location decisions.

The research design addresses the following research questions:

1. What factors inform public sector decision-making in business site location selection?
2. What factors inform private sector decision-making in business site location selection?

3. What are the dynamics of the decision-making process for business site location selection?

Context and Significance of the Research

The factors that influence business site locations and job creation have been extensively researched. Factors in site selection vary based on the type of firm making the site decision, on the competitive landscape the firm is facing, and on global economic conditions (Schmenner, 1982; Blair and Premus, 1987; Eisinger, 1988; Taylor, 1994, Buss, 2001). While research is extensive on site selection decisions and the factors that influence site selection, a disconnect remains between the research findings and the actual public policy actions taken to address economic development. The analysis of previous site selection decisions is disputed because the research on program efficacy is inconclusive (Wolman, 1988; Buss, 2001); the outcomes measured in the existing research are defined by variables for which little agreement has been reached. Researchers have been unable to consistently pinpoint measurable variables, prohibiting the use of conclusive quantitative approaches to measure the success of public policy interventions in economic development decisions. Definitional inconsistency has plagued survey research and econometric modeling of variables that influence site location decisions (Blair and Premus, 1987; Eisinger, 1988; Wolman, 1988; Buss, 2001). While there is apparent consistency in the types of factors that influence site location decisions, there is inconsistent understanding of the relative importance of these factors or variables in each decision. Some research has accounted for differences in employer industries sectors; the relevance of factors to a location decision can change if the employer is a manufacturer versus a retail store. And while some of the models account for regional variances—energy costs might be lower in warmer climates, or non-union

states might account for lower labor costs—the models do not account for government officials’ decisions regarding offering financial incentives. If a warmer climate has lower energy costs, what accounts for the need for a financial incentive to lure a manufacturer from a higher cost region? The use of factors in site location decision making is extensively documented, and is based on the assumption that understanding the factors that an employer uses in selecting a location will provide insight into the decision making for government officials.

Given knowledge of criteria used in business site location decision-making and factors that influence those decisions, government economic development officials have choices when selecting policies for intervention in the site location decision process. Government agencies can work to attract jobs and influence site location decisions either by improving the measures of the factors known to influence location decisions, or by mitigating negative factors with financial incentives. For example, governments may use tax incentives as an intervention to reduce costs of doing business within a specific geography; or may offset costs related to real estate, taxes, or moving expenses. Offsetting operating costs for companies that create jobs in a jurisdiction is believed to address an important factor influencing a site location decision (Eisinger, 1988; Taylor, 1994). However, lack of agreement among researchers remains as to whether or not economic development policy that relies on tax incentives and grants is actually effective in influencing site location selection.

There is economic development research that concludes that government economic development policy can influence business site selection decisions. Government policy intervention can take the form of financial incentives or economic

development activities that improve the overall business climate; that is, the attractiveness of the regulatory and market forces for businesses or for a specific industry (Schmenner, 1982; Taylor 1994). This perspective is built on evidence that public policy can be used to develop more attractive business climates, attracting companies and jobs to specific cities and regions (Taylor, 1994; Eisinger, 1995; Buss, 2001; Bartick, 2005). Long term efforts by government officials to leverage natural assets, build social and physical infrastructure, and attract highly skilled workers are strategies that are rewarded with favorable rating by firms seeking to create new jobs. By understanding the strengths and weaknesses of a region, public officials can identify the types of firms most likely to be attracted to the region, and focus specific efforts on creating attractive magnets for those jobs.

Understanding the site location decision-making process—and the role of government officials in influencing that process—is important to public policy. The competitive market for attracting jobs to a jurisdiction has resulted in states offering financial incentives to employers. There is increasing consensus among economic development professionals that public financial incentives are now “table stakes” for economic development; because nearly every state offers a myriad of financial incentives, a state that does not is handicapped (Buss, 2001; Bartik, 2005). Economic development officials contend that they must develop and continue to offer financial incentives in self-defense as competition for new jobs and sources of tax revenues cause states and regions to pursue the relocation of firms (Kolesar, 1995; Hartzheim, 1997, Weiwei, 1999). Recently, a number of high profile job attraction projects have underscored the private sector’s use of the incentives to pit one state against another. . In

one example, New York, New Jersey, and Pennsylvania competed in a bidding war to attract the financial services firm Black Rock. Stories in the *New York Times* and the *Philadelphia Inquirer* detailed the high stakes negotiations between the firm and the three states as each state legislature raced to approve new programs, increasing the value of financial incentives being offered for a new corporate headquarters. High paying jobs were at stake, and the media coverage of the competition weighed heavily on the elected officials' actions. The recession that began in the summer of 2008 ended the bidding, with the firm retracting its plans to build a new site. The legislation enacted by both New Jersey and Pennsylvania in hopes of attracting Black Rock had already been enacted. Without competitive pressure brought by the employer on the three states, the legislation would not have been conceived or offered.

Decision-Making Processes

The questions posed in this research evolve from the need to better understand the decision-making process involved in employers' site selection decisions, and government officials' policy and program implementation decisions to attract jobs to a jurisdiction. Quantitative researchers have approached the site location decision-making process by weighting and assigning values to factors identified by firms as important to the decision-making process. Blair and Premus (1987) and Eisinger (1988) demonstrated that factors have different importance to a site location decision depending on what stage of the decision-making process is considered. Factors influential early in the decision process are different from those that are influential later in the decision process. The debate over the effectiveness of government financial incentives for job creation proceeds unabated, and researchers agree that additional qualitative research is need to shed light

on the role government policy can play in influencing site location decisions (Wolman, 1988; Wolkhoff, 1992; Wolman & Spitzley, 1996; Buss, 2001).

A review of the decision-making process in employer site location selection and in the role of government economic development can further elucidate the controversial connection between government incentives to private companies and job creation in a jurisdiction.

Dissertation Overview

Chapter 2 provides a review of the literature on decision-making processes and looks to the economic development literature for context. The role of public sector policy in economic development and conflicting research on the effectiveness of various state investment policies are explored.

Chapter 3 presents the methodology for this research, its appropriateness to the objectives of this research, and its quantitative and qualitative characteristics. The framework for the research and the resulting selection of participants, instrumentation, and protocols are reviewed in Chapter 3, along with a review of the validity of and issues with the research.

Chapter 4 examines secondary data on economic development strategies and data within the State of New Jersey. Data from an existing survey, New Jersey economic development reports, and government actions are analyzed and categorized to refine the list of factors that influence site location decisions in New Jersey. The analysis in Chapter 4 was used to develop the expert interview protocol for the qualitative aspects of the research.

Chapter 5 provides the analysis of the factors that influence location decisions in New Jersey, based on qualitative data from expert interviews. The results address the first and second research questions with rich textural responses from 27 in-depth interviews with subject matter experts in site location decision-making in New Jersey.

Chapter 6 addresses the third question of this research about the decision-making process used in business site selection. Findings from the expert interviews are presented, providing insight into the stages of decision-making in site location. The results evaluate the roles of various actors and the nature of the decision-making process in site selection.

Chapter 7 summarizes the findings of the research. The limitations of the research are discussed, along with potential areas for further study.

Chapter 2. Decision Making and Economic Development Research

Introduction

This chapter explores two discrete sets of literature, decision making and economic development. Decision-making theory frames the analysis of economic development in this research, providing a lens through which to analyze the process used by public managers to influence site location decisions made by private firms. The chapter begins with a review of decision-making literature, and the evolution of theory and potential models for decision-making processes. The chapter continues with an examination of economic development in the public sector with a definition of economic development and an overview of the tools and processes used by governments to influence job creation. A review of the research on the measures of economic development program outcomes follows, continuing with a summation of questions posed in the literature from existing research on the effectiveness of economic development tools. The chapter concludes with an integration of the questions posed in economic development literature and presents a theoretical framework from decision-making literature. This look at the two sets of literature provides a framework from which to view the economic development decision-making processes in the public and private sector.

The application of decision-making models in public management provides a framework for this research to evaluate the public management intervention in the decision processes of business in selecting sites for expansion or relocation. The literature review in the economic development field begins with a history of government efforts to increase jobs and proceeds through the discussion of tools and policies

employed by jurisdictions to create jobs. Finally, this section reviews the results of a large number of quantitative studies of the factors that influence location decision making, and evidence on the effectiveness of government actions to influence location decisions. Gaps in economic development research are identified, indicating the need for additional research in economic development decision making.

Decision Making in Public Administration

Public management research has been concerned with decision-making theory since Herbert Simon (1947) first defined administrative behavior. Decision-making theory has evolved from major branches of research in individual behavior and organizational models framing individual administrators as decision makers. When multiple actors are considered in decision making, complexity increases as the number of priorities increases, and the addition of value choices also increases. Researchers also must take into consideration that decision makers in an organization may act in collaboration with other actors internal or external to the organizational model. This review begins with a public administration focus as provided in organizational decision making, where research has centered on the facts of decision making more than the values imbued by those decisions. Values were initially thought to be important to the realm of policy decision making rather than administration (Simon 1947). Later, theory would evolve to include values in the decision-making theory of administrators, as questions of policy implementation became integrated with administrative questions. Because this research is intended to add to the body of work in public administration, it is appropriate to begin the review from the perspective of public managers operating in the complex context of both strategic choices and operational decisions.

Decision-making models provide a frame for considering the stages of decision making, and each model typically begins with identification of the problem and moves through selection and evaluation of alternatives. The models often are depicted as linear, and decision making is often modeled as a static or binary process rather than as a fluid or evolving process. In reality, decision making cycles through various stages or multiple stages simultaneously. Complexity is added to the decision process when the number of actors increases, limiting the useful analysis provided by a static model. The environment in which public managers operate is acknowledged to be complex, one in which decision making can be iterative and incremental, or limiting in authority. Dealing with the complexity in organizations is believed to lead to rule-following behavior; the difficulty managers face in evaluating all options and the predicted return on options limits any other approach to decision making (March & Olsen, 1989). The decision-making process literature includes a discussion of the prominent models and choice paradigms including: rationality and bounded rationality, incrementalism, government politics, garbage can and dynamic decision making (Simon, 1947; Lindblom, 1959; March et al, 1972; Mayhew, 1974; Sterman, 1989; Kingdon, 1995; Shapira, 1997). The decision making literature provides descriptions of a broad set of models used in explanations of the decision processes in the private and public sectors.

Public administration literature continues to explore decision making and decision-making processes following the attention Herbert Simon (1947) began in the study of administrative behavior. Individual decision-making behavior is theory is rooted in the concept of bounded rationality, as defined by Simon, while organizational decision making builds on decision theory by approaching issues from a macro decision-making

perspective (Shapira, 1997). The application of decision-making research in public administration has relevance for a range of decisions, from routine to complex and strategic. Decision making in both policy and administration can shape actions regarding whether roads or mass transit are built, as well as where they will be built, and with what materials and supplies.

Different models of decision making have been described and criticized for their explanatory power. Some research has classified the decision making models according to the underlying ideology, such as a comparison of efficiency and effectiveness attributed to rational decision making, versus conflict and struggle attributed to political decision making (Pfeffer, 1981; Bozeman & Pandey, 2004). Other research classifies the decision-making models based on the method in which agendas are established, or not established, and by whom. These models range from the Garbage Can Models to comparisons of static analysis of decision making versus dynamic models of analysis (March et al, 1972; Sterman, 1989; Busemeyer, 2001). Although a number of models are used to evaluate decision making, each typically includes a sequence of steps that are followed to arrive at a decision. These steps broadly defined include: (1) defining goals, (2) generating alternative means for attaining them, (3) evaluating the consequences of each alternative, (4) choosing the alternative that optimizes the goal, and (5) implementing and evaluating the outcome (Denhardt et al. 2002, 126-29; Stone, 2004; Anderson 2006; Olshfski & Cunningham, 2008). The following review of models is organized around the types of decision-making theory, beginning with rationality and bounded rationality, followed by governmental politics and power theory, and then the Garbage Can Models and dynamic decision making.

Rationality and Bounded Rationality

The rational model of choice is based on the idea of purposeful human actors, where the rational actor will make decisions that optimize value (March and Simon, 1958). Beginning with problem identification, the rational actor clarifies the objective, and proceeds to evaluate options and consider the consequences, settling on the highest value option of alternative solutions (March and Simon, 1958). A rational actor in rational-comprehensive model specifies the definition of goals, followed by the evaluation of alternatives based on their utility to the goal, and the selection of an option that optimizes the value of the alternatives weighed (Allison, 1971; Simon, 1997). The focus of the rational theories is on technical understanding where there is little controversy over the ends to be achieved; the objectives are assumed to be clear. Actors approach decision making in this model with a clear objective, regardless of the complexity of the problem. In a rational model, the actors search out alternatives and evaluate each of the alternatives in an effort to produce the greatest value in the selection of a solution. The final choice in this model produces maximization of the value. Simon (1947) introduced the concept of “bounded rationality”, acknowledging that managers operate with a limited set of alternatives and facts in spite of the unlimited potential scope of alternatives. Simon argued that the depiction of an economic model of decision making was not applicable to an administrative perspective; the potential alternatives were too numerous to know, and not necessarily applicable to a decision. Acknowledging that value optimization presents an overly complex task for managers, Simon contemplated “satisficing” as a model used to evaluate decision options. Satisficing recognizes the need to simplify the world and “treat situations as only loosely connected with each other” (Simon, 1997, p. 119). Satisficing provides a model that

accounts for the need to simplify a decision method and act without examining every alternative and relative value. Simon's construction of bounded rationality also addresses the behavior of individuals who advance their own goals, even when those goals are in conflict with the organizations goals. This conception of rational behavior encompasses individual actions to strive for personal power and acknowledges that it is not irrational for individuals to pursue their own goals (Simon, 1997, 88).

Criticisms of the rational model center on the problems of complexity. Even in accepting a bounded set of alternatives for consideration, the completeness of information required prohibits practical application of pure value optimization. It is impossible to weigh, or even to know, all of the alternatives available for a multi-faceted decision. Gathering, sorting and analyzing information regarding the options available for a specific problem, and the analytical tools required to weight their relative benefits would consume more resources than a sub-optimized process (Lindblom, 1959). Lindblom argued that administrators take small steps forward based on experience with controversies in the past and the known consequences of previous actions. While still seeking to describe a process of decision making that assumed efficiency as the goal, Lindblom concluded that decision making proceeds without the benefit of a theoretical frame explaining why it will be successful.

Many conceptual models evolved from Simon's initial elaboration of bounded rationality. Charles Lindblom (1959) elaborated a model of "successive limited comparisons" which he referred to as "muddling through." According to Lindblom, each small step forward in a decision-making process provides new experience to draw from in moving the next incremental step forward. In this conception of decision

making, Lindblom argues that rather than decision making being “rooted” in a clear objective, a more realistic characterization of decision making is that managers build upon previous decisions, working down the “branch” of a problem. This characterization, while criticized for sub-optimizing, is described as a realistic method to use in viewing a manager’s alternatives. Rather than assuming managers would even attempt a rational-comprehensive approach to problem definition, Lindblom describes decision making and policy creation as a process of ends and means integration. Managers evaluate only marginal preferences and differences between alternatives as they proceed through the model.

The “muddling through” version of decision making accounts for policy creation and evaluation as a single step; in other words, the evaluation of policy is directly related to whether or not agreement can be reached regarding what policy to adopt. In the model of “successive limited comparisons,” managers may not agree on the goal of the policy; they may not even agree on the means to reach an effective policy goal, but if they can reach agreement on the policy regardless of the outcome, then the policy is effective. There are no winners and losers in this model of decision making; as long as agreement is reached on a policy action, the policy decision is correct. The Lindblom model also introduces the concept of an on-going decision process. Decisions continue to build on past decisions, and no policy is ever final. The continued, successive comparison of alternatives redefines the problem, and therefore informs the next set of successive comparison of policy alternatives.

Building on bounded rationality, the descriptions of incrementalism and branch theory introduced by Lindblom brought to light the existence of conflicting values in

organizations. Public policy implementation by administrators requires selection of both objectives and alternatives. The existence of multiple objectives and values further complicates policy implementation for administrators who must decide how to proceed without the benefit of agreement on, or the clarification of, the policy objectives. In order to move forward from this quagmire created by lack of consensus, the administrator is forced to look on the margins for differences among alternatives when implementing policy, "...it is necessary only to study those respects in which the proposed alternative and its consequences differ from the status quo," (Lindblom, 1959, p. 84). It is not argued that muddling through produces better decisions or results, but it is proposed as a realistic, if somewhat disheartening, description of the decision- making process faced by administrators with conflicting objectives and values.

Business decision making, unlike governmental decision making, is still frequently described as a rational process that evolves from the optimization of value within a firm. When attributed to business decision making, the rational model is often characterized by descriptions of "efficiency" and "effectiveness" (Pfeffer, 1981). A rational model assumes the clear identification of a problem, the creation of alternatives which are evaluated in the context of value optimization, and the resultant decision which is operationalized and evaluated from the perspective of value creation. Clarity of objectives and consensus on the value to be gained are assumed first and foremost in a corporate setting. Alternatively, a variation on this model is used to evaluate decisions when the absolute value of alternatives is not clear. In order to weigh unknown outcomes, cost-benefit analysis is employed, and differs somewhat in the hierarchy of decision models. Applying a value to non-action allows for a methodology to adopt a

measure of the consequences for not proceeding with a specific action. Governments have embraced this variation in an attempt to provide a value for proceeding with long-term, high investment decisions, like bridge repair. The cost of not repairing a bridge can be measured by the potential loss of commerce, or life, in the event of bridge collapse. The cost of proceeding with bridge repair may be difficult to rationalize in a cost-constrained government, so the cost of non-action is added to the evaluation. In cost-benefit analysis the positive and negative consequences are weighted and weighed to conclude if the benefits outweigh the costs. Cost-benefit analysis originated with Jules Dupuit in 1848, and it is used when alternatives are those that can be measured quantitatively. Private firms might reject this model, favoring Return on Investment (ROI) measures over net benefit measures. Intangibles are difficult to incorporate in this framework, so when government bodies attempt to use this model, risk assignments have to be added. The cost or intangible effect of a bridge failure might be calculated to account for loss of life, or economic impact if commuters and industry are unable to conduct business. The partial or total failure of a project or policy is assigned a value to weigh along with the costs of the project.

Governmental Politics and Power models

Political decision-making models ascribe the lack of rationality in organizational decision making to the dynamics of the social interaction; individuals have competing individual interests and biases that come from their position in the organization (Allison, 1971). The resolution of the conflicts between individuals is captured in these political models. The decision to act or not is influenced by the most powerful people acting within the process. Power brought by coalitions of actors that are either internal or

external to the organization may result in unlikely partners who come together around a decision and then disband.

John Kingdon (1995) delineates a governmental politics model describing three families of processes in government agenda setting: problems, politics, and policies (87). The conception of a policy streams model emanates from the argument that the decision process is influenced by problems that rise to the decision-making agenda, solutions seeking problems, and actors with motivation to act around a single policy question. Kingdon asserts that people identify problems; policy changes are proposed; and then actors in the process engage in a variety of political activities, from election campaigns to pressure group lobbying, to influence policy decisions. In Kingdon's model, the biggest policy changes come about when the three streams of agenda setting, which develop independently of each other, come together. Kingdon (1984) labels the confluence of the streams "policy windows". These policy windows provide policy entrepreneurs with the opportunity to advocate a solution, and provide a motivated climate for change that can be effectively used if a hot problem is identified. This model of decision making attributes optimal and sub-optimal results to the confluence of semi-random events: policy-making opportunities emerge from problems and solutions meeting at the right time, when actors in the process see the opportunity to affect a solution. The confluence of streams created by problem identification, proposed solutions, and advocacy lead to agenda setting for decision making, a window of time in which things can be accomplished.

Government politics models also build on Simon's (1947) conception of bounded rationality to explain otherwise inexplicable behaviors:

“When we speak of people behaving irrationally what we generally mean is that their goals are not our goals, or that they are acting on the basis of invalid or incomplete information, or that they are ignoring future consequences of their actions or that their emotions are clouding their judgments or focusing their attention on momentary objectives. We do not often mean that their action is so apparently random as to be inexplicable...” (Simon, 1997, 88).

These inexplicable behaviors may indeed be rational. Governmental politics models including David Mayhew’s (1974) extend the concept of bounded rationality to political actors: specifically the idea that members of Congress are rational actors in a decision framework in which the clear objective is re-election. Decision making conceived of in social science research adopts the perspective that rational decisions are those that can be explained within an organizational context. Mayhew (1974) describes seemingly irrational behavior by elected officials to be quite understandable if the problem statement is also clear: getting re-elected. Viewed from this perspective, decision-making behavior can explain what otherwise might be perceived as counter-intuitive decisions by political parties and candidates. Mayhew does not attempt to explain away the complexity of the decision-making process, but rather attempts to simplify the lens through which it is viewed. Rather than make assumptions about bureaucratic problems resulting from sub-optimal decisions, the model seeks to explain sub-optimal outcomes as the result of rational trade-offs to support the actors desire to retain elected office.

This model, although criticized for being too narrow, underscores the value of credit-claiming, advertising, and position-taking as rational decisions for those seeking re-election. Credit-claiming, advertising, and position-taking are all methods of ensuring positive perceptions and recognition for those in office as the actions taken by the elected officials are enjoined with policy development and creation. The elected officials seek to

have positive attribution for successes in policy decisions, regardless of the empirical outcomes from a policy. If the elected representatives work to “claim a win” even when they suffer a legislative loss, positive advertising can be accrued to the representative. The ability to have attributes of the policy associated with the position taken is important in this conception of policy making. The model explains the advantages representatives gain when they are able to trade positions on multiple policies in order to gain the upper hand or better position for another issue. While one policy position may seem inconsistent with the long term public statements of the elected official, trading positions on multiple issues may advance the long-term needs for re-election.

Deborah Stone (2004) builds on the concept of rational decision making by political actors, further framing the decision-making process model by focusing on the first stage of decision: problem definition. The governmental politics model, described by Allison (1999), offers a lens on decision-making outcomes as the “...resultant of bargaining games among players...” (p. 6). Events evaluated in this model are explained in the context of which roles of government actors influenced what decisions and why. Stone (2002) argues that the government decision process is indeed rational, but that multiple actors and goals compete to influence the policy outcomes of these competing determinates in a decision process model. In her model, goals evolve and alternatives and solutions shift based on boundaries definitions that continue to shift. According to Stone, the boundaries of each stage of decision making change because “...they are ambiguous and do not settle conflicts, or because they allocate benefits and burdens to the people on either side (of the contested policy area), or both” (p. 13). Stone defines a model for the problem definition stage in decision making (p. 256) which accounts for

differences in views of rational actors in framing decisions. The model adopts the perspective that government actors are rational, but that the information and goals (like re-election) that face government actors cause different rational actions than in the private sector. This model accounts for the intervention of actors not directly involved in a policy area who might perceive that the need for influence or power requires their intervention. The governmental politics literature also challenges the explanatory power of the state as a unitary actor, or a rational actor, which collectively hold the power and authority to make policy decisions. (Jones, 2007) This approach contends that external and internal power and sub-issues influence the outcome of policy decisions in such a way that actors directly involved cannot be held accountable for sub-optimal outcomes. Critics of the governmental politics approach raise concern over the issue of responsibility. If decision-making power is diffused, and multiple actors have responsibility, is anyone really responsible?

Stone defines the evolving boundaries of problem definition and evaluating alternative solutions as the result of work by competing interests to influence the definitions and actions of public sector actors. Stone's framework defines a "polis model" to explain decision making, where the polis framework addresses the community rather than individual as the unit of analysis (53). The model accounts for collective action by interested parties to influence public decision making in the public interest. Different coalitions of interested parties work to define the problem; defining the problem in both the conversation about policy and in terms of the action expected from any policy action. Defining the framework of analysis as collective action, Stone focuses on the messy and sometimes contentious efforts by stakeholders to influence the governmental

actors in a decision process. The actors external to government organizations, such as corporate and citizen advocates, influence decision making by the ensuring problems are framed from their perspective. Stone's model expands the concepts introduced by Mayhew by accounting for the actors in governmental and special interest coalitions that define the parameters of the policy decision process. The interaction of public and private sector interests is influenced by the motivation and goals of actors, and continually evolves. Like Lindbloom, Stone describes an evolving decision process in which the problem definition changes with each step of the evaluation of alternatives and compromise with other actors in the decision.

Decision-making literature also treats the political component of decision models as descriptive of dysfunctional actions, attributing the elements of coalition building, power trading and conflict as examples of a broken process. This criticism assumes that organizations can diffuse the impact of competing interests by individuals and sub-units through use of improved management techniques. Team building and goal clarity, conflict resolution, and the use of a devil's advocate role are suggested mechanisms to counteract the dysfunctional elements of the process. However, as Stone points out, the assumption of a market versus a polis model ignores the community involvement and interaction which is present in all but the most individual decisions (33).

Garbage Can Model

The Garbage Can Model of decision making has been described as organizational anarchy (March, Cohen and Olsen, 1972). In this model, the decision-making process model assumes ambiguity in the roles of actors and even the purpose of the organization. The model defines evolving and shifting roles and purpose in organizations results based

on four different components of the decision: problems, solutions, participants, and choice opportunities. The Garbage Can Model, unlike other models, describes the components not as a unified process, but rather as independent stages or events from which “the garbage” emerges. The garbage can eventually supports the emergence of a decision process, if problems and solutions marry by chance or due to deadlines. Actors in this model are part of the decision process by choice or because they are available at the moment that a decision is made. University decision making is often characterized by this model, where faculty and administration may not agree on problem identification, nor does the decision process necessarily start with problem identification. In a university setting, researchers might have solutions that are part of research discovery, and then used to identify problems that might be solved. March, et al. (1972) developed the model in explanation of “ambiguous behavior” within an “organized anarchy”. The studies supporting the model seeks to explain choices that take place when consistent, shared goals do not exist, and when “occasional members become active” in organizational decision making (March, et al., 1972, 1-2).

Central to the Garbage Can Model is the conception of problems, solutions, actors, and choice opportunities as separate and individual elements rather than the elements combined in a single process. In this model, problems may require attention, and are generated not only by internal issues of the organization, but also externally by individuals who are not members of the organization. The generation of solutions continues independently of the problem sphere; solutions are created regardless of the applicability of the answer they provide. Solutions can be adopted from the garbage can because they look interesting, or because they are attractive, creative ideas in need of a

problem. The role of actors in this model of choice varies depending on participants' attention to a problem or solution as well as the available time of the actors. Rather than defining decision-making roles by type of decision, the model assumes variability in decision-making participation. The engagement of actors can vary dependent on their energy, attention, and time available. In contrast to the streams models, the Garbage Can Model does not include windows of confluence of these separate elements; rather, the elements come together by chance, in random fashion. Criticisms of this model point out the limited applicability of the framework and its explanatory value. Eisenhardt and Zaracki (1992) point out that research using the model is often limited to university settings. The research indicates that the Garbage Can Model is most applicable in describing a decision-making process when a deadline is looming. Use of the model is helpful when looking at decisions that have constrained values in timing after a long period of consideration. The Garbage Can Model describes how and what information informs an action taken after an issue appears to have been considered over a long period of time. Proponents argue that the model is better suited to explaining varied outcomes than the rational or political models.

Dynamic Decision Making

The final model of decision making considered in this literature review takes into account the dynamic nature of human behavior in organizational systems. Dynamic decision making is concerned with models for controlling systems over time rather than analyzing information required for a specific decision (Edwards, 1962; Sterman, 1989; Busemeyer, 2001). Building on previous theory and models, dynamic decision making seeks to explain different outcomes from decision making in a repeating process. The success or failure of actors to use information in complex decision-making process drives

the investigation into suboptimal outcomes. While some of the organizational decision-making models described above have been adapted to take into account the iterative processes of generating and evaluating alternatives in decision making, they do not take into account the parallel and interdependent decisions that occur in an organizational model. Beyond describing the problem definition and the evaluation of options, the dynamic decision model attempt to account for the activities, information, and simultaneous decisions that may be occurring external to the model. Actors and information external to the model influence the outcomes, from decisions of actors internal to the decision making process model.

Brehmer (1992) and Sterman (1994) proposed that discrepancies in performance within a decision-making process model can be the result of an actor's "misconception of the dynamic model" (Busemeyer, 2001, 3905). Actors able to detect and respond to delayed feedback achieved better results than subjects in the studies who were unable to discern the effect of the nonlinear system. A non-linear process requires adaptability and experience on the part of the participants in order to achieve optimal results; the ability to recognize lag times in decisions was critical to optimal outcomes (Sterman 1994; Busemeyer, 2001).

Research regarding the ability of actors to use external and non-linear information indicates that ability and understanding of the process influence the timing and outcome of a decision (Busemeyer, 2001). That research compliments work of scholars in public policy working to acknowledge the value and importance of external systems influence on government actions. In the governmental politics model, the role of external actors is acknowledged, describing the influence on goal setting (Stone, 2002). In contrast,

dynamic decision-making research focuses on the internal process used to resolve the problem. Dynamic decision making has its roots in operational research, which in turn is grounded in behavioral research of individuals, a product of rational decision making (Simon, 1947; Busemeyer, 2001). Operational research is based in scientific methods, and most often associated with manufacturing and optimization of business processes. Computer software tools support optimization techniques in the field, and management information is conceived to be systematically integrated. The systematic focus on optimization focuses research on problem identification and the resource or other constraints within the system. Dynamic decision making research seeks to understand the on-going activities that influence a decision, external factors that will change how an otherwise-static model operates.

Sterman's (1989) study of dynamic decision making provides a framework or model for analysis of decision making. The characteristics of a dynamic decision-making environment are present when:

1. Conditions of the process require a series of decisions taken over time
2. The decisions are interdependent and not linear
3. The conditions change autonomously, and as a consequence of previous decisions.

Sterman's model investigates the sub-optimal outcomes from processes in which interdependent decisions are not optimized, and hypothesizes that both communication and external factors influence these outcomes. Sterman cautioned that results suggest that the actors in the process may not benefit from simple feedback on the external actions or knowledge of external decisions. Communication is more complex in a

dynamic process, and the resistance of actors in the model to look for and use feedback can limit the optimal outcomes of a decision-making system. The dynamic model projects that knowledge of the decision-making process in which the actors are participating is most important and demonstrates the dynamic nature of the interdependent decisions. Actions taking place internal and external to the system impact the environment in which decisions are made. Sterman suggests,

“The efficacy and robustness of decision strategies lies not only in the availability of *outcome* feedback, but depends crucially on the nature of the *action* feedback between decisions and changes in the environments which condition future decisions....people’s mental models lead them away from the true source of difficulty....allowing dysfunctional performance to persist.”(338)

Bussemeyer (2001) points out that a dynamic decision-making model such as Sterman’s reflects the disconnection between the actors in a decision model and the interdependent decisions external to the model. These non-linear and interdependent decisions may iterate, occur simultaneously, or involve different actors unaware of each other’s roles. Interdependent decisions can result in a delay in feedback, causing the process to be disrupted by a lack of knowledge and a lack of awareness or acknowledgement by the actors that they are dependent on the output of an external process. What is happening external to decision-makers’ perceived accountability may not be reflected in the decision process, regardless of the communication between actors. The delay in any feedback is incongruent with the mental model all actors carry with them in the system if the actors see the interdependent actions as historical rather than simultaneous (Bussemeyer, 2001, 3905).

Studies of dynamic decision models have accounted for this interdependency and the potential lag in feedback; Bussemeyer (2001) notes that research studies found that

unless actors in the process model are able to set integrative goals and collect systematic information, the results are sub-optimized (3906). Actors who are focused on a single goal have more difficulty integrating decisions in complex decisions environments where simultaneous action may impact the outcome. In fact, when feedback on outcomes is delayed in rule-based decision making simulations, the results are worse than if feedback is readily provided (Dienes and Fahey, 1995). As articulated in Lindblom's concept of muddling through, administrators build on past experience to move down a decision branch based on the results of each previous decision. Because decision makers rely on past experience and outcomes to make decisions about current goals, any delay in feedback from previous outcomes stalls the learning process for both an individual and the organization.

Use of Decision-Making Literature to Frame Public Policy Questions

The use of decision making models provides not only a framework for empirical research, but also creates the opportunity for theory building, as Lindblom suggested. In his seminal work on the Cuban Missile Crisis, Graham Allison (1994) reviewed the foreign policy actions of the government from three different frames of reference, each with the assumption of a different model of decision making in public policy implementation. The use of different perspectives, or lenses to frame and compare a single event, provides three different perspectives on *what* decisions were being made and *how* those decisions were made. The models, or lenses, through which the case study of governmental action were viewed included Model I, a rational model; Model II, an

organizational behavior model; and Model III, the government politics model. Allison used the frameworks to evaluate or explain an event in the context of three questions: What happened? Why did it happen? What will happen? Allison argues that the choice of framework for investigation of the facts will define what “logic of explanation” will be used to establish the context for the questions (Allison, 1999, 4). Establishing the context for the questions is the first step in problem definition, and the problem definition will provide the framework for communicating the objectives to be accomplished in the decision making steps. Regardless of which model is selected for evaluating decision making, the lens through which the problem is defined will inform the actors in the choice of alternatives to include or exclude in the evaluation. Allison’s Model I is classically referred to as the Rational Actor Model (RAM). The assumptions are generally consistent with the earlier discussion of rational models in that actions can be explained logically, and the organization operates as a unified entity with a common goal. Because the goal is assumed to be clearly defined in this model, and all actors are assumed to be solely focused on optimizing the value of alternatives to solving the problem, no additional factors need to be considered in how the solution will be selected.

Model II, or the Organizational Behavior Model, frames the problem statement within the perspective of a large organizational context. This model accounts for the structure of the organization and the operating principals and functions of organizations that influence how decisions and actions are framed. In contrast with Model I, Model II factors in the interaction of sub-unit behavior in large organizations and the probable issues of communication between disparate teams working on a complex problem. The third perspective Allison introduces is the Governmental Politics, Model III. This model

accounts for multiple actors with varied objectives, and seeks to understand what actors may trade and bargain for as the move to a decision or action. The model assumes that the result of decision making is a compromise reached by individuals with different agendas. The model is praised for its descriptive ability and criticized for its complexity. Critics point out that the model does not account for responsibility in bureaucratic organizations; if individual agendas dominate the process, then power is diffused and no one is really responsible for a decision (Jones, 2007).

Allison effectively used multiple models to evaluate a single event, providing different explanations to the questions who, what and why. The case study approach used by Allison is widely held to be an effective approach for reviewing decision making from multiple perspectives. In his use of three decision making models, including the Governmental Politics Model he introduced, Allison evaluated decision making from three perspectives, adding new depth to the research process of examining events and decision making.

Decision Making Theory Summary

An assessment of public administration and decision-making theory reveals the continued focus on efforts to model efficient and effective management decision making. Beginning with the classic separation of administration and politics in the literature, explanations for actions by public managers evolve around describing models that are linear and static in nature. From the early postulations of a government-politics dichotomy, aspects of public sector decision making have been characterized by the drive to achieve efficiency. Fueled by Herbert Simon and Charles Lindblom, public administration theory on decision making is characterized by a focus on understanding behavior and seeking rational explanations for outcomes. The rational model of

explanation pervades theory and research on decision making in public administration, rationality and the desire to explain actions in a rational manner dominates the definitional work on models and methods for decision making.

The evolution of multiple models to account for a dynamic process and the role of individual optimization continues to have an important impact on the analysis of specific policy and implementation decisions in public management. The introduction of various models for evaluation of decisions by scholars such as Graham Allison (1971) influenced the research design and process, encouraging the use of multiple models in case study methodology to explain events. Allison's approach to evaluating decisions from multiple perspectives expanded the methods of analysis in decision making. Different decision making models are applied to the public and private sector, and are perceived to be useful for managers and those seeking to understand management and how decisions are made.

Economic Development

Economic development refers to efforts by government entities to lure jobs to or retain jobs in their jurisdictions to supply employment and to secure a tax base. The literature in the field emanates from two perspectives; the first field of research investigates the efficacy of government intervention in the job creation process through providing financial incentives offered directly to firms to encourage the creation of jobs within a jurisdiction. Financial incentives may take the form of cash payments, tax credits, low or zero-interest loans, and other government aid. Research on these programs results in mixed evaluation of effectiveness, and some disparity in the variables used to measure success. A second branch of research in the field of economic development public policy contends that direct government intervention with a firm has

minimal, if any, impact on business decisions about where to create jobs. This research explores government interventions – or investments – that focus on creating long-term opportunities for business growth generally or improvements in the climate for business development.

Following a brief historical view of the field and research, this section of the literature review begins with a overview of the economic development field and will describe the evolution of economic development financial incentives to support job creation. The review then proceeds with an overview of the research relevant to understanding how businesses make site location decisions, and concludes with a review of the major frameworks characterized by the literature to define the factors that influence site location decisions.

Historical perspective

Since the Great Depression, the vigorous pursuit of new jobs through economic development programs has become a prominent element of popular public policy (Goss & Phillips, 1997; Hall, 2007). Frequently, this public intervention in job creation activity takes the form of tax credits or financial incentives for specific firms; the incentives are offered by government jurisdictions during the process of site location evaluations. Site location decisions can result from the need to expand an existing business or function, or decisions can be the selection of a site for a new facility or business. The practice of using tax-related incentives has its roots as far back as colonial times, when incentives were first used by states to attract companies and jobs to their cities and regions (Eisinger, 1988; Taylor 1994). The first tax incentives may even have been offered in the Garden State, when Alexander Hamilton received tax incentives as an inducement to build a new factory in 1791 (Buss, 2001, 91). From the inception of the use of

incentives, enthusiasm for creating jobs and for the potential to create a revenue base for local taxation created a competitive atmosphere among neighboring states. States began to adopt legislation and programs to compete with one another in attracting an industrial base of firms and jobs. It is now common for government bodies to use financial incentives and the programs are pervasive in the global market. All fifty states now offer at least one incentive program to lure jobs, and over half of the states offer what are considered the fifteen most common tax incentives (Chi & Leatherby, 1997). The portfolio of tax incentives now offered by states range from income tax credits to corporate tax rebates and sales tax credits. In addition, municipal authorities frequently complement state level inducements with additional municipal abatements, adding a level of local competition for jobs within a region. States and municipalities perceive competition for jobs as necessary to building economic prosperity; without jobs there is little hope for increased incomes or attraction and retention of a population. And although economic development strategies are more varied than simply financial incentives, the use of tax incentives to lure companies and new jobs pervades the economic development strategies of most states (Bowman, 1988; Hanson, 1993; Buss, 2001).

The past several decades have been marked by the globalization of the economy, that is the participation by firms in labor and capital markets worldwide. This expansion of economic activity escalated development activities by governments as competition for jobs began to reach across country borders. Companies pursuing new markets and potential customers have expanded their business development outreach beyond a single country's borders. Concurrently, globalization has opened markets for both labor and

capital to find higher returns. The impact of competition for new markets and higher returns on capital resources in a global economy creates further urgency to employ an array of economic development tools. Likewise, competition leads to expansion of global economic development practices and models, resulting in creation and expansion of agencies and instruments to implement policy decisions designed to create jobs and improve the quality of life (Wolman & Spitzley, 1996). When economic activity slows nationally in the US, capital is more mobile and international in scope, with firms seeking the highest returns. The flow of capital creates a new imperative for public officials to address, particularly as national economic growth has slowed. Slowing economic growth results in fewer jobs being created, which in turn create further impetus for local government officials to address declining job creation, or even the need to prevent job loss. In particular, the decline in traditional manufacturing employment in the United States leads officials to respond to concerns for creation of new employment options as well as the need for new sources of public revenues. (Blair, Fichtenbaum and Swaney, 1984; Judd and Parkinson, 1990; Wolman and Spitzley, 1996)

A review of public decision making in the realm of economic development emphasizes the importance of understanding the established goals related to the activities undertaken by officials. Three goals of economic development policy are cited in the literature: job creation for residents, increasing tax revenues, and increasing incomes for residents. Some researchers argue that the increased focus by government officials on improving employment opportunities for residents is a response to the need for local economies to regenerate (Judd & Parkinson, 1990). That research supports the idea that rather than simply seeking new tax revenues, the public officials are seeking jobs for

residents. These government officials seek an increase in employment opportunities for residents, who are importantly, the voters. Creating employment opportunities for residents is based on the idea of a “market for jobs,” where the research indicates that there is a requirement for jurisdictions to “purchase jobs for their current or future residents,” (Blair, Fictenbaum, & Swaney, 1984, 64).

The second goal defined in the research is quite different, the desire of public officials to address the needs for public revenues. A decision to create or use a development tool may be driven by the need to balance the tax revenue needs created by service demands on government, and not related to job creation and income distribution (Pagano and Bowman, 1995, pp. 25-6; Wolman & Spitzley, 1996). If the rate of service demands increases faster than revenues, jurisdictions may seek to attract tax-paying firms, or the jobs that produce income tax and sales tax opportunities. In New Jersey, municipal officials look to commercial and industrial real estate for property tax revenues. These commercial revenues are believed to bring little cost to a municipality that already supports sewer, roads and safety; and the new revenues are expected to offset the state’s high property tax rates. The relatively high assessed value of the commercial real estate with perceived low need for services creates a local competition for ratables (NJ Future, 2008).

In addition to the objectives of growing the number of jobs or increasing tax revenues, a third noted objective of regional economic development activity includes the desire to increase incomes, and as Wolman (1988) points out, these objectives of increased employment, increased salaries, and increased taxes are not mutually exclusive; however, they are not necessarily related either, because each objective can be

accomplished without the other two. Wolman later concludes, "...the political response to local economic development policies—as well as evaluation of the activity—may rest critically on which of these outcomes is expected and the extent to which such expectations are fulfilled," (1996, 124).

The symbolic content of economic development activities has an electoral dimension. Job creation for residents has value to elected officials who can claim credit for improving the welfare of citizens. In addition, elected officials can avoid blame if they demonstrate that every effort has been made to retain jobs in a jurisdiction, or if the jurisdiction can demonstrate that every effort has been made to attract jobs (Wolman, 1988; Rubin, 1988; Wolkoff, 1992). Feiock and Clingermayer (1986) observe that:

"Whether a development actually provides tangible benefits is, perhaps, relatively unimportant. What is important is that the use of these policies provides politicians with something for which they can claim credit...acting so as to generate a belief in a relevant political actor (or actors) that one is personally responsible for causing the government, or some unit thereof, to do something that the actor (or actors) considers desirable...in city government, a council member or mayor may, for example, claim credit through the use of particularized benefits by luring a new plant to the city or by sponsoring new incentives for business investment. This kind of explanation has the advantage of accounting both for the popularity of development policies in both hard pressed and well-off cities and for their use even when their benefits are unclear." (pp. 212-13)

The blame avoidance motivation is underscored by the fear of doing nothing while a firm elects to relocate or grow in another community, and government officials risk being perceived as standing by without doing anything (Wolman & Spitzley, 1996). While elected officials are motivated by the fear and blame avoidance for non-action, there are also potential political costs for involvement if government officials are perceived as being too generous, or for not having acted aggressively enough to attract or

retain a firm selecting a different geographic location (Noto, 1991; Wolman & Spitzley, 1996).

Electoral prospects and the financing of public services at desired levels with reasonable tax levels motivate politicians to be involved in economic development policy. Economic development activity provides visible response to deteriorating job prospects, urban renewal, or fiscal distress in a geographic area. As Wolman (1992) points out, “The uncertain ties between action and result also provide opportunity for credit-claiming—that is, taking credit for any desirable event and claiming that it resulted from local economic development activity.” Wolman and Spitzley (1996) underscore this finding with elected officials support for economic development activity,

“...can be shown to be rational for policymakers even though such activity may be fiscally costly and have a relatively low probability of working. However, a rational outcome from the point of view of the decision maker does not necessarily imply a rational process.” (p. 146)

Tax incentives

The most pervasive economic development tools used by government agencies are financial or tax incentives. According to Coenen and Hellerstien (1996),

“Tax incentives are the entire class of direct and indirect government subsidies to business that are not inherently part of a generally accepted tax structure, including but not limited to property tax abatements, tax exemptions, low interest loans, free real estate, firm-specific infrastructure, and firm-specific job training.” (p 793)

In contrast to the “traditional job market” where labor is sought by individuals and firms, the national economy has migrated towards a “market for jobs”; state and municipal entities compete to “purchase jobs” (Blair, Fictenbaum, and Swaney, 1984, 64). And while governments prefer to label economic development activities as investments, the

research frequently labels the escalating competition for jobs as a suspect policy move, because there are conflicting measures of the return on investment. Whether financial incentives to lure jobs to a region take the form of tax expenditures or the forfeiting of future tax revenues, the results reports are controversial. The controversy over efficacy is a bit surprising, since the rise of economic development agencies and programs in government jurisdictions creates a plethora of samples for evaluating program effectiveness. However, because tax credits and financial incentives subsidies are actually paid to those firms that actually create new jobs in a location, there are few reports of when incentives are unsuccessful or why. There are even fewer reports on economic incentives that “go bad.” For example, Pfizer recently announced plans to close an office complex in Connecticut, a location for which the firm had received hundreds of millions of dollars in tax abatements when it was built less than ten years ago. While the loss of jobs was reported in the *New York Times* (November, 14, 2009), it is unlikely to be included in Connecticut’s jobs reports. Successful economic incentives are the only incentives that government agencies need to discuss. If an economic development incentive is offered and does not provide results, there are no real costs to report because incentives have a cost only if a firm accepts them. Firms that elect to leave a jurisdiction or to take incentives from competing jurisdictions do not show up in the “job attraction” reports. In the state of New Jersey, the complexity of employment reporting prevents any joint reporting on job loss versus job creation; no net job creation or loss number is available.

When policies produce short term results that can be waved as successful endeavors, the executive and legislative branches of government can trumpet a policy

victory and move on to other problems. Any short term results that can be reported receive attention and publicity as public officials and political office holders use the short term macro data to explain their successful programs (Burnier, 1992; Snow 1999). States view tax incentives as “free money” to citizens because in most cases they only represent “foregone” revenue rather than tax paid out (Buss, 2001). These types of tax incentives are designed to “reward” firms for creating jobs within a tax jurisdiction. Rather than treating the new jobs as new revenue sources, the jurisdiction provides a rebate on new taxes. By offering a rebate on new taxes, government officials perceive that the cost of the incentive is nil to the taxpayers. States that produce tax budgets do report this type of tax incentive (see Texas), but most states do not produce tax expenditure budgets.

Local or municipally offered incentives are often related to property tax abatements. Property tax abatements are legal agreements, often very complex, and structured within a municipality to provide lower property tax payments to a firm in return for job creation or site development. Although the legal constraints under which property abatements are offered may be governed by a state, as they are in New Jersey, the decision to offer an incentive and the administration of the abatement are typically local. For example, state level constraints in New Jersey dictate the length of time abatements can be in place and the rate at which taxes can be abated generally. Researchers have been critical of the abatement process, which is not considered to be transparent or understood by citizens. The decision to offer tax abatements is not always perceived as a policy trade off by local officials, because a firm that accepts tax abatements has decided to move or retain jobs in the municipality. If the firm does not keep or move jobs into the jurisdiction, the “cost” of the tax abatement is not incurred by

the jurisdiction. As noted earlier, tax incentives and abatements can be perceived as “free money” in that they are only offered if a firm agrees to move to the local jurisdiction.

However, the benefits expected from the location of new jobs in the municipality may be offset if citizens in the municipality will not be offered the jobs, or if the combination of incentives offered is not evaluated relative to the incoming tax base. Because the decision-making processes by municipalities to offer financial incentives are the least transparent, Bartick (2005) suggests that,

“...incentive reform should focus on improving the local decision-making process for incentives. Local decisions about incentives will be improved by a more democratic process with full information, a budget constraint on incentives, better benefit-cost analysis, incentive designs that target new business activity that brings social benefits, and performance measurement requirements.” (p. 140)

Researchers continue to point to the need to define variables that measure the effectiveness of incentives and abatements relative to the intended goals of offering them (Bartick, 1991, Buss, 2001). When jurisdictions are competing for jobs from a specific firm, the competition can be skewed by the down-side risk of losing jobs rather than an appreciation of the long-term economic strategy. As a result of analyzing survey results over a number of years, Blair and Premus (1987) point out that financial incentives rarely are the deciding factor in the selection of a region or area when a decision for jobs is being competed, “There is little evidence that a region or community can attract industry from other regions by offering locational subsidies since comparable bundles of industrial incentives are now available in most states and regions” (84).

Conflicting Results from the Research

The economic development research suggests that government bodies continue to offer financial and tax incentives to companies despite lack of evidence that these

incentives have an impact on location decisions, and that governments should investigate alternative methods for improving their economic position. Tax incentives and tax abatements may be overused and only minimally helpful (Bartick, 1991; Taylor, 1994). There is evidence in the research that few firms actually relocate their businesses from one region to another; far more firms elect to expand their businesses than relocate them. The capital and operational costs associated with relocating an existing facility are prohibitive, limiting a firm's real options to leave a region. When firms pursue relocation within a region, the primary motivation is cost reduction in lease or real estate expenses. These relocations within a region typically require the firm to keep the new site within a geographic range limited by a commutable distance for existing employees. Based on this knowledge, governments might be expected to confer before offering incentives to ensure that they are not bidding against each other unnecessarily: a firm searching for a lower cost location within a limited radius of its existing site has limited options. Government tax incentives to further reduce lease costs in a particular building may only aid the land owners, because the relocation of employees or creation of new positions is not being contemplated, only cost reductions which can come from the existing landlord or a new landlord.

Economic development professionals in the public sector express frustration at being "held hostage" by businesses for tax incentives, yet few would choose to operate without them. Notably, New York City, under Mayor Michael Bloomberg, has taken one of the strongest positions against offering customized tax incentives to specific firms. The city has had success and failure as it competes for jobs with regional powerhouses

like Jersey City and Stamford, but throughout the past decade, New York City job growth has far exceeded that of New Jersey or Connecticut (Hughes and Seneca, 2007).

Rachel Weber (2000) proposes that other perspectives may explain why government incentives do not work. Using a legal-institutional approach to understanding why government incentives do not work, Weber argues that the value of incentives is not a large enough percentage of overall costs to warrant influence on a location decision. It may be that the cost structure of a corporation simply cannot be modified by government financial incentives.

Weber reviews the institutional structure of private sector firms and concludes that the accountability of the firm is to its shareholders. Shareholders invest in firms with the expectation of returns. Governments cannot work with corporations on job creation objectives because corporations are appropriately structured to serve the interests of their shareholders, not the citizens of a jurisdiction (Weber, 2000, 119). If the goal of economic development is the creation of jobs for residents, or the increase of taxes or incomes in a jurisdiction, then the program is not congruent with the firm's goals. The firms' decision to locate jobs will be driven by the need to improve returns to the firm's owners. The public sector's bargaining power with a private firm is limited by the minimal impact of a financial or tax incentive on the shareholder value to the corporation; and shareholders have legally binding agreements with the firms. Corporate managers' legal accountability to the shareholders prevents decision-making influence by public sector policies unless they far outweigh the business decision criteria.

Major frameworks for evaluating factors that influence site location decisions

Research in the private sector on site location decisions centers on the factors used in site location decision making (Schmenner, 1982; Blair and Premus, 1987; Eisinger, 1988). These factors are described as the inputs to the production of products or services by businesses. Categorization of the factors provides insight for businesses as well as public officials evaluating ways to influence location choices. The location decision factors fall into four broad categories: processing costs; access to and costs of primary inputs for labor, land, energy and capital; market access and costs; and contextual elements, including services, amenities, and geography (Eisinger, 1988, p. 205). Eisinger (1988) argues that tax incentives, tax policy and revenue bonds and other incentives offered by governments to businesses during site locations decisions are efforts to establish a “comparative cost advantage,” (201). Cost advantages can be established by understanding the factors that influence a site location decision, and ensuring competitive assets in a geographic region, or by using government taxes and cost offsets to reduce the perceived cost of doing business in the region. Site location decision literature provides a number of frameworks for evaluating factors that influence site location decisions and the potential comparative cost advantages in different regions, as in Eisinger’s summary.

While there are common elements in the list of factors defined by economic development literature, there are also discrepancies. The differences in the frameworks can be explained by the types of firms that participate in the studies, the regional or geographic differences in the studies, and the timing of the studies. Industry differences matter in site selection because firms select sites based on a set of criteria required for the

performance of the firm. These performance criteria might be low energy and labor costs for a factory, or high educational attainment in the workforce for a professional services firm. Twenty years ago, decisions regarding the energy industry might have been driven only by access to raw materials, while in today's energy markets, access to markets and investment dollars for new energy technologies is equally important. Understanding the factors firms consider when making a location decision can be critically important to government jurisdictions seeking to increase jobs, incomes, or tax revenues.

Eisinger (1988) points to the two primary approaches considered by state and local entities in attracting firms; he labels them supply and demand models. In the supply side model states, like those in the northeast, were forced to compete with lower cost regions like those in the southwest where production expenses for labor and land were more attractive. Incentives were developed and used to offset the cost imbalances individual firms might consider in the site decision process. Northern states sought to offer greater incentives to specific firms as decisions were being made in order to sway the outcome, despite evidence that the imbalance in operating costs could be attributed to larger issues of labor and tax policy. Over time, the attractiveness of some states over others led to the evaluation of policies that address the demand models of job creation and economic development. In the demand model perspective, states evaluate growth markets, markets that are emerging as future engines for job creation and opportunity, and develop plans to attract those industries to the region (Eisinger, 1988). In this model, Eisinger points out that states must focus on their ability to attract these new businesses to a region by emphasizing the local resources and their competitive nature. For example, in New Jersey, companies that develop and manufacture solar energy

products are targeted to create jobs in the state. The compelling argument for New Jersey's attractiveness is the size of the market for solar technology in the state; New Jersey is the second largest market for solar energy products in the country. In this model, the comparative cost advantage for New Jersey is the access to markets for solar products. Rather than relying on firm-specific incentives to offset supply cost differences, demand-side economic development seeks to satisfy the requirements of a business input needs.

Given the conflicting results reported in economic development research, quantitative studies have been undertaken to better understand how businesses make site location decisions, and what factors influence those decisions. Quantitative studies have taken to primary methods, econometric modeling, and survey research. Survey research is used to query firms regarding what factors influence their site location decisions. Surveys are typically mailed to firms within a region or within specific industries. The second method, econometric modeling, takes into account variables identified in the research and attempts to forecast future job growth based on those variables, or to attribute job creation decisions to factors in the econometric models. These two methods have produced a number of frameworks for evaluating data over a period of time. To draw generalizations about changes from impacts of globalization and the evolving industrial landscape, Blair and Premus (1987) present a review of studies and surveys of the factors that influence a business location decision. The research was designed to inform economic policy, providing more detailed insight to how factors influence site location decision making. The research findings conclude that traditional factors of influence are still important—that is the costs of production dominate decision making;

however, new factors beyond input costs emerged in importance. According to the research, the impacts of labor productivity, education, taxes, and business climate increased in importance in site selection.

The synthesis of findings from Blair and Premus (1987) included survey and econometric modeling data. The research expanded the existing list of factors that influence industrial location sites, and noted the emergence of nontraditional factors in site selection decisions as advanced technologies emerged in importance to the economy. In the work, Blair and Premus found little empirical support for financial incentives to impact site decisions. However, the compilation of data confirmed that a number of nontraditional factors such as quality of life and tax policy were emergent in public policy importance.

The analysis by Blair and Premus (1987) also highlighted an important finding regarding decision timing. The researchers point out that site location decisions take place over a period of time, and as a result, the importance of a factor in the decision changes over time as well. For example, workforce quality and availability typically drive the initial stages of site selection. Once a region is selected, the workforce attributes are somewhat fixed, that is the workforce in the region selected has common characteristics. As the next step of site selection proceeds, the importance of workforce attributes is limited as other factors, perhaps the cost of living or access to roads, becomes more important for the next stage of the decision. The research on the timing of decision making in site selection highlights the limitations of survey research in understanding the factors that drive site selection. Surveys record criteria at a point in time, and are difficult to use in evaluating different factors relevance in each stage of

decision making. A survey completed by a company typically takes place post-decision.

If an executive ranks a factor as important, and the decision is at its earliest stages, the

factors differentiating regional strengths will matter most. If, on the other hand, the

decision is in its final stages, the local tax incentives may be the most important factor.

Blair and Premus (1987) found:

“The important locational factors differ between the first stage when firms are seeking a general region in which to locate and the second, more geographically focused stage. In selecting a broad region, the site selection team will focus on labor, state tax variable, climate, proximity to markets, and other features that may have significant interregional variation, but are similar almost everywhere within the regions.” (75)

Table 2.1 builds on Eisinger’s (1988) study of factors that influence business location decisions, (p. 205) and the research of economic development scholars Blair and Premus, (1987); it reflects a summary of the two frameworks for evaluating the factors of importance in site location decision making and highlights the similarities across factors from the two studies.

Table 2.1: Frameworks for evaluating site selection decisions

Factor	Blair & Premus 1987	Eisinger 1988
Quality of Workforce	x	x
Availability of Workforce	x	x
Cost of Workforce	x	x
Amount and Type of Taxes	x	x
Access to Markets	x	x
Energy Supply & Cost	x	x
Transportation & Costs	x	x
Infrastructure	x	x
Politics	x	x
Cost of Housing & Living	x	
Quality of Life	x	
Availability of Space		x
Government Regulation		x

The factors noted above emerge from the comparisons of data evaluated in multiple research reports and compiled in the two summary models. Each factor in the table can be further described with qualitative definitions that bring richness to the research, but are not discernable at this level. For example, both frameworks underscore the importance of the workforce quality and availability, and the survey data that supports the findings are also specific to the variability of that workforce requirement by industry (Blair and Premus, 1987). Some firms seek long-term supply of a highly educated workforce, while others seek a sustainable supply of low-cost workers with specific mechanical or material skills. The variables or attributes that define the factors varies in each of the research sources, and therefore are more difficult to generalize. In the comparison of the two frameworks, more similarities than disparities emerge.

The research validates assumptions that businesses make decisions based on a defined set of goals and evaluate the utility of a location to optimize the return on investment to the firm (Schmenner, 1982; Eisinger, 1988; Buss, 2001). The existing research also supports the concept that businesses approach site selection questions using analytical or rational methods in order to gain competitive advantage and to maximize value. Blair and Premus (1987) define a formal locational decision process used by large multi-national firms for industrial site selection. The process begins when a private firm describes its future capacity and functional needs. From that statement of needs and analysis, a strategic choice to expand existing facilities or open a new facility can be made (Blair and Premus, 1987, 74). This first step in site selection decision making is critical in selecting the strategy of the firm to expand or open a new location, and is not influenced by external factors other than the strategy factors: access to markets and

access to workforce. The role of public officials is not defined, and would only be apparent from the legacy of past decisions: Are there markets? Is there an available workforce? If public officials have pursued policies to educate and retain a highly skilled workforce, their past efforts may be rewarded at this early stage of decision making. If the economic climate for innovation or business development has been a policy priority, again the state may be rewarded early in the decision-making process. Only strategic issues are considered by firms in the first stage of decision making (Blair and Premus, 1987; Eisinger, 1988).

In the next step of a site selection process, site selection teams are formed, and often include site location consultants with expertise in site evaluation and data crunching to support the analytical phase of evaluating factors important to the firm. Sites are selected and eliminated in “rounds” as more detailed information is gathered and evaluated. It is not until a region or state is selected that site specific data is gathered regarding the sites. Government officials actively join the conversation at this stage to discuss issues and incentives (Blair & Premus, 1987, 74).

Clearly, the factors identified and listed all influence the decision; however, the weighting of each factor shifts as the process of narrowing down alternative sites progresses. In the research, the impact of taxes seems to enter decisions at the very last stage (Eisinger, 1988, 204; Buss, 1990; GAO, 1988; Ady, 1997). But again, the research has been contradictory; a number of research studies have found that the impact of any one factor depends on the stage of the decision-making process the search has reached Eisinger (1988) points out that in the first stage of new site selection, some cost factors are held constant by decision makers as different locations within a region are

considered. However, as the site selection process progresses and the specific region is determined, then firms have sub-regional decisions which may weight government incentives more heavily. Eisinger's research points out that government action on incentives may be a small factor if a national or international search is conducted, but may be a larger influence if the site selection is geographically narrow (p. 204).

Conclusion and gaps in the literature

So what accounts for the public sector's dependency on tax incentives to influence site location decisions if the research is inconclusive regarding the efficacy of such programs? The current literature lacks an investigation of the reasons why government officials continue to offer tax incentives as the primary tool to attract jobs. But given the contradictory evidence as to the effectiveness of tax incentives, researchers continue to question their popularity. Wolman (1988) points out the paradox of offering incentives when the research literature has continued to underscore that the differences in offering incentives are minimal. Wolman's explanation for the behavior of officials includes three possibilities. The first possibility is that the officials are unaware of the literature on the subject. It is possible under this option that firms are able to convince officials that incentives do matter because there is a lack of knowledge of the research (Wolman, 1988; Burnier, 1992). The second possibility Wolman points out is related to the credit-claiming phenomenon: there is value in demonstrating a public effort to recruit jobs, whether or not the efforts are effective. Because incentives are only reported when a firm actually accepts them and creates or retains jobs at a site, there is only an upside to offering tax incentives. Incentives that are not accepted have no cost. Lastly, the reason for offering financial incentives despite the lack of measurable results could be that

competitive pressures lead jurisdictions to offer incentives because they have to compete or jobs will disappear. Wolman concludes by encouraging further qualitative research to understand why and how decisions are made by political officials to offer incentives (1988).

As noted above, targeted assistance to firms actively seeking relocation is an economic development strategy employed by most states and a large number of municipalities (Buss, 2001). Research indicates that the effectiveness of incentive-based economic development spending might be better focused on strategic initiatives such as improving skills levels through increased spending in higher education, and on assessing how taxpayer resources can best be used for job creation in an economically constrained time (Felbinger and Robey, 2001). Because the historical strategy of tax incentives was originally conceived to lure and retain industrial or manufacturing jobs, public officials were able to see real benefit in providing low skilled workers with jobs (Eisinger, 1995; Hall, 2007). There is a need for research to confirm and inform economic development policy decisions. This observation is supported by research studies documenting the limited effects of traditional economic development efforts (Goss and Phillips, 1997; Clark and Montjoy, 2001).

Wolkhoff (1992) points out that the public sector needs additional information to avoid providing unnecessary subsidies to corporations that would choose to stay or relocate regardless of the incentive.

“Clearly, the informational asymmetry provides firms with a powerful advantage in the bargaining game. As a result, despite their best efforts to maximize through rational action, communities appear doomed to make mistakes....By rejecting some subsidy requests, the community increases the likelihood of rejecting some

firms having legitimate claims to large subsidies...The apparent irrationality at the micro level is resolved when one understand these decisions as being part of a more general subsidy strategy for all firms.” (p. 352)

Because the community cannot view the decision process of the firm, the risks of not offering maximum subsidies are greater than the risk of overpayment of subsidies.

The contradictory evidence has been largely reached through two forms of quantitative methods: econometric and survey research. The econometric research is criticized for problems of inadequate operationalization of variables (Buss, 2001).

Variables that fail to account for the various stages of decision making in site selection weight tax incentives and workforce quality issues at a point in time. There are also problems with capturing the variables adequately. Survey research methods are criticized for the historical nature of the data captured. Survey research limitations include:

- Respondents may provide answers that they believe will influence policy in their favor.
- Only existing firms can be surveyed.
- The choices given by the survey researcher can affect the response.

The survey research findings offer some insight into the decision-making process, but results are variable and influenced by the region being studied, the type of industry each survey includes, and the timing of the study, given the globalization of the economy.

However, survey research does allow probing of the significance of variables, like quality of life (Blair and Premus, 1987, p. 76). In addition to the ability to ensure that the survey respondents are the actual decision makers, the time-lag provides inconsistent feedback on the actual decision process and sequencing of decision factors used. Researchers have called for additional qualitative analysis of the decision-making processes of government

officials to understand better how investments of public funds are made (Wolman & Spitzley, 1996; Buss, 2001; Bourdeaux, 2007)

Summary of the Economic Development Literature

The literature review indicates that economic development activities by government have accelerated and expanded to include a vast array of tools, many of them financial incentives, to lure businesses and jobs to jurisdictions. The globalization of the world economy, the increased use of technology in all aspects of the economy, and an increasingly mobile workforce contribute to regional competition for jobs.

Despite inconclusive results on the effectiveness of economic development activities, governments appear bent on using tools as both an offensive and defensive weapon in the battle for jobs. The use of tax incentives has proliferated, and more firms are believed to be demanding incentives before they expand or relocate. Why the contradiction? Researchers have extensively investigated the decision making of private sector firms with respect to the factors that influence location decisions and the relative weight of different factors on a decision. The data has been analyzed by industry, by region, and by size of firm. The research on specific site location decisions lists a number of variables reported to influence the decision. While many of the variables are consistent across different types of industries and regions, the weighting of a factor on a decision does seem to vary. For example, the cost of energy might be very important to an industrial site, but of minimal consequence to a commercial office tenant, such as financial services firms or professional services companies.

Contradictions in Prior Research

Prior research suggests conflicting results from studies of the efficacy of financial incentives in improving economic development within jurisdictions. Further evaluation of the factors that influence site locations has been suggested in order to clarify the decision-making process that companies use, and to provide insight into the process that governments use to decide what factors to offer to which firms (and when to offer them), and to improve what we know about how the factors influence decisions. Are the factors that influence site location decisions a repeated list of items governments can take action to improve and become “best” at providing? Are there a myriad of decisions that exist, evolving and interdependent and changing over time?

And while the existing research identifies a common set of factors used by businesses in making site selection decisions, the research is contradictory as to when and how those factors influence the final site decisions. Given the lack of concrete policy direction offered by empirical studies, and the tremendous investments at stake, additional research is called for. Specifically, the quantitative findings are inconclusive on economic development program efficacy, and qualitative research is needed in order to gain further insights as to why public officials pursue strategies the validity of which is questioned by the research (Wolman, 1988; Burneir, 1992; Wolman & Spitzley, 1996). The extensive quantitative research conducted in the field includes survey instruments, econometric modeling, and secondary data analysis. Some case study work has added depth to the quantitative research in the field, but has been primarily limited to specific company examples or in-depth reviews of location decisions made within specific industries, such as manufacturing and high technology sectors. The survey results are

criticized on issues of validity; it is difficult to ensure that senior executives complete a survey when they are likely to delegate the responsibility to staff (Blair & Premus, 1987; Buss, 2001). The problem with delegation in survey response is lack of control over the possibility that the person completing the survey was not in the room when a decision was being made, and is unable to reflect a first person account of the timing and weight of the decision. To review a decision process, first person participation is most helpful, and data collected after a decision is made risks some interpretation in the context of what has happened since the decision. In addition, Sa (2007) points out that survey research can be skewed if participants do not want to be perceived as leveraging public monies for private company benefit; the deterrents to explaining the value of tax incentives is great after the decision is made. Surveys are difficult to use with public officials involved in site location decisions because they may be mailed to specific individuals, but government appointees and senior managers and commissioners regularly change with executive administrations, particularly after elections.

Conclusion

Despite extensive research which indicates that government intervention in site location is not a meaningful element of the site decision, government officials continue to offer tax incentives and grants to firms. Perhaps the political benefits accruing from successful job attraction explain the practice. Nevertheless, empirical studies of the results and measurements of the usefulness of economic development policy are numerous but inconclusive on the efficacy of programs (Wolman and Spitzley, 1996; Buss, 2001). The quantitative research is based on surveys and econometric studies that

measure the determinant value of factors influencing a site location decision (Blair & Premus, 1987). While continued sampling provided by surveys of factors that influence locations decisions provides a measure of changes over time, the explanatory value of the factors is not complete (Wolman, 1988; Wolman and Spitzely, 1996; Wolkhoff, 1992). Knowledge of how an evolving list of factors that influence site location is determined can provide insight to policy decisions. Economic development policy is informed by the factors influencing business site decisions, but survey data providing insight to the factors lags reality as that global economy shifts.

Within the field of economic development, conflicting research continues to inform policy; tax incentives are perceived to work in some instances but not in others. Professional economic development teams, at multiple levels of government, continue to use the tools available to them. Most pronounced is the use of tax incentives to influence cost issues at the last stage of decision making when a firm is evaluating site locations.

Extensive research has been conducted, using surveys and econometric tools, to attempt to predict what steps a jurisdiction can take to improve its economic growth in the long run (Blair & Premus, 1987). Conflicting results from these studies have not slowed the offering of incentives, and the economic development literature continues to question why public officials are not more troubled by the seeming contradiction. Wolman and Spitzley (1996) underscore the need for additional qualitative and empirical research on the “behavior of actors” in the economic development policy-making process and encourage analysis of the economic development processes when undertaken. Literature is thin and speculative on the subject of the role of public officials in the decision-making process in committing economic development resources. Qualitative in-

depth interviews of decision makers could provide attitudinal variables for future analysis (Wolman, 1988; Wolman and Spitzley, 1996).

Decision-making theory offers a number of approaches and models for potential use in evaluating the government officials' role in the site location decision process. Allison (1999) suggests modeling a specific decision from multiple perspectives as method to unveil multiple perspectives. Additional insight can also be gained by treating the process as a dynamic decision (Sterman, 1989) in which information from each step of the decision process informs the next decision; actors who achieve sub-optimal results in this model may lack awareness of the need to adapt their actions to a larger process.

Research does support multi-stage analysis of decisions by firms on site locations, in that different factors may be important at different stages of the decision-making process (Blair & Premus, 1987). Firm decisions are impacted by a number of variables or factors captured in numerous surveys. (Buss, 2001) Integrating the findings of past research with decision-making theory may produce new insights to site location decisions. Building on analysis of a city and program decision making (Schumaker, Bolland and Feiock, 1986; Wolman, 1988; Burnier, 1992) and the analysis of different decision-making roles for public administrators (Wolman and Spitzley, 1996; Bourdeaux, 2007), this research contributes to the understanding of decision making by public officials when economic development is the goal.

Chapter 3. Framework and Methods

Introduction

This research is exploratory and integrates elements of qualitative methods informed by analysis of secondary data to explore decision making by senior public sector administrators. Using decision-making theory, the research looks specifically at factors influencing site location selection in New Jersey. Decision making by public officials is investigated in the context of site selection decisions by private sector firms. Public sector officials operate as actors in the decision process for site selection, as do corporate executives and site selection consultants. Economic development research disputes the efficacy and effectiveness of government programs to influence site selection. The design of my research project is informed by the existing economic development literature, capturing the controversy between the extensive use of tax incentives to attract firms to a jurisdiction, and the lack of evidence to support these strategies.

My personal experience in the field of economic development in New Jersey influences the research design. Drawing from my direct experience with policy development, case work with firms in site selection decisions, and participation in the design of a series of studies, and surveys of New Jersey's business climate over a three year period, the research reflects current experience (2006 -2009) in the field. The data and experience collected over a three-year period allowed this research design to be built sequentially as data and tools were available or required for the next stage of the research. This chapter begins with the theoretical framework of decision making in order to ground the reader in the theory informing the research design. The next section of the chapter

describes each stage of the research design, followed by a description of the research design review and confidentiality.

Theoretical Frame: Decision Making Dynamics

The use of a theoretical frame, when applied to decision-making processes, can provide explanatory power to better understand the events and actions that led to a particular decision. The application of theory models can also produce a number of interpretations of a decision event, depending on the perspective and model used to view the decision-making process. Public management decision making has been the subject of research in public administration since Simon (1947) encouraged the study of administration. This interest in decision making encourages the continued evaluation of facts, leading to new insights. Decision-making processes can be viewed as a series of static events, in which the results of each step inform the next, or as a dynamic process in which events are simultaneous and actors external to public organizations are involved. Decision making observed as a sequential or linear set of steps may only capture information relative to internal processes and actors in the decision. A dynamic model of decision making incorporates information from simultaneous or contingent processes, providing additional insight to suboptimal outcomes and decision making which seems incomplete. Expanding the static view of decision making to incorporate dynamic events adds information and context to our understanding of the decision-making processes. Some decision making process models take into account the perspective of non-linear actions and decisions, building on the interaction of actors internal and external to the decision process. Dynamic decision-making theory provides the framework for this research.

Dynamic Model

Dynamic decision making is defined by three characteristics, Sterman (1989) summarized them as: a series of actions taken over a period of time to achieve an overall goal; actions that are not independent, such that later decisions depend on earlier actions; and an environment that changes both autonomously and as a consequence of earlier actions (Edwards, 1962; Sterman, 1989; Busemeyer, 2004). In addition to using dynamic decision-making research for process improvements, managers can use these models to understand processes generally. A dynamic decision model can be applied to glean understanding of how and what processes benefit from using information not currently considered in a process, or to better understand the causes of suboptimal decisions. Dynamic models are used to optimize the value of a decision, and differ from organization or political models in that they broaden the scope of information analyzed and potentially also broaden the actors analyzed in a decision-making process. One characteristic of dynamic decision models is that multiple actors with similar access to information in a decision-making process may use the information in different ways. Some participants may be able to recognize and use information from a parallel or non-linear process and will be more likely to produce better outcomes. The study of dynamic decision-making models seeks to understand why the discrepancy in outcomes occurs, and why some actors are unable to use information to produce better outcomes.

Literature on dynamic decision making focuses on the component processes to explain an individual participant's performance. The optimal performance of some individuals and processes and the sub-optimal performance of other individuals and processes are assumed to be influenced by the decision-making model operation, and the

availability of information regarding how the process proceeds over time. Modeling dynamic decision making in organizations requires a consideration of individual and group behaviors. Busemeyer (2004) suggests applying the model to understand the dynamic between organizations and individuals. Brehmer (1992) and Sterman (1994) proposed using a dynamic model to provide an explanation that accounts for the incongruence between a subject's internal model and the actual decision-making processes in which the subject participates. If the subject's internal model is linear or independent, feedback from parallel or non-linear processes may not be viewed as information the subject requires for decision making. The basis of the incongruence is the discrepancy in the subject's inability to recognize delays in feedback from the non-linear nature of the model. In this conception, the subjects treat information as if the flow of decisions and information was linear, when in actuality the decision making should continue to adapt to decisions previously made as well as to new autonomous information. Sterman (1994) suggests that the model may be helpful in explaining how unintended and dysfunctional results may be produced by apparently reasonable decision processes in diverse systems (337).

A second model of dynamic decision-making theory that is useful for this research is based on the concept that individual performance behavior predicts effectiveness in a dynamic decision process (Funke, 1991; Busemeyer, 2004). The research demonstrates that subjects perform best in dynamic models when they have set "...integrative goals, collect systematic information, and evaluate progress toward these goals. Subjects who tend to shift from one specific goal to another, or focus exclusively on only one specific goal, perform more poorly," (Busemeyer, 2004, p. 3906) Use of

this model of dynamic decision making might offer insight to the process by which individual public officials can use information to build on the goals they are trying to achieve. The role of government officials in policy making assumes that multiple sources of input and multiple objectives inform the decision making process for policy creation. A dynamic decision-making model that accounts for the possibility of integrated goals and the collection of information on an on-going basis would inform the understanding of the public officials' role in that dynamic.

Government intervention in the business site selection process has accelerated as globalization has led to a more mobile job market, and companies seek to optimize their growth and profitability. Research confirms that the number and magnitude of government interventions to mediate issues in the site selection decision process has accelerated over the past three decades, resulting in most states offering more than 15 types of incentives (Eisinger, 1988; Chi & Leatherby, 1997; Buss, 2001). Based on this knowledge of mitigating strategies undertaken by governmental bodies in site selection decisions, the “business” of site selection has expanded. More actors are involved in influencing outcomes, including real estate owners, municipalities, and site location consultants. Most government bodies have created economic development offices to support government intervention in favor of job creation within the respective jurisdiction. Government intervention in site selection is not new; in fact Taylor (1994) reminds us that early intervention first took place in New Jersey in the 1800's when the desire to build manufacturing sites and create jobs first became competitive. Nevertheless, evaluation of the decision-making process of governments in awarding mitigation incentives to attract jobs has been pursued primarily through quantitative

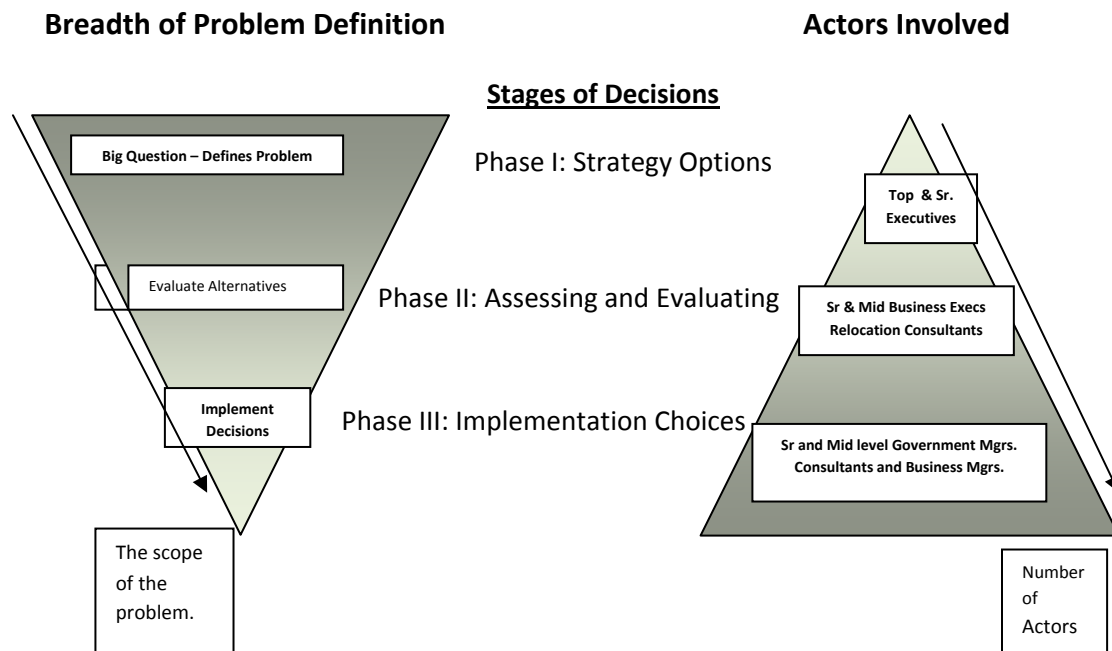
analysis that seeks to account for financial impact. Outside of case-specific work, little evaluation has been undertaken of the government process regarding how decisions to influence site selection are made.

Political Perspective to Dynamic Decision-Making Model

Applying dynamic decision-making models to the public sector provides the opportunity to explore the governmental politics model of decision making offered by Allison (1999) and Stone (2002). Dynamic decision-making models seek to integrate parallel processes and information as it is available, accounting for changing goals and delays in feedback from other processes. Allison's model offers a lens on decision-making outcomes as the "...resultant of bargaining games among players..." implying that public officials must adapt goals to evolving relationships among the actors in the decision process (1999, p. 6). Stone also provided a framework to account for shifting goals in her proposal that government decision-making processes are rational, even though the cumulative process may look irrational. In effect, Stone's model accounts for changing boundaries in each stage of policy decision making; she suggests that competing determinates for policy outcomes lead to evolving goals because, "...they are ambiguous and do not settle conflicts, or because they allocate benefits and burdens to the people on either side (of the contested policy area), or both" (p. 13). When multiple actors and goals compete to influence outcomes, the decision process will involve a continually changing problem statement, and therefore evolving goals. Using Stone's model (p. 256) the decision-making framework accounts for discrepancies of view from multiple actors, acting rationally based on the availability of information and ever-shifting goals.

The model for dynamic decision making adopted for this research works independently of the rationality of actors in making site location decisions. The model shown below is designed to be a framework for capturing information regarding a dynamic decision process, accounting for the changes in the problem definition over time, and the variance in the number of actors involved.

Figure 3.1 **A Model: Dynamics of Decision Making**



Using a dynamic decision model to account the process and actors, the research explores how government officials use information to make decisions about investing public dollars in job creation programs. This model accounts for the intervention of actors not directly involved in a policy area who might perceive the need for influence or power to require their intervention.

Methodology & Research Design

Research Design

The steps for each stage of the methodology appear below:

1. Carried out secondary data analysis, including previous research on site selection factors, government reports and surveys conducted on job creation programs in New Jersey. Secondary data were used to inform the research design, factor ranking tool, and interview guide.
2. Designed qualitative expert interview protocol.
 - a. Designed using the data from the secondary data analysis and previous research.
 - b. Captured rankings of factors reported to be most important in site location decisions. Interviewees ranked the factors within the research framework, and the interview protocol was used to probe for additional understanding of the relative importance of factors used in site selection decisions during different phases of the decision process.
 - c. Conducted semi-structured expert interviews using probes and open ended questions to facilitate story-telling during the interview to probe for insights into the roles of the actors during the site location decision-making process.
3. Identified experts to participate in the qualitative semi-structured interviews. Potential participants were identified from New Jersey state and local government economic development agencies; from site location consultants and from business executives at firms that made location decisions in New Jersey. Public records were used to identify consultants and firms that had

made location decisions in New Jersey during the period of the study, 1997-2006.

4. Analyzed the data gathered from in-depth expert interviews regarding the factors, definitions for the factors, and the process of site location decision making.
 - a. Reviewed the differences in rankings of factors by various actor groups in the decision-making process. Each actor group ranked the factors and provided contextual information regarding the reason the factors were or were not considered important.
 - b. Analyzed the findings from the expert interviews to understand the interrelationship of the actor groups in the site location decision process. Mapping who was involved at what stage of the decision and what role each participant played provided insight into the dynamic nature of the site location decision-making process.

Incorporating qualitative and quantitative research methodologies, this research explores the decision-making process, the factors that influence the process, and the roles of a variety of public- and private-sector actors in the decision making. The research examines mechanisms of decisions through an analysis of static and dynamic elements and explores how each factor identified as important to decision making is perceived by three groups of actors: business executives, site location consultants, and government executives.

The research examines:

- The factors influencing business site location decisions.
- The attributes or definitions of the factors influencing business site location selection.

- The process used for business site location decision making.
- The public sector actors involved in business site selection decision making.
- The private sector actors involved in business site selection decision making.
- The roles of the public and private sector actors in each phase of the process for business site location decisions.

The secondary data analysis informs the following qualitative research design, providing the list of issues to be explored, and providing data to identify the sample of experts for in-depth interviews. Expert interviews were selected to address the gap in understanding why government officials continue to offer financial incentives despite the contradictory results identified in the economic development research. Prior research called for contextual insight to understand why public officials continue to use financial incentives to influence site location decisions even though the research is contradictory about the efficacy of financial incentive tools. Seeking insights from experts and decision makers in the site location decision making process can add to the abundant survey research data already available, and provide ideas for new methods of addressing economic development public policy. The data analysis phase of the research was designed to provide a robust and testable list of factors that influence site location decisions in the New Jersey. The data analysis also included a list of site location decisions made over the period 1996-2007 based on reports from public economic development entities. This list of projects and decisions led to a list of firms and executives clearly linked to the decisions who could be interviewed for this research. This step in the design ensures that the research addresses the gaps identified in previous research, focusing the next step of qualitative interviewing on decision makers in a site

selection process. The design allows investigation of the decision-making process of corporations and government entities in specific site location decisions.

This methodology was also informed by my own activities and research conducted over the previous three years, ending in early 2009. I was directly involved in design and analysis of a series of survey instruments regarding site location decision making and assessment of tax incentive programs by private sector actors. This data gathering and research over the three year period preceding this research project also informs the design of the current research.

Secondary Data Analysis

To answer the questions posed in this research, site location decisions in New Jersey during the period 1996-2007 are evaluated. The data analyzed come from three distinct sources:

- (1) “C-Suite” Survey. A 2007 survey of New Jersey based companies was created in conjunction with the New Jersey State Chamber of Commerce, the Governor’s Office of Economic Growth, and Rutgers, The State University of New Jersey. Membership lists of business associations throughout the state were used to send surveys to a sampling frame of 665 companies located in New Jersey. The survey mailing generated a sample of 185 companies and 135 completed surveys. Firms sampled were geographically dispersed in the state and represented a diversified array of industries. The usable survey responses provide support for many of the insights that had been gleaned to develop interview protocols

- (2) Literature review and survey data. Previous national research on site selection factors was analyzed. The analysis of previous survey results was compiled and evaluated relative to the New Jersey survey of factors noted above. Factors were analyzed based on frequency of appearance in studies, and the descriptions provided for those factors, and the attributes of each factor.
- (3) State of New Jersey economic development reports. Application for and award of incentives is reported at public meetings at the state level. Data for this research includes reports for the years 1996-2007. Reports are analyzed to account for trends, tax expenditures by company over time, and total tax incentive commitments. These records provide more than a snapshot of spending; they include a record of the actual job creation and the cost per job based on the incentives earned and place from which the jobs were relocated. Job creation was measured through an evaluation of firms that had been offered state government subsidies, financing, or tax incentives. The reports also include a record of consultants acting as agents for firms that apply for tax incentives, and the reports track total investments reported by the companies in construction or modification of facilities to account for “secondary” benefits of job creation.

Qualitative Methods – Expert Interview Protocol

The next step in the research design was the creation of an expert interview protocol. To address the gaps from prior research, expert interviews were selected to enhance the depth and richness of understanding gathered from survey research on economic development decisions and tools. Questions remain regarding why, how, and when a public financial incentive is offered to firms making location decisions, and in-

depth interviews provided for deeper exploration in an attempt to answer these questions. To reach the goal of full appreciation of the decision-making process, interviews were designed to solicit perceptions and experiences in the words of decision makers from private and public sectors. The research conducted included 27 in-depth interviews of economic development officials, business executives, and site location consultants.

Why Use Expert Interviews

Expert interviews is a research methodology that has led to greater insights in public sector decision making, providing a method to analyze actions in order to investigate the decision-making process. Olshfski and Cunningham (2008) used in-depth interviews to gain insights into senior and middle manager decision making in the executive branch of state government. Olshfski and Cunningham focused on the behaviors of the managers, as told through the stories, and their research unveils the complexity of the process of problem identification, and allows focus on the interdependencies of the actors. The storytelling methodology allows for the development of a picture from which to test and propose theories of public administrative decision making and implementation. Seeking a perspective on a manager's actions provides insight into managers' perceptions about their role in the process, as well as their authority and level of responsibility. The interviews for this research were designed to capture the perspective and view of an actor in the decision-making process; stories were sought to explain the context and setting of actions and decisions. The interviewee, or actor, in the decision process provided the framework for their participation in the process. The research design sought to gather multiple interpretations of the same event based on the interviewee's personal experience and understanding of the event. The

resulting understanding provided by multiple views of an event was aided by knowledge of the context of the event the story describes. This design element is important to this research because it seeks information regarding the decision process and the roles of actors in the process.

Expert Interview Methodology

Qualitative methods, particularly in-depth expert interviews, were selected for this research to evaluate the decision-making process from the perspective of actors involved in identifying problems and defining the decision process. The expert interview allows for an accounting of individual experiences and roles before imposing a scientific explanation (Kvale, 1996). Qualitative research can be used to develop an understanding of the decision process that might not be accessible from survey data. The combination of expert interviews from the public and private sector was selected to gather unique perspectives on the site selection decision process from the decision makers involved in the process.

The subject matter expert interview method was selected to obtain in-depth information regarding a complex process. In-person interviewing supports attempts to understand the world from the subject's point of view, to unfold the meaning of the interviewee's experiences, and to provide insight to their decision process. The use of in-person interviews provides the best possible insight into sensitive questions; interviewees are more likely to speak about a sensitive subject—such as subjectivity of decision making at some stages of the site selection process—during a face-to-face interview than in survey responses (O'Sullivan & Rassel, 1995, 167). This study adopts a semi-structured interview approach to balance the objectivity of the findings. Structured

interviews, in which all respondents are asked the same questions in the same order, were rejected as being too constraining, given the nature of the data gathering. The interviewer and interviewees are familiar with a number of site location decisions, and a semi-structured approach allows for the individual case details to be the focus of discussion.

A qualitative research interview allows the researcher to investigate social processes that are “essentially contradictory,” and prevents exclusion of the contradictions being investigated (Kvale, 1996, 57). Given the contradictory findings of past research on the efficacy of economic development programs, the expert interview presents a unique tool for exploratory research. Because the qualitative research design does not need to assume agreement and uniformity in the view of various actors participating, it provides the avenue for research to shine a light on the contradiction. Because the site selection decision processes described by public and private sector officials may not be fluid, and may even conflict, the research method should be designed to explore the process. Various actors in the process may hold very different views of reality; the interview protocol is designed to explore each perspective and each actor’s role.

Interview Design

The interview investigation followed the 7 stages described by Kvale (1996), flowing from idea generation through reporting the findings: (1) thematizing, with conceptualization of the research topic and formulation of the research questions; through (2) designing the study so it addresses the research questions, treating both knowledge construction and moral implications; to (3) the interviewing itself; (4) transcribing; (5)

analyzing; (6) verification; and (7) reporting (Kvale, 1996, 81-2). A description of the interview design methodology is included in Appendix A.

Interview Process and Sample

Semi-structured expert interviews were conducted with 27 senior executives who were identified as having had direct involvement in a site location decision making process: 14 corporate executives, 5 site location consultants with historical experience in New Jersey, and 8 New Jersey government officials.

Each interview lasted between one and two hours and was conducted in person with the exception of five that were conducted over the phone. Extensive notes were taken during each interview, and hand written notes were transcribed. The interviews started with the participant ranking the factors and attributes that are important in business site location selection. The rankings were followed by guided probing questions that were consistent across all interviews.

The interviews were labeled and referred to in this research by numbers 1 through 27 and by an abbreviation reflecting the interviewee's role in government (G), business (B) or site location consulting (C). The first government official interviewed was labeled G1, and so on. After the labeling and transcription, the interview notes were then analyzed using a comparative method for identifying statements of similarity and dissimilarity in order to understand perceptions of factors that influence site location decisions. The interviews also elicited stories and experiences about the actual decision-making process, including decision participants, stages of decision making, and roles of decision makers at each stage.

A purposive sample of participants was used to explore actual decision-making processes. Selection of participants, described in detail below, was based on analysis of secondary data confirming that the interviewee had been involved in a decision regarding business site selection in New Jersey. Specific individuals were selected to participate based on their current or past position in a firm or in an economic development agency.

The public officials included in the sample were those government officials who had specific knowledge of job creation and retention policies. Selection of participants for the in-depth interviews included municipal and state officials who administer job creation grants and tax incentives. Public officials at the county level were not included because both the literature and the facts suggest that the role of county governments is less influential.

State level: The process for selecting state officials to be interviewed began with identifying the government officials who had held senior leadership positions in economic development between 1996 and 2007. Of the six possible interview candidates, four were available and agreed to be interviewed. All individuals interviewed were involved in policy setting and implementation.

Municipal level: Selection of municipal officials to be interviewed began with identification of officials who held Deputy Mayor or appointed executive positions in municipalities. Frequently, cities designate a deputy mayor or another appointee of the Mayor to lead economic development. Ten senior municipal officials were identified by title as mayoral appointees responsible for economic development and four agreed to be interviewed.

Corporate Interviews

Selection of senior executives for the corporate interviews was informed by the New Jersey Economic Development Agency (NJEDA) reports on companies that were offered job creation tax incentives. In order to establish a common base of decision-making events, the list of companies that were offered grants provided a clear link between a decision made by a company and the state's actions. More than 600 companies met these criteria. To limit the number of participants, the interviews were selected using additional criteria:

1. The application for an incentive to the authority and the decision date by the NJEDA took place between 1996 and 2007.
2. Job creation projects that covered employment increases of 250 jobs or greater.
3. Targeted sectors for analysis, limited to services, finance, and technology industries to eliminate industry sectors that have been reducing jobs in the United States (manufacturing), or jobs with geographic dependencies (ports and distribution centers). Companies that are consumer population dependent due to their retail nature were also excluded.
4. Availability of senior executive available to participate who were personally involved in the decision making process. This criteria was used to ensure that events recorded during the interviews were first hand reports of the decision making process.

In New Jersey, 29 executives met the criteria and 14 agreed to be interviewed. Titles of participants included: Chief Financial Officer, Vice President Real Estate, President, Chief Operating Officer, and Chief Executive Officer.

Consultant Interviews

Consistent with the selection process for corporate executives to participate in the interview process, consultant interview participants were selected based on information from the NJEDA reports. Only consultants identified by the NJEDA reports as having worked on a site decision during the study period were approached. Five consultant/advisors were identified, and all agreed to be interviewed.

Interview Protocol Design Ranking Factors Influencing Site Location Decisions

Data gathered from expert interviews included ranking of factors important to the site location decision-making process. During each interview, participants ranked the factors and explained why they ranked them in that order. The list of factors was developed from an extensive review of the economic development literature and from the secondary data analysis. Data from reports and surveys in New Jersey were used to further refine the list of factors specific to the region. Because the existing research uses a myriad of definitions for each factor, and some confusion exists on the meanings of the terms for each factor, the secondary data was also used to provide clarification of terms. **Table 3.1** summarizes the factors identified in the literature review and the secondary data analysis.

Table 3.1: Sources of factors that influence location decisions

Literature Review		Factors Influencing Site Location Decisions	Secondary Data	
Blair & Premus 1987	Eisinger 1988		NJ C-Suite 2007-09	NJ Economic Growth Strategy 2006
x	x	Quality of Workforce	x	x
x	x	Availability of Workforce	x	x
x	x	Amount and type of taxes	x	x
x	x	Access to Markets	x	x
	x	Availability of Space	x	x
x	x	Energy Supply & Cost		x
x	x	Transportation & Costs		x
x	x	Infrastructure		x
x		Quality of Life		x
	x	Government Regulation	x	
x		Cost of Housing & Living	x	
x	x	Politics		
x	x	Cost of Workforce		

In each column of **Table 3.1**, an “x” in the cell indicates the presence of the factor noted in the data source. An empty cell indicates that the factor was not noted as being relevant to the site location decision-making in the data source. The rows in the table were displayed from top to bottom based on the presence of the factor in multiple data sources. More specifically, for the first four factors listed in the table, all data sources agree on the factor’s importance in site location decisions. For the fifth factor listed in the table, both New Jersey sources cite the importance of “availability of space”. The order in which the remaining factors are listed reflects first three sources of agreement and then two sources of agreement. In all, thirteen factors are listed that appear in at least two of the data sources used to create the list of factors.

The list of factors developed from the literature and secondary data analysis results in some overlap in terms, leading to confusion in the definition of factors and variables in the existing research. In the literature, the definitions used for the factors vary, presenting a problem in comparing studies as noted in the literature review. To improve the determination of factors used for the expert interviews and to contribute to the understanding of factors in site location decisions, the variables have been collapsed from the 13 listed in **Table 3.1** to the list of 8 factors in **Table 3.2**. Further, definitions labeled “attributes” were developed from the literature and surveys to clarify definitions for use in future research on this topic.

Table 3.2: Factors and attributes used in research interviews

Factors	Attributes for Definition
Workforce	Experience, Education, Diversity, Availability, Cost
Access to Markets	Consumers/Business, Transportation Networks
Costs of Doing Business	Taxes, Energy, Real Estate, Wages
Infrastructure	Water/Sewer, Utilities, Broadband
Transportation	Ports, Airports, Rail, Mass Transit, Roads
Government	Licenses & Permits, Environmental/Regulatory, Tax Incentives & Rebates
Quality of Life	Quality of Schools, Safety, Entertainment, Urban Centers, Housing Costs
Politics	Access to Elected Officials, Ability to Move/Block Projects

These definitions clarify meaning in the expert interviews and provide additional richness to the data gathered by encouraging the experts interviewed to expand on the factor ratings identified. In addition, terminology continues to evolve over time; for example, as fewer manufacturers seek site locations in the United States, the terms for “cost of production” have evolved. Service-oriented firms, or non-manufacturers, have different definitions for the contributing factors to “costs of doing business” than do

traditional manufacturers. To account for any confusion about what a “factor” definition includes, the data analysis was also used to clarify factor definitions with the addition of attributes. For example, the factor for “workforce” can be used to describe workforce availability, workforce education levels, or workforce experience.

Condensing all of the definitions that apply to the factor “workforce” allowed the interviewees to discuss each attribute and to avoid confusion through the use of clarifying questions. The 13 factors listed in **Table 3.1** were included in the factor/attribute profile used in the interviews. This process of alignment produced rich conversation about the interrelationship of factors and attributes in the site location decision-making process.

Analysis of findings from the in-depth expert interviews

Findings about the importance of each factor are presented by the type of actor interviewed: business executive, site location consultant, or government executive. The interviewees were asked to rank the 8 factors in order of importance in business site selection decision making. Each respondent’s ranking was recorded for both factors and the attributes of each factor. The comparison provides data regarding differences and commonalities among the actors involved in ranking the importance of factors and attributes influencing a site location decision.

The method of analysis selected to categorize the data was designed around the research questions. First, the interview responses were coded based on the list of “Factors Influencing a Location Decision” to capture the ranking of both factors and the attributes of the factors. For each factor that the interviewee indicated was particularly important, or was not important at all, in influencing a decision, the interviewer

prompted: “Can you elaborate through an example why that was/was not important in a specific decision?”

Second, the data from interviews was coded to capture findings regarding participants, content, and timing of decision making. During the storytelling that ensued from these descriptions, each interviewee was asked to explain: “Who was in the room when that decision was made? Who else was influential in that decision and why? What role did each person in the decision process have?”

Results were reported in two ways: by factors and by actors. The factor and attribute rankings were compared within interview cohorts (business, consultant, government) and reported in priority-based weighting. In addition, each cohort’s results were compared to the results of the other two cohorts. The decision-making data was reported with a model of decision-making dynamics which categorized the three phases of decision making and participants by phase.

The interviewees were asked to describe “how” the factors they ranked influenced decision making and then to describe “who” was involved in the decision making. As their descriptions of the decision-making process unfolded, interviewees were prompted for a description of who participated in each phase of the decision-making process and what factors were considered, as shown in **Table 3.3**.

Table 3.3: Organization of interview data by phase of decision-making process

Describe each factor used in each phase of the decision-making process	Factor	Who is involved? What title?
1. State goals/objectives		
2. Generate list of alternatives based on analysis		
3. Evaluate costs and benefits of each alternative as accurately and completely as possible for implementation		

Confidentiality and Research Integrity

Due to the sensitive nature of the interview content, interviewees required confidentiality in order to speak freely. Rutgers, The State University of New Jersey, reviews university research projects that involve human subjects. This research proposal was submitted to the Institutional Review Board (IRB) to ensure that the research design included ethical and regulatory precautions and to establish safety and confidentiality parameters for research participants. Included with the proposal were the interview protocol and plans for maintaining confidentiality of the interview participants. At least two IRB members are required to review each protocol submitted for IRB approval, and are selected based on expertise required in the protocol. If the reviewers agree, the process can then be expedited for approval of the full IRB board through a reporting and recording in the minutes of the next meeting of the full board. This research protocol received an expedited exemption approval.

To the address human subject requirements in the IRB process, confidentiality of responses needed to be assured. The research required the capture of secondary identifiers for each interviewee by the researcher, this allowed categorization of results from the interviews. As a result, anonymity could not be assured. However, confidentiality parameters were followed consistent with the Rutgers University IRB definition:

A documented linkage between a subject's identity and his or her response in the research exists. The investigator provides assurance in the protocol and in the informed consent document that the identity of any individual subject will not be revealed in any report of the study (Rutgers, IRB).

The consent form, **Appendix A**, was provided to interview participants before the interview, allowing for thoughtful and knowledgeable consent to the process. To document the voluntary decision to participate, each interviewee was invited to review the consent form, sign it and return it to the interviewer in advance of the date of the interviewee.

Conclusion

The dynamic model of decision making provides the theoretical framework for this study and directs its research design and methodology. Informed by the literature review and the secondary data analysis, findings gleaned from the in-depth interviews contribute to the existing body of literature and knowledge of economic development practices. The interviews were designed to fill the gap in existing knowledge of economic development. Prior research points to limited understanding of why government officials use financial incentives to lure site location decisions to their jurisdiction despite the mixed and contradictory results achieved by these types of programs. The research

was designed to provide further definition to factors that influence site location decisions, and to seek further clarification on what these terms mean to private sector executives and government officials. Understanding differences and nuances among different actors in the business site selection process can expand existing knowledge of survey research and public sector economic development programs.

Chapter 4. Secondary Data Analysis

Introduction

This chapter reviews results of the secondary data analysis of economic development reports in New Jersey during the period 1996-2007. The objective is to gain understanding of the factors influencing site location decisions in New Jersey and the economic development policy decisions made by government officials to influence those site location decisions. Data for this analysis was drawn from a number of sources, including the New Jersey State Chamber of Commerce C-Suite Survey, the Business Employment Incentive Program (BEIP) Annual Reports, the Department of Labor and Workforce Development employment data and the New Jersey Economic Development Authority BEIP projects. The secondary data included analysis of historical data from site location decisions in New Jersey, which refines the list of national factors identified in the literature that influence site location selection. In addition, the state's reports on financial incentives offered to firms making site location decisions are analyzed. The combination of sources was used to develop the expert interview protocols.

The first section of the chapter describes the data sources and their relevance to research on the site location decision process. The second section reviews results from the three secondary data sources, and the chapter concludes with a summary of factors that influence site location decisions in New Jersey.

Secondary Data Sources

The information and data analyzed were drawn from three distinct sources:

(1) New Jersey Chamber of Commerce “C-Suite” Employer Survey

Conducted from 2007-2009, this is a survey of New Jersey-based employers in a broad array of industries across the state. The title “C-Suite” refers to the titles of the senior executives at a company, typically those company officers with a title of “Chief”, including Chief Executive Officers, Chief Financial Officers, and Chief Administration Officers. The survey was initiated by the New Jersey State Chamber of Commerce in conjunction with the Governor’s Office of Economic Growth, and Rutgers, The State University of New Jersey. The membership lists of business associations throughout the state were used to send surveys to “C-Suite” officers in a sampling frame of 665 companies located in New Jersey. The survey mailing generated a sample of 185 companies, and 135 completed interviews. Firms sampled were geographically dispersed in the state and represented a diversified array of industries. Survey results regarding factors influencing site location in New Jersey and New Jersey’s ranking relative to those factors were used to refine the interview protocols.

(2) Department of Labor and Workforce Development Job Creation Data

Changes in employment data reported by the State Department of Labor were reviewed. The data was analyzed to cross-check reported job creation with public records. The analysis compared reported job creation and actual employment data to determine if employment increases and decreases in the state could be explained by the job creation activities of economic development agencies in the state. Analysis of data compiled over the period 1996 through 2007 provides a picture of employment trends in the state to be compared to the reports on job creation released by the state.

(3) Economic Development Reports Generated by New Jersey Economic Development Agencies and Departments

a. The New Jersey Economic Growth Strategy.

New Jersey published the first statewide Economic Growth Strategy (EGS) in 2006. The report assessed economic development assets and

liabilities, providing a strategic roadmap for the improvement of the state's job creation and economy. The state's business climate was assessed and analyzed to develop a more robust understanding of factors that influence site location decisions in the state, and the six initiatives outlined in the report provide additional perspective on the perceived importance of factors to site location decisions. The Economic Growth Strategy reflects current assessment of the government perspective on perceived strengths and weaknesses for the state's job creation efforts.

b. The State of New Jersey annual report on the Business Employment Incentive Program (BEIP).

The annual report on outcomes from financial incentives offered by the state of New Jersey highlights tax grants awarded to employers for each job created when they select a site location in the state. The projects considered by the state are reported monthly and the actual results of awards are also reported annually. Data was collected and analyzed for the years 1996-2007 on actual grants made by the state to firms for the purpose of job creation, including the distribution of grants by industry and geography. These records provide more than a snapshot of government spending for job creation because they include a record of the actual job creation. While the state offers other economic development programs, the BEIP program is the largest program used by New Jersey for job creation and site location decision influence. Reporting for the program also provides a robust perspective on outcomes because reported results include actual jobs created. Of the breadth of programs offered by the state, the BEIP program is the only report specifically tracking site location decisions and outcomes.

The economic development literature draws on extensive survey research and econometric analysis and provides the framework adopted for this analysis of factors in

site location decisions. This research applies a framework from prior research to categorize New Jersey data and to further clarify the factors specific to New Jersey site location decisions. The research framework used here builds from Eisinger's (1988) list of factors that influence business location decisions (p. 205) and the research of economic development scholars (Schmenner, 1982, Blair & Premus, 1987). This analysis refines the list of influential factors in site location decisions, and then investigates the government economic development programs used by New Jersey policy makers to influence job creation. The economic development programs offered by the state are financial incentives, which mitigate perceived negative factors or financial hurdles to job creation in New Jersey. Economic development programs provide financial incentives to firms, and can be thought of as cost offsets—or mitigation tools. For example, if a neighboring state like Pennsylvania has more attractive tax policy, the state of New Jersey might offer a financial incentive like the BEIP grants to offset make New Jersey appear more attractive. Economic development officials offer these incentives when they believe that tax incentives will cause a company to select a site within their jurisdiction solely because of the financial incentive. BEIP grants serve as proxy measures of decisions government officials make regarding policy to offset factors using financial incentives.

Analysis of “C-Suite” Employer Survey

The New Jersey “C-Suite” Survey measures the factors important to site location decisions in New Jersey. The survey was conducted three times over a period of 18 months between 2007 and 2008. C-Suite executives, the most senior officers in companies, were asked questions regarding factors most important to site location

decisions in New Jersey. These senior executives include titles such as: Chief Executive Officers, Chief Financial Officers, Chief Administrative Officers and Chief Operating Officers. The New Jersey “C-Suite” survey targeted the chief officers of large private employers headquartered in the state. The survey drew responses from 135 senior executives—including their assessments of the local and national economy and their opinions about New Jersey's business climate.

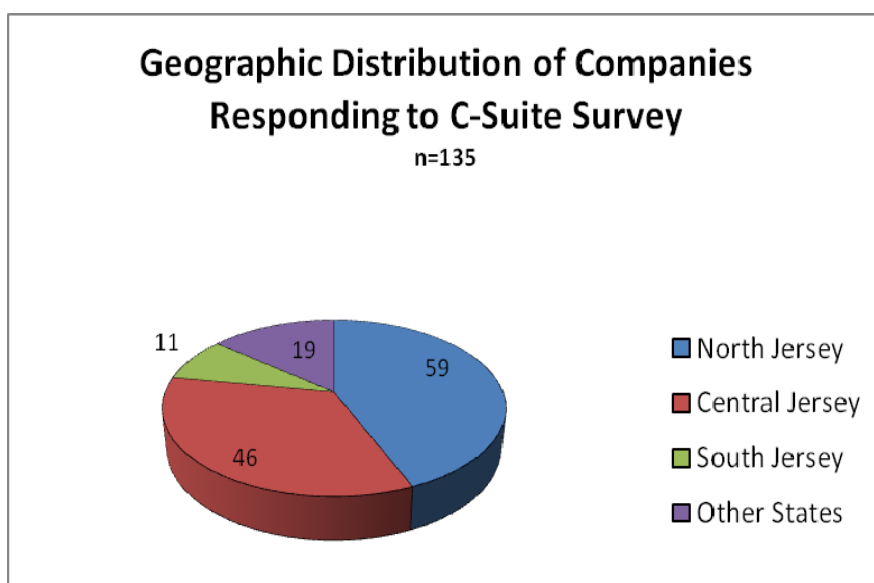
The purpose of surveying C-Suite officers of companies based in New Jersey was to gather input directly from the decision makers at these firms, and resulted in identification of a list of factors that influence site location selection decisions in New Jersey. The survey was co-sponsored by the New Jersey Chamber of Commerce and the Governor’s Office of Economic Growth.ⁱ Underwriting for the survey was provided by Cushman-Wakefield, a New York Metropolitan area real estate brokerage firm. The survey was designed and administered by the Survey Research Center at the Edward J. Bloustein School of Planning and Public Policy at Rutgers, The State University of New Jersey.

The survey questions were developed in collaboration with the New Jersey Chamber of Commerce (the state’s largest business advocacy organization), the Governor’s Office of Economic Growth, and Rutgers University. In addition, participants in the survey design and sponsorship included the seven state-wide business trade associations (New Jersey Chamber of Commerce; New Jersey Business and Industry Association; NJ-National Association of Industrial and Office Properties; Health Care Institute of New Jersey; Financial Executives International; New Jersey Technology

Council; Biotechnology Council of New Jersey; and NJ Society of CPA's.) The survey was designed to gather information about the factors deemed most critical to firms making site location decisions, to explore attitudes and opinions about New Jersey's business climate, and to identify factors which strengthen or impede New Jersey's competitiveness in attracting employers.

The demographics of the survey respondents are reflected in **Figure 4.1**.

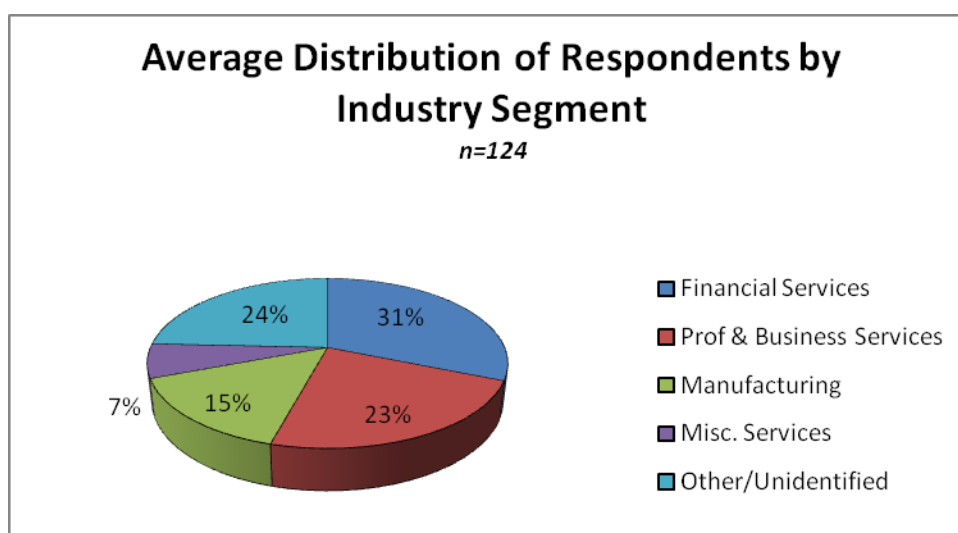
Figure 4.1: Geographic distribution of "C-Suite" survey



The distribution in **Figure 4.1** indicates that 59% of respondents were from North Jersey, 46% from Central Jersey, and 8% from South Jersey. Because New Jersey is in the metropolitan corridor between New York and Philadelphia, concentrations of both workforce and companies populate specific geographic regions of the state. The survey sample was designed to include all three geographic areas of the state, and as a result, an additional 14% of respondents were from companies with operations in New Jersey, but whose C-Suite officers work outside of the Garden State.

The C-Suite respondents represent a diverse cross section of industries doing business in New Jersey. Services businesses in New Jersey dominate the survey with 54% of respondents from the financial services or professional and business services industry sectors. This is consistent with reported job growth in the state over the past decade as manufacturing employment has declined and employment in services industries increased.

Figure 4.2: Distribution of respondents by industry segment

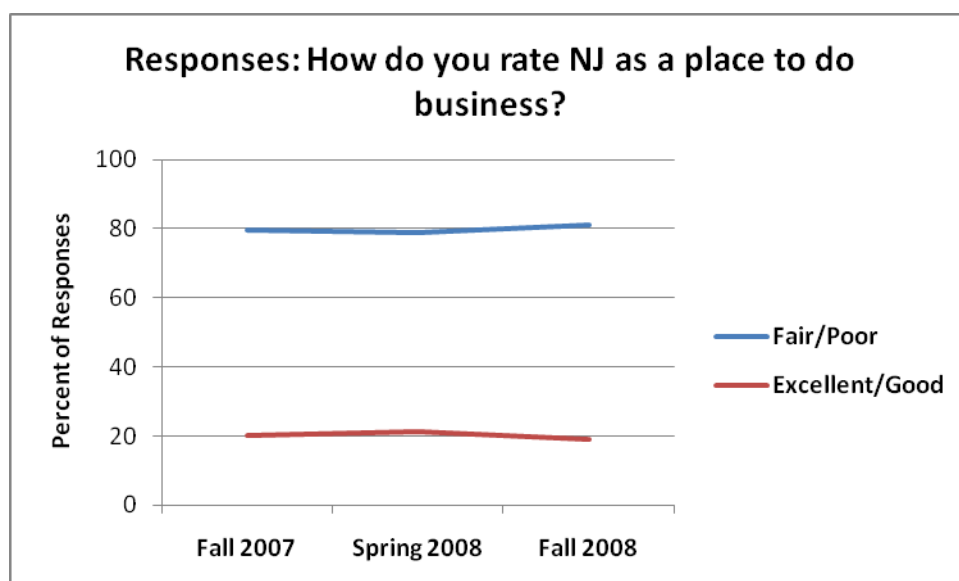


The results shown in **Figure 4.2** show respondents by industry, with 124 of 135 firms identified by business sector or industry. Fully 31% were from the Financial Services sector, 23% represent Professional and Business services firms, 15% identified themselves as manufacturers, 6% are categorized as miscellaneous services, and 24% were from other industries. Prior economic development research indicates that industry sector influences the types of factors that influence site location decisions. For example, manufacturers are likely to place more emphasis on costs of production, while financial services firms are more likely to value access to workforce experience and education.

The pharmaceutical industry is represented in the survey as manufacturing; this is important to note because the pharmaceutical industry in New Jersey is a substantial industry employer. Although pharmaceutical jobs in New Jersey are predominately at company headquarters and research facilities, the firms self-identify as manufacturing firms, producing health care products.

In addition to demographic data, the “C-Suite” survey provided a perspective from business executives (**Figure 4.3**) on the business climate in New Jersey, that is, relative to other states and regions. This data is useful to the analysis in providing a perspective on the overall feedback the state is receiving from employers who make site location decisions.

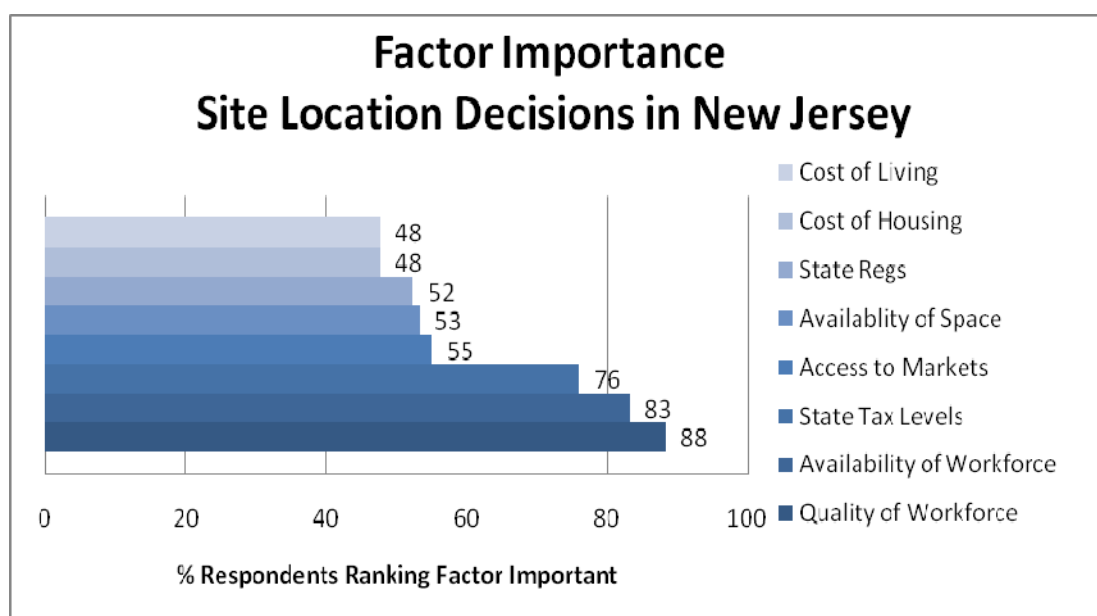
Figure 4.3: Survey responses on business climate



As demonstrated in **Exhibit 4.3** above, approximately 80% of survey participants rated New Jersey as a fair to poor place to do business, while 20% rated the state as an excellent or good place to do business. The data on what factors influence site selection

decisions in New Jersey is helpful to understanding why companies decide to locate in New Jersey despite the state's poor ratings as a place to do business. The "C-Suite" survey also polled participants about the factors important to their site location decisions; the results in **Figure 4.4** reflect the most important factors by the percent of respondents.

Figure 4.4 C-Suite Responses: Most important factors influencing site location decisions in NJ



As **Figure 4.4** shows, almost 90% of respondents ranked the quality of the workforce as the most important factor in site location decisions. Availability of the workforce and the level of state taxes are the two next most important factors identified in the survey. At 55%, the importance of a factor labeled "access to markets" is important, but much less so. Availability of space and state regulations are ranked as important to location decision by 53% and 52% of respondents respectively. Cost of

housing and cost of living each were ranked as important by almost 50% of respondents as well.

When respondents were asked to rank New Jersey's performance relative to the factors that firms identified as important in their site location decisions, New Jersey received mixed results as **Figure 4.5** demonstrates.

Figure 4.5: C-Suite Responses: Ranking of NJ relative to factors

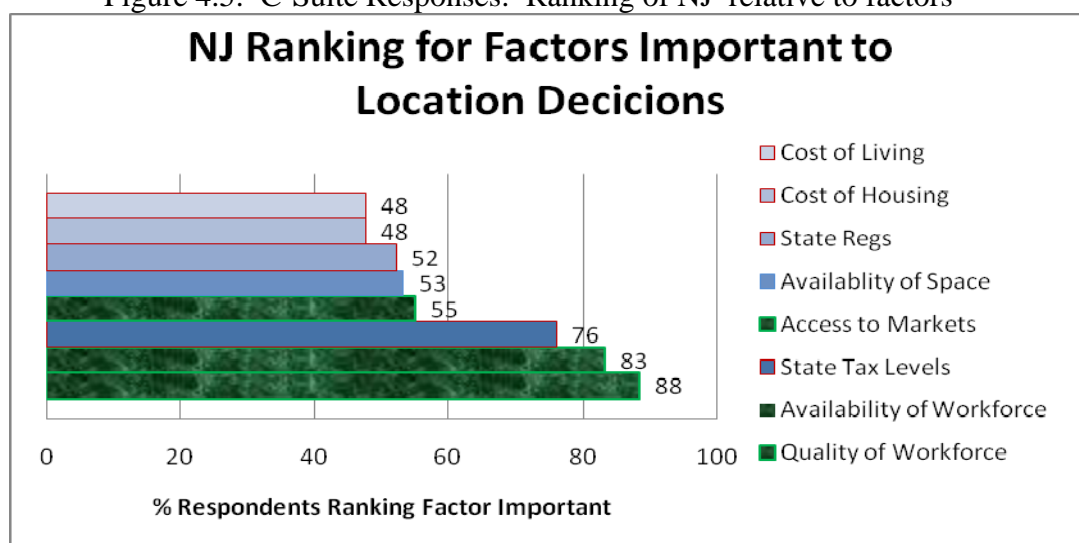


Figure 4.5 shows New Jersey's performance relative to factors employers ranked as important in site location decisions. The most important factors that are deemed available in New Jersey are the quality and availability of the workforce, and access to markets; these factors are shaded in green in Figure 4.5. However, state tax levels, which 76% of respondents as ranked important to site location decisions, are not viewed favorably by these employers.

New Jersey-specific results inform the previous research on factors important to site location decisions. The framework previously introduced (Chapter 2), is updated in **Table 4.1**.

Table 4.1: Summary of findings NJ C-Suite Survey 2007-2008

Literature Review		Factors that Influence Site Location Decisions	Secondary Data
Blair & Premus 1987	Eisinger 1988		NJ C-Suite 2007-08
x	x	Quality of Workforce	x
x	x	Availability of Workforce	x
x	x	Cost of Workforce	
x	x	Amount and Type of Taxes	x
x	x	Access to Markets	x
x	x	Energy Supply & Cost	
x	x	Transportation & Costs	
x	x	Infrastructure	
x	x	Politics	
x		Cost of Housing & Living	x
x		Quality of Life	x
	x	Availability of Space	x
	x	Government Regulation	x

Sources: C-Suite Survey 2009 – Rutgers University

The right hand column of **Table 4.1** reflects the addition of factors from the New Jersey “C-Suite” survey results. The top two factors ranked by New Jersey employers match the workforce factors identified by previous research. Following workforce, the factors measuring state taxes and access to markets are also noted in the New Jersey “C-suite” survey. Interestingly, production costs related to energy, transportation, and workforce do not appear in the C-Suite responses specifically, but are cited in the literature review on site location decisions. New Jersey-specific factors regarding the

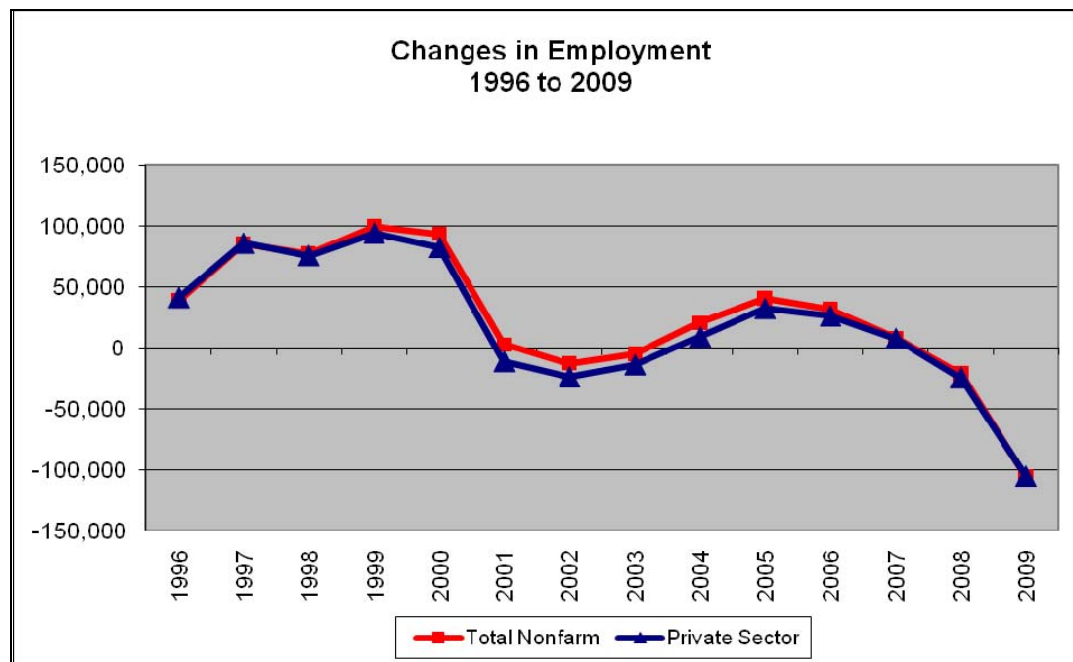
importance of regulatory factors and costs for housing and living do not appear consistently in the research, yet are ranked important in the “C-Suite” responses.

Department of Labor and Workforce Development Job Creation (Employment) Data

The Department of Labor and Workforce Development (DLWD) reports employment gains and losses monthly, and then annualizes the data with corrections provided by the US Department of Labor Bureau of Labor Statistics. For the period 1996-2009, the changes in job employment are reported annually. As indicated below in **Figure 4.6**, the state experienced positive employment growth in 9 of the past 14 years, (1996-2009) and negative employment changes in 2001, 2002, 2003, 2008 and to-date, 2009. During this period, the state’s private sector employment increased by a cumulative 274,235 jobs.

The chart below reflects net changes in employment for each year.

Figure 4.6 New Jersey change in employment: January 1996–January 2009



It is not possible to directly correlate job creation factors with the overall employment levels, nor is it possible to specifically track job losses based on business climate factors. However, macro-level data is a relevant measure of actual job creation and job loss over the period. While the Department of Labor and Workforce Development report employment in the state, the reporting accounts for employment data, including aggregate job growth and loss, rather than site-specific or company-specific data on relocation decisions. Stated differently, this data does not explain the employment increases and decreases in the state as directly comparable to the job creation reports provided by economic development agencies in the state.

Reports Generated by New Jersey Economic Development Organizations:
Governor's Economic Growth Strategy

In addition to providing financial incentives and financing to firms to attract and grow jobs in the state, New Jersey unveiled an “Economic Growth Strategy” in 2006 through Governor Corzine’s newly created Office of Economic Growth. The State’s Economic Growth Strategy report articulates the state’s advantages and disadvantages, relative to other states, in attracting domestic and foreign job growth. The New Jersey advantages listed in the report include:

- Highly educated workforce.
- Access to more consumer and business markets because of prime location
between New York City and Philadelphia.
- Large concentration (1,400+) of multinational businesses representing over 40
countries.

- Extensive transportation network with 35,000 miles of interconnected roadways to move commuters and goods, one of the world's larger and busier airports, and an integrated commuter rail network.
- Second business US port with a vertically integrated distribution network from the region's seaport, trucking, rail, and warehouse distribution facilities.
- Extensive higher education capacity with 61 colleges and universities.
- Extensive broadband telecommunications and broadband network penetration with one of the more extensive fiber optic networks in the world.
- High national rankings in quality of life indicators and K-12 education.

The areas of strength and importance identified by the New Jersey in the Economic Growth Strategy represent the factors that government officials believed to be important in job creation decisions.

The factors listed in **Table 4.2** reflect the addition of factors identified in the literature review, the NJ "C-Suite" survey and the New Jersey Economic Growth Strategy.

Table 4.2: Table of findings from economic development research and New Jersey specific research.

Literature Review		Factors Influencing Site Location Decisions	Secondary Data	
Blair & Premus 1987	Eisinger 1988		NJ C-Suite 2007-09	NJ Economic Growth Strategy (2006)
x	x	Quality of Workforce	x	x
x	x	Availability of Workforce	x	x
x	x	Cost of Workforce		
x	x	Amount and Type of Taxes	x	x
x	x	Access to Markets	x	x
x	x	Energy Supply & Cost		x
x	x	Transportation & Costs		x
x	x	Infrastructure		x
x	x	Politics		
x		Cost of Housing & Living	x	
x		Quality of Life		x
	x	Availability of Space	x	x
	x	Government Regulation	x	

Adding the New Jersey-specific data to the framework of factors from previous research on site location decisions is critical to understanding the decision making environment. When New Jersey-specific research is combined with the economic development literature findings, some variation emerges in the factors that influence site location decisions emerges. This synthesis of data confirms that workforce quality and availability are the most important factors in site location decisions within the state. However, it is important to note the cost of workforce identified in earlier studies does not appear in the New Jersey specific research. Cost of workforce tends to be most

important in labor-intensive production business models and may not be reflected in the New Jersey data because manufacturing jobs have been leaving the state.

The next two factors listed in **Table 4.2** are ranked as important in both the literature review on economic development and in the New Jersey-specific research. The first—amount and type of taxes—establishes the importance of government fiscal policy and environments on business location decisions. Eisinger (1988) clarified that the importance of tax environments may differ by industry and by the stage of the decision process. For example, employers who have already selected the region in which they expect to locate are more likely to consider tax factors important than are employers who are constrained in the geography they are considering for a site location. The results reflected from the various studies on taxes can be misleading as the definition of the factor “taxes” may describe tax policy or tax incentives. The four data sources cited for this table have vague descriptions of these factors, limiting the usefulness of the factor ranking without further description. The factor rankings do not provide insight to the importance of different types of taxes (e.g. property, income, corporate business, sales), but nevertheless establish the importance of tax policy in site location decisions. The fifth factor in **Table 4.2** is access to markets. The ability of firms to develop and deliver products to customers remains a strategic question to be considered in the first phase of site location decisions (Blair and Premus, 1987; Eisinger, 1988). Again, while there is congruence in identification and ranking of factors from the research, the usefulness of the data is tempered by the lack of information on relative importance and the phase of decision making at which the factor becomes important.

Differences in the factors listed in **Table 4.2** are also highlighted as they relate to specific costs of energy, transportation, and availability and costs of infrastructure. The “C-Suite” survey did not find these factors important in site location decisions. However, the research conducted by the State of New Jersey confirmed the importance of these factors. This discrepancy underscores the differences in the factors and the need for qualitative research to further refine the definitions, or attributes, of each factor.

The remaining factors in **Table 4.2** receive mixed rankings in terms of importance. Prior research found politics to be important, while the New Jersey-specific surveys and research make no note of political impact on location decisions. Blair and Premus (1987) note the importance of factors that affect employees, notably cost of living and quality of life, but their research did not identify availability of space or government regulation as important. On the other hand, Eisinger’s (1988) framework relates the regulatory environment to government costs and political environment, both cost drivers for business location decisions. Eisinger (1988) also identifies the practical need for space to build new facilities, and notes this is an increasingly important factor in attracting job creation prospects to denser, more developed regions like the Northeast. Compared to the literature review, the “C-Suite” survey confirms both space commercial and industrial space availability are important to location decisions in New Jersey. Finally, the Economic Growth Strategy for New Jersey identifies both quality of life and availability of space as important factors.

Calibrating the research and literature to clarify factor definitions

To create the interview protocol from factors identified in Table 4.2, a further screen for clarification of the meaning of the factors and the definitions was required. Several issues needed to be addressed regarding differences in definitions of the factors. First, business terminology evolves over time; for example, as fewer manufacturers seek site locations in the United States, the relative importance and definition of “cost of production” has evolved. Service-oriented firms, or non-manufacturers, have different definitions for the contributing factors to “costs of doing business” than do traditional manufacturers. Each of the sources used for this analysis provided some definitions for factors listed as important to site location decisions, but the level of definition was not consistent. To use the data from the literature and the secondary data analysis to construct an interview protocol, the definitions were refined to account for any confusion in what a “factor” definition includes. The data analysis was also used to clarify factor definitions with the addition of attributes.

Second, previous studies used multiple definitions of factors, potentially confusing the terms to be used in an expert interview. For each of the primary factor headings, definitions were bulleted and grouped for simple, visual listings. For example, the factor for “workforce” can be used to describe workforce availability, workforce education levels, or workforce experience. To gain understanding about each factor, distinct attributes for each factor were used during the interviews. Condensing all workforce attributes under a single factor allowed the interviewees to discuss each attribute and to avoid confusion through the use of clarifying questions. The thirteen factors listed in **Table 4.2** were reduced to eight factors. These eight factors were then

mapped to specific definitional attributes to ensure that the prior research findings and the New Jersey-specific research were reflected in each factor.

Table 4.3: Factors and attribute definitions for the interview protocol

Factors	Attributes for Definition
Workforce	Experience, Education, Diversity, Availability, Cost
Access to Markets	Consumers/Business, Transportation Networks
Costs of Doing Business	Taxes, Energy, Real Estate, Wages
Infrastructure	Water/Sewer, Utilities, Broadband
Transportation	Ports, Airports, Rail, Mass Transit, Roads
Government	Licenses & Permits, Environmental/Regulatory, Tax incentives & Rebates
Quality of Life	Quality of Schools, Safety, Entertainment, Urban Centers, Housing costs
Politics	Access to elected officials, ability to move/block projects

As described in the previous chapter, thirteen factors were collapsed to eight factors.

This simplification and clarification reduces confusion regarding definitions of the factors. As previously noted in the example of the “workforce” factor, the various definitions of workforce from prior research and surveys describe multiple definitions, or attributes, of a workforce. Here, attributes were combined into a single workforce category, and attributes were assigned to specifically gain understanding about each definition of the factor “workforce” (availability, education, experience, etc.).

Condensing all workforce attributes under a single factor allowed the interview protocol to be designed to produce rich conversation about the interrelationship of factors and attributes in the site location decision-making process, while minimizing confusion regarding definitions.

Reports Generated by New Jersey Economic Development Organizations:***State of New Jersey Annual Report on the Business Employment Incentive Program (BEIP)***

The analysis of various data sources described earlier provides insight into factors that influence site location decision-making specific to New Jersey, but little insight into the actions taken by government officials. Like many states, New Jersey has adopted a number of laws designed to mitigate perceived cost disadvantages in job creation competitions, and these programs are intended to provide financial and tax incentives and credits to companies in order to attract new jobs to the state. As with other states, New Jersey's economic development policy results from the joint action of the executive and legislative branches of government. The use of tax incentives, their legislative creation, the regulations that are adopted to administer the laws, and the granting of the incentives are actions taken by the government. A review of tax incentive reports, available from the annual BEIP program report, provides data regarding the decisions that are made to attract new jobs to the state.

The New Jersey Economic Development Authority (NJEDA) administers the financial incentives programs in the state. The NJEDA manages a range of programs to support job creation and retention that can include: low-interest financing through bonds, direct loans, loan participations/guarantees, grants, and tax incentives. Each financial offer has specific program regulations and separate program results reporting requirements for financial incentives offered and jobs created. This analysis looks exclusively at the BEIP program which is used for attracting new jobs to the state and is therefore considered a good measure of tax incentives to influence site location decisions. In addition, the BEIP

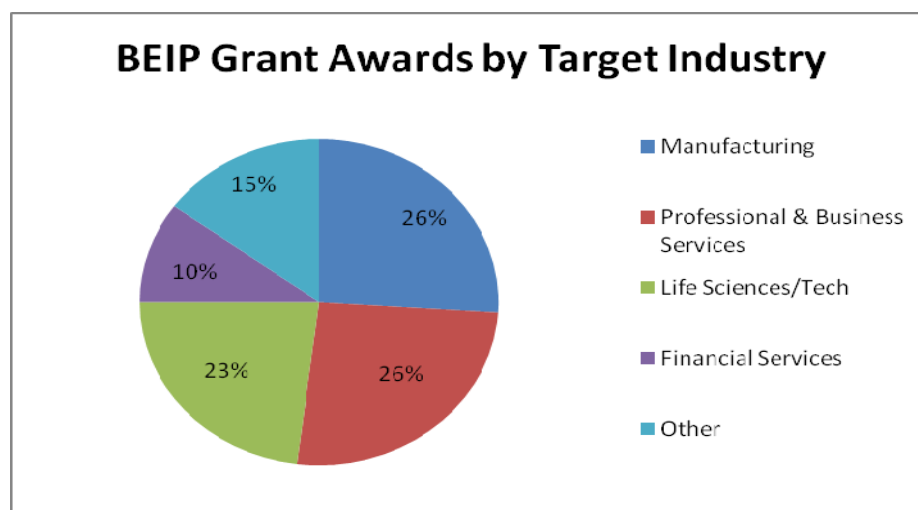
project reports have a well documented reporting history, including direct tracking of job creation to the financial incentives awarded.

Over the period of this analysis, 1996-2007, 364 BEIP agreements valued at \$1.079 billion were awarded to create an estimated 69,511 new jobs (NJEDA, 2007). The State of New Jersey requires an annual fiscal year report from the state's economic development commissions and authorities (NJ P.L. 2003, c166). The reporting requirements for these incentives provide a record of the decisions taken by the state to provide financial incentives to companies considering creation of new jobs in the state. The program provides grants only for new job creation. The annual program reports include the number of BEIP agreements the state enters into with companies, and a description of the project to include the number of jobs created under each project, the amount of tax incentive grants awarded, any new income tax revenue received from withholdings for the project, and an update on the status of projects under existing agreements. BEIP grants provide a unique measure of the confluence of business location decision making and government actions to support job creation. BEIP grants can only be offered if an employer applies to receive a financial incentive; and BEIP grants are only paid if an employer can document that an actual job was created. To receive a financial incentive under this program, the employer had to have made a site location decision. State reporting of tax incentives, grants, and loans provides substantial data on the location considerations of companies. Although many programs are offered in New Jersey—more than \$550 million in financial assistance was offered to businesses in 2008 alone—the analysis used for this research is limited to incentives and government

grants specifically linked to job creation through corporate real estate location decisions (NJEDA, 2008).

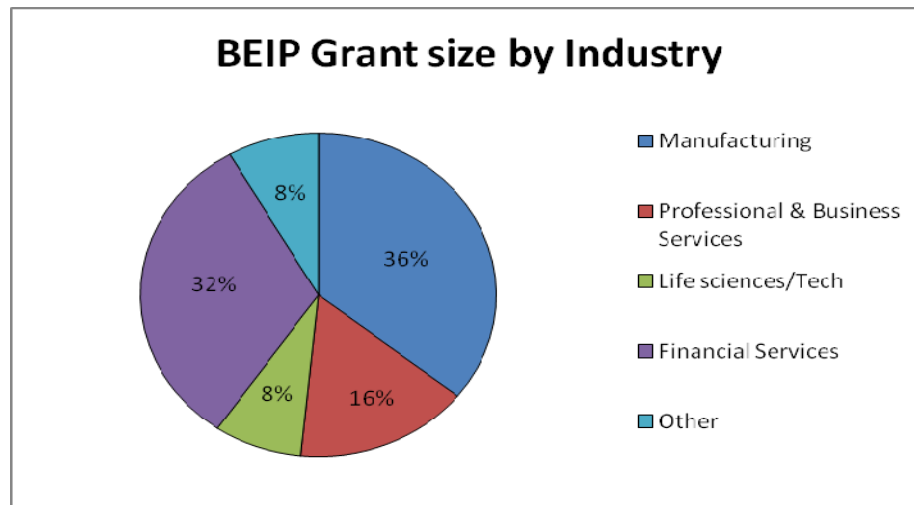
An analysis of BEIP grants offered to firms making location decisions in New Jersey provides two different pictures of the types of firms that receive financial incentives to create jobs from the state. **Figure 4.7** displays the number of grant awards by industry sector.

Figure 4.7: BEIP Grants by industry sector



Professional and business services firms and manufacturing firms each received 26% of the BEIP grants offered by the state, the life sciences and technology industries received 23% of the total grants, and the financial services industry received 10% of the grants. Other industries accounted for the remaining 15% of grants. The second set of data, displayed in **Figure 4.8** provides a much different picture of state financial incentives and is organized by the dollar value of the BEIP grants awarded in each industry sector.

Figure 4.8: BEIP Grants size by industry

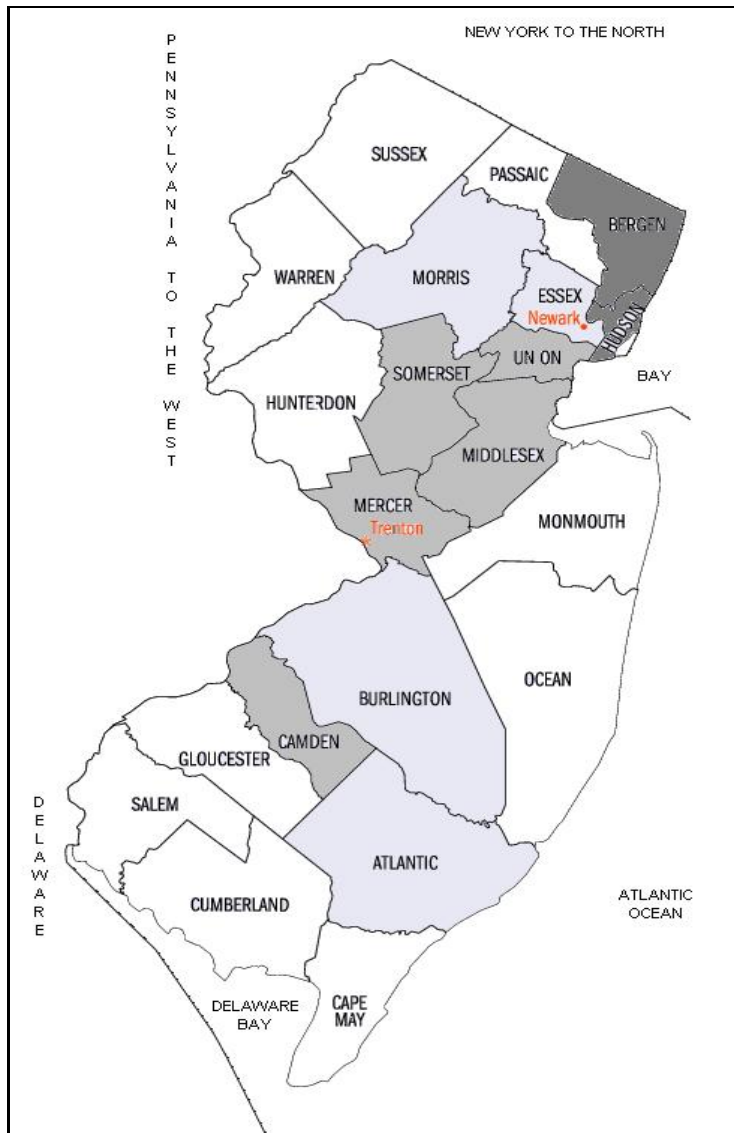


The dollar values of the BEIP grants are based on specific projects for specific companies. The size of the grant depends on the number of jobs created. So while a large number of grants may be awarded to life sciences and technology companies, the dollar value of these grants is small. The largest discrepancy is evident in the financial services industry sector which received 10% of all BEIP grants made by the NJEDA, but received 32% of the BEIP grants paid. In other words, almost one third of the value of BEIP grants went to Financial Services companies. The life sciences and technology sector, which received 23% of all grants, received only 7% of the funds. And while manufacturing and professional and business services grants were evenly distributed, there is a large discrepancy in the grant size. Manufacturing accounts for 36% of the value of grants, compared to only 16% of the dollar value of BEIP grants awarded to firms in the professional & business services sectors.

In addition to looking at the BEIP grants awarded by industry, the NJEDA reports provide insight to the geographic distribution of financial incentives. The largest number of grants awarded and the largest dollar value of grants made are in Jersey City, NJ.

Financial Services firms are concentrated in Jersey City, having moved across the Hudson River from Manhattan to reduce costs. The NJEDA records show that half of the funds distributed by the state under the BEIP program were made to firms moving across the river. Grants are distributed throughout the state, as shown for each of the 21 counties in the state in **Figure 4.9**.

Figure 4.8: Distribution of BEIP Grants by county: 1996 to 2007



Each of the 21 counties is colored white, light grey, or dark grey, representing the density of the BEIP grants awarded from 1996–2007. There is a clear disparity in the distribution of the grants; Hudson County received the greatest portion of BEIP incentive funding in the state, with over half the grants being spent there in the period 1996 to 2007.

Conclusion

The analysis presented here compiles recent data relative to the state of New Jersey, and evaluates the findings in the context of the economic development literature. A framework of factors that influence site location decisions has been modified to reflect New Jersey-specific research findings. The framework of factors that influence site location decisions confirms some findings of previous research and opens new questions regarding the usefulness of a list of factors to determine the competitiveness of the state in site location decisions. In addition, a comparison of terms produced varied definitions and understanding of terms used in listing factors that influence site location decisions.

The state's decision-making process in offering financial incentives is less clear. An analysis of grants awarded from 1996-2007 indicates that the distribution of grants and the size of awards are different by industry, indicating that there may be some industry-specific factors that influence site location decisions. Different industries may require varied amounts of financial incentives to make a positive site location decision in New Jersey. However, the geographic distribution of grants in the state contradicts this observation, because the dense concentration of the value of grants in one city and one county of the state indicates a geographic advantage. Understanding the government

decisions in influencing site location decisions is not possible from this data analysis, but this analysis can inform the development of a protocol for expert interviews.

ⁱ I was a member of the Governor's Office of Economic Growth at the time the survey was conceived, constructed and administered.

Chapter 5. What Factors Influence Site Location Decisions?

Introduction

This chapter will present the findings from expert interviews regarding factors that influence the site location decision-making process. In particular, the expert interviews were conducted to develop a more robust understanding of:

What factors inform public sector decision-making in business site location selection?

What factors inform private sector decision-making in business site location selection?

The first section of the chapter summarizes the factors identified by experts that influence site location decisions in New Jersey. Interview participants ranked factors based on their importance to an actual site location decision in which they had been involved. The findings identify differences in how different actors in the decision-making process rank the factors. The next section of this chapter describes the rankings of each of the eight major factors and the attributes of those factors. Results are presented for each of the three actor groups interviewed, business executives, site location consultants and government officials. The final section of the chapter summarizes the overall findings.

Differences in Factor Rankings between Government Officials and Business

Executives

The in-depth interviews uncovered significant differences between government officials and private sector executives in the relative importance of factors that influence location decisions. The findings provide a measure of the similarities and differences between different actor groups in rating the importance of specific factors to decision

making. While interviewees agreed on the list of factors in the interview protocol, the relative importance of the factors varied substantively. Government officials ranked factors in a site location decision in a different order of importance than private sector actors did. Government officials ranked “cost of doing business” as the single most important factor in site selection decisions. Further, government officials ranked real estate costs and taxes as the two most important attributes of costs to location decisions. Business executives and site location consultants ranked “workforce” as the most important factor in site selection decisions, including workforce attributes of experience, availability, and education. While “cost of doing business” was ranked the second most important factor by business executives and site location consultants, these private sector executives used different attributes to define “costs,” noting real estate costs and wages as more important attributes of “cost of doing business” than taxes.

Factors Ranked in Expert Interviews

The list of factors and the attributes used to define them in **Table 5.1** were developed based on an analysis of secondary data and economic development research (described in Chapter 3).

Table 5.1: Factors and attributes used

Factors	Attributes for Definition
Workforce	Experience, Education, Diversity, Availability, Cost
Access to Markets	Consumers/Business, Transportation Networks
Costs of Doing Business	Taxes, Energy, Real Estate, Wages
Infrastructure	Water/Sewer, Utilities, Broadband
Transportation	Ports, Airports, Rail, Mass Transit, Roads
Government	Licenses & Permits, Environmental/Regulatory, Tax Incentives & Rebates
Quality of Life	Quality of Schools, Safety, Entertainment, Urban Centers, Housing Costs
Politics	Access to Elected Officials, Ability to Move/Block Projects

Findings regarding the importance of each factor are presented in this chapter by the type of actor interviewed: business executive, site location consultant, or government official. The interviewees were asked to rank the importance of each factor to site location decision making. After ranking each factor, the interviewees were asked to rank the corresponding attributes within the factors. Each respondent's ranking was recorded for both factors and for the attributes of each factor. An analysis of the rankings provides comparison data regarding differences and commonalities between actors in the site location decision making process.

Differences and similarities in factor rankings by type of actor

Table 5.2 summarizes the rankings of factors by type of interviewee; findings demonstrate that there are differences in the perceived importance of factors based on the interviewee's role in the decision-making process. In the chart below, the mean value of

rankings for each interviewee type is compared to the responses of actor groups. The factors are listed in order of importance, using the rankings of business executives as a baseline. Notably, business executives and site location consultants involved in location decision making ranked factors in similar order: the top three were workforce; cost of doing business; and access to markets respectively. However, government officials identified the top three factors in decision making as: cost of doing business, transportation, and access to markets. The exploration of attributes for each of these factors is included in the next section of this chapter and provides additional insights on the rankings.

Table 5.2: Summary of factor rankings by type of interviewee

Factor	Mean Factor Rating* By Type of Actor		
	Companies	Consultants	Government
Workforce	1.89	1.40	3.25
Cost of Doing Business	2.33	2.60	1.50
Access to Markets	3.78	3.40	2.75
Quality of Life	3.89	4.20	5.38
Government	4.78	4.80	5.38
Transportation	5.33	4.80	1.75
Infrastructure	6.56	7.40	5.63
Politics	6.89	7.60	7.88

*n=27 * Mean Factors correspond to eight-point scale 1=most important; 8=least important*

KEY: Color gradations note importance in ranking by type of actor. Darker shades indicate that the factor was important, lighter shades indicate the factor was less important

The first column of results with the heading “Companies” scores the factors based on interviews with business executives. The next column, headed “Consultants” scores the factors based on site location consultant interviews. The third and final column reflects the ranking of factors by government officials. The lower the number displayed for a factor, the more important it is in the business site location process as ranked by these interview participants. The order of ranking for business executives and site location consultants was identical. Government officials ranked the factors in a different order than the private sector interviewees.

In the table, the mean scores reflect the consensus by private sector employers around the importance of a highly educated and experienced workforce. The cost of doing business receives the second highest rating. One phrase was repeated in many of the interviews: “We try to reduce uncertainty.” Uncertainty and risk are associated with moves that require hiring new employees, with new locations, and are dependent on achieving cost reductions. A site location consultant summarized the important clarifications to these rankings:

C4: “A CFO, a head of real estate or a head of research will look at a decision together. The research person may need to be near a certain technology at a place like Rutgers, Princeton, or Cambridge. Real estate guys are looking at land and property costs; the CFO might look at other factors like long-term strategic costs and profits. What everyone is trying to do is bring certainty to the assumptions; if the goals of a move are not reached, the decision fails.”

Rankings of Factors and Attributes

Attributes provide descriptive texture to broad categories of factors and were used in the interview protocol to probe for understanding of each factor’s importance in decision making. The detail provided in this section notes the differences in factor

attribute ranking by each type of actor. Each factor section below includes a table summarizing differences in factor and attribute rankings.

Factor: Workforce

The “workforce” factor was ranked the most important in the decision process by both business executives and site location consultants as noted in **Table 5.3**. Government officials ranked workforce as the 4th most important factor in location decision making, behind the costs of doing business, transportation networks, and access to markets.

Table 5.3: “Workforce” Factor Ranking

Actor Group	Factor ranking
Business Executives	1
Site Consultants	1
Government Executives	4

When probed during the interview on the importance of the attributes or descriptions of the “workforce” factor, participants in each actor group ranked the attributes in the same order. Attributes describing the importance of workforce in location decisions are defined and ranked in **Table 5.4**. The color coding indicates the importance placed on each attribute by the interviewees. Green indicates high importance; yellow, some importance; and red, lower importance in decision-making about site location.

Key to attribute rankings:
High Importance
Some Importance
Lower Importance

Table 5.4: “Workforce” Factor Ranking and Attributes

Actor Group	Factor ranking	Factor: Workforce		
		Attribute 1	Attribute 2	Attribute 3
Business Executives	1	Experience	Education	Diversity
Site Consultants	1	Experience	Education	Diversity
Government Executives	4	Experience	Education	Diversity

Experience is noted to be the most important attribute of workforce decisions by all of the participants. Experience was described in the interviews as the ability to attract and retain employees with the skills required to run or grow a business. Large concentrations of skilled workers from a number of different industries make locating in New Jersey attractive to companies. All interviewees ranked education (quality) of the workforce as the second most important attribute and none of the interviewees felt that the ethnic diversity of New Jersey’s workforce was an important factor. Firms may be seeking lower costs while retaining existing employees, or they may be trying to attract new workers from competitors. Regardless, the talent pool is more important than any factor in a location decision involving New Jersey, and business executives stressed that if a firm is seeking highly skilled talent, the costs of that talent are offset by access to experience and education. New Jersey’s close proximity to Manhattan provides the benefit of a shared labor market, according to those interviewed. All of the private sector interviewees indicated that New Jersey’s employee pool was much the same as that of Manhattan, and the costs of doing business in New Jersey are lower, making it an attractive relocation decision. Jersey City, NJ, was particularly noted as an extension of the New York financial services labor market. In the life sciences industry, New Jersey’s

concentration of talent was noted as a significant advantage when location decisions are made.

“Workforce” Factor and Attributes: Business Executives

All of the executives interviewed ranked workforce experience and education as the most important attributes. Employees living in the tri-state area (New York, New Jersey, Connecticut) commute within a radius described by labor specialists as a labor shed, the geographic area from which employees are drawn based on experience, education, and commute time. These responses were consistent with my own experience in economic development; labor shed data was frequently requested by firms seeking optimal locations for an office. In the interviews, the private sector interviewees underscored the importance of access to talent; talent and experience are baseline requirements for firms considering site locations in New Jersey. Business executives noted that the existing workforce is a significant factor in location decisions for businesses. Private sector interviewees also underscored the importance of retaining the existing workforce as important to location decisions. Companies prefer to retain their existing workforce, and worry about relocations that will lead to high turnover. This concern results in expansion and relocation decisions which primarily need to be near existing sites. When ranking the attributes of the workforce, the only attribute that did not affect location decisions was diversity. Corporate executives interviewed said that experienced and highly skilled workforces were important, but that diversity of the potential workforce did not impact decision making.

If a significant corporate move is contemplated, such as from the result of a merger, acquisition, or expansion, the search for talent can be extended to a broader

geographic area. However, business executives indicated that changes in location rarely produce the anticipated value. Relocation of existing facilities presents significant one-time costs and uncertainty, driven by costs in moving key employees and the need to attract new talent after workforce upheaval. As a result, relocations from New York or New Jersey almost always include consideration of sites in New Jersey to retain access to the existing workforce. A real estate executive, working on massive corporate restructuring after a merger with a large competitor, summarized the business implications:

B7: “When we talk to the heads of the business units, key talent matters. The businesses and HR leaders are in tune with rising talent; they want them to stay. If masked in the disruption of a merger we have talent loss, that is a cost of the merger we cannot afford...”

In the interviews, business executives emphasized that site location decisions are often limited to the existing labor market. For example, financial services firms need access to Manhattan and pharmaceutical firms need access to talent pools in central New Jersey. One financial services executive shared the following about his firms’ decision to open an operation in Jersey City, New Jersey:

B4: “Within a commutable distance, the workforce in Manhattan was completely mobile from our standpoint....While retention is always an issue when you move offices, the potential cost savings were enormous....We decided to target retention packages to those employees we could not lose just to ensure we lost no one to competitors.....but we lost very few people.”

“Workforce” Factor and Attributes: Site Location Consultants

Site location consultants clearly weighed workforce attributes as the most important factor in site location decision making, with all placing workforce as the first or second most important factor. New Jersey’s priority as a location for companies to

consider was most often cited for the overlap of workforce labor shed with Manhattan, and the access to a large worker population able to commute to locations in the tri-state area. Site location consultants noted that their role in the decision-making process includes providing sophisticated data on workforce statistics and labor sheds. Site location consultants indicated that workforce talent overshadowed higher costs as well:

C4: “High end pharma companies that look at Princeton versus Philadelphia or Fairfield County know that New Jersey may have higher costs. But the ability to buy best-in-class talent is critical, and a larger pool of high-end talent adds certainty to the decision assumptions.”

As one site consultant reported from his experience, some firms work to optimize talent costs by making a physical move. In those cases, a firm might try to lower its payroll costs by seeking labor pools with younger workers.

C3: “...[W]e take into consideration the cost of relocating employees, but in most cases, firms have the opportunity to use a new site to reduce overall workforce costs, by avoiding relocation costs and hiring younger, less experienced workers at lower wages, or hiring away top employees from a competitor.”

“Workforce” Factor and Attributes: Government Officials

New Jersey government officials acknowledged the quality of the workforce in New Jersey, but ranked it as moderately important, fourth as a factor in site location decision making. Local economic development officials ranked the workforce factor lower than did other government officials. Municipal officials indicated that they did not use labor shed maps or workforce statistics in reviewing potential business recruitments to their jurisdiction. While state economic development officials indicated that the workforce factor was a positive asset for New Jersey, they ranked it moderately important as a factor in location decisions. Government officials confirmed the perspective that although the workforce is valuable, it is not a determinant in decisions for firms to move

to or from New Jersey. Government officials indicated that employee retention was not a driving factor in a firm's decision to move from a neighboring jurisdiction. In fact, one senior government official said,

G4: "The mobility of people is oversold; the idea of a uniquely and dynamically mobile workforce is way overstated. There are huge numbers of New Yorkers who would not come to work in New Jersey for any reason;. . .in fact, the geography is a disadvantage because labor shed commuting patterns indicate 30 minutes to be the realistic willingness to commute."

In the above discussion of the workforce factor and attributes, the findings have been organized and presented by type of interviewee. For the remaining factors, the findings are presented by the attribute of the factor, with differences in interviewee groups noted. The variances between actor groups were most pronounced for workforce and for transportation; transportation is covered later in this chapter.

Factor: "Cost of Doing Business"

The "cost of doing business" factor garnered the most agreement among all actors interviewed, as demonstrated in **Table 5.5**. Business executives and site location consultants considered "cost of doing business" the second most important factor in site location decisions, and government officials considered it the most important factor.

Table 5.5: "Cost of Doing Business" Factor Ranking

Actor Group	Factor ranking
Business Executives	2
Site Consultants	2
Government Executives	1

While there was consensus among interviewees that “costs” are important in decisions, and that real estate costs are the most important attribute of costs, **Table 5.6** demonstrates that business executives and site location consultants ranked cost factors differently than did government officials. The definitions and rankings of the attributes varied significantly between the public and private sector, so the following results are organized around the attributes.

Table 5.6: “Cost of Doing Business” Factor Ranking and Attributes

Actor Group	Factor ranking	Factor: Cost of Doing Business		
		Attribute 1	Attribute 2	Attribute 3
Business Executives	2	Real Estate	Wages	Taxes
Site Consultants	2	Real Estate	Wages	Taxes
Government Executives	1	Real Estate	Taxes	Wages

“Cost of Doing Business” Factor and Attributes: Real Estate

The cost of real estate was rated the most important attribute in cost decisions. Business executives and site location consultants noted that real estate costs are an advantage for New Jersey. Relative to real estate costs in Manhattan, New Jersey was perceived to be a lower cost alternative. Relative to Pennsylvania, New Jersey has higher real estate costs, but better talent and access to New York. Business executives and site location consultants used positive descriptions of this factor for New Jersey site location decisions.

C4: “Total cost of operations is the measure of relevance. If the goal is cost reduction, New Jersey real estate is clearly lower cost than Manhattan. . .and while Pennsylvania is even lower cost, it is not the same labor market. For high-tech firms, the costs are in the talent, and the real estate cost difference to move to a place like Bucks County (Pennsylvania) is not great enough to swing the vote, it won’t influence the outcome...”

“Cost of Doing Business” Factor and Attributes: Taxes

Business executives and site location consultants ranked taxes lowest as an attribute affecting cost decisions, and relatively unimportant to the site location decision.

Government officials considered taxes to be important to site location decisions and ranked taxes equal in importance to real estate costs. However, the private sector interviewees explained that while tax policy in New Jersey is not “attractive,” it is no worse than tax policy in states with similar workforce demographic profiles, like California and Massachusetts. Business executives described tax policy as a financial strategy issue to be optimized based on the goals of the firm. In the descriptions of the interviewees, tax policy did not direct site location decisions, but it would one of the considerations between competing sites; the firms optimize their tax position once the strategic choices are made about workforce considerations. Tax policy matters during the regional selection process. Tax policy can work to the advantage or disadvantage of the state. As one executive familiar with tax policy in his firm clarified:

B8: “We don’t want to move sometimes, even if the facility is a great location with all the assets we need, if there is a major tax implication. Recently in an acquisition, the firm picked up a distribution center in a state that has difficult tax laws relative to distribution. As a result, we are walking away from the acquired facility rather than create long term tax issues for the firm.”

A second executive provided insight to the role tax policy has on cost decisions. He noted that tax policy that is favorable to one type of corporate structure over another can motivate large numbers of employers to move within a single region if the tax savings are large enough. In the case of his firm, several thousand jobs were moved to New Jersey from New York because of the corporate tax code advantages and the perceived ability of the firm to minimize the risk of losing employees during the move.

Government officials describe tax costs as important. However, rather than discussing tax policy, government officials referred to taxes in the context of financial, or tax, incentives. In describing the importance of taxes to “cost of doing business”, government officials considered taxes a financial element of site location decisions that could be offset with economic development tools. Officials described detailed negotiations with site location consultants on the variances in costs between sites in Brooklyn, Manhattan, and Jersey City; in each case, they officials said the competition was cost based, and tax offsets were required.

G1, “It’s frustrating; we know that tax incentives are treated as an off-set to costs of moving once the decision is already made, but the incentives become our only leverage. We don’t want to lose because we didn’t put everything on the table.”

“Cost of Doing Business” Factor and Attributes: Labor cost

Business executives and site location consultants pointed out that relocation and expansion projects that are labor-cost sensitive rank this attribute high. However, among other states, New Jersey would not be considered for a project that was sensitive to labor costs because the state is considered to be in a high cost-of-labor region. A site location consultant described skills, and wages for those skills, using a pyramid model to explain the labor cost decision trade-off for sites selection. At the top of the pyramid are high value-add activities requiring top talent with specialized talent and skills; these high-value activities are not wage-sensitive. Where access to talent is the issue in a site selection process, labor costs do not determine the location. Labor costs matter when the skills required by a company’s workforce are readily available in multiple labor sheds.

C3, “Manufacturing and call centers require low cost labor; New Jersey is not on the short list for those projects.”

Government officials believe that wages are a factor in location decisions, in particular, prevailing wages for construction. Government officials noted that construction of new buildings was an area of economic development that is as competitive among states as luring jobs to the state, and that cost offsets for developers are important elements of the strategy for building the economy. Government officials work to offset perceived higher labor costs with tax incentives.

G2, “[A]n argument about the cost of wages in New Jersey is code for unions. It comes up only when a business is dealing with construction costs.”

Factor: “Access to Markets”

New Jersey’s geographic position in the Northeast corridor centers the state between the important markets of Boston, New York, Philadelphia and Washington D.C., and this geographic advantage was cited as an important factor in site location decisions by all actor groups. The factor “access to markets” was ranked 3rd by all of the interviewees, as reflected in **Table 5.7**.

Table 5.7: “Access to Markets” Factor Ranking

Actor Group	Factor ranking
Business Executives	3
Site Consultants	3
Government Executives	3

When describing this factor, some site location consultants noted that New Jersey attracts attention from international firms seeking new locations in the United States. The

availability of International flights to most parts of the world was credited with making it easier for foreign firms to relocate workers to New Jersey. In addition, access to New York City and the financial markets was noted to be a critical attraction for international firms seeking US market presence. The three attributes ranked for this factor are listed in **Table 5.8.**

Table 5.8: “Access to Markets” Factor Ranking and Attributes

Actor Group	Factor ranking	Factor: Access to Markets		
		Attribute 1	Attribute 2	Attribute 3
Business Executives	3	Business	Transport Networks	Consumers
Site Consultants	3	Business	Transport Networks	Consumers
Government Executives	3	Consumers	Business	Transport Networks

Attribute rankings for this factor produced a disparity in rankings and definitions between the private sector actors and government officials.

“Access to Markets” Factor and Attributes: Business vs. Consumer Markets

Business executives and site location consultants ranked access to business markets as the most important attribute of this factor. The private sector interviewees did not see access to consumer markets as an important factor in site location decisions. The most important attribute noted by business executives was access to financial markets and to other business up and down the east coast.

With respect to consumer markets, site location consultants found the transportation networks important for moving product between distribution centers and retail markets. However, site location consultants noted that product distribution centers,

much like manufacturing firms, depend on low-skilled, low-wage jobs. Site location consultants noted that access to consumer markets requires a look at the total cost of providing products to consumers. Given the population density of the east coast, states beyond New Jersey provided access to consumers with lower real estate costs and lower wages, and these three attributes would be important to consumer market decisions. Access to financial firms and easy access to Manhattan were noted as critically important to conducting business for all industries, particularly international firms.

C4, “New Jersey punches stronger than any other state north of Virginia for international relocations....[It has the]best airport as part of a total transportation system...makes it possible to reach the world.”

Government officials considered access to consumer markets the most important attribute. Government officials placed the most importance on “access to consumers” and related this strength to state shipping and transportation networks. When asked to clarify, government officials felt that consumer-oriented firms were likely to find the high incomes and dense population of New Jersey attractive, relative to other states. In addition, the New Jersey has been actively pursuing an initiative to create jobs near the ports, and the issue is top of mind for most government interviewees.

Factor: “Quality of Life Factor”

Private and public sector executives had different views about the importance of “quality of life” in site location decisions, as well as differences in what attributes of “quality of life” are important. Government officials ranked “quality of life” factors lower than did private sector interviewees, as noted in **Table 5.9**.

Table 5.9: “Quality of Life” Factor Ranking

Actor Group	Factor ranking
Business Executives	4
Site Consultants	4
Government Executives	5

In addition to the difference in ranking of the quality of life factor, business executives, consultants, and government officials revealed a disparity in the how they measured the quality of life factor, and why the factor was important, as demonstrated in **Table 5.10**.

Table 5.10: “Quality of Life” Factor Ranking and Attributes

Actor Group	Factor ranking	Factor: Quality of Life		
		Attribute 1	Attribute 2	Attribute 3
Business Executives	4	Schools	Urban Centers	Safety
Site Consultants	4	Schools	Housing Costs	Urban Center
Government Executives	5	Safety	Schools	Entertainment

The important attributes assigned to the “quality of life” factor varied by the type of actor.

“Quality of Life” Factor and Attributes: Business Executives

In the interview narratives, business executives closely linked the “quality of life” factor to “workforce” attributes; if workforce quality and education were important attributes, then quality of life for the workforce is also important. In line with this observation, business executives ranked quality of schools as the most important attribute for “quality of life”.

The importance of urban centers to business executives was a surprising finding. Executives described both desire and need to be near urban centers to attract and retain talent. Several interviewees noted the need to be in a large urban area in order to have adequate transportation, housing, and entertainment options available.

Safety ranked important, but third, for business executives. Despite agreement between public and private sector actors on the importance of urban centers, the attribute “safety” had diverse rankings. Business executives expressed concern that urban centers in New Jersey posed safety issues for their employees. Prompted on this topic, executives cited news reports from the prior year (2008-09) of examples of random violence during the day time in New Jersey’s largest cities.

“Quality of Life” Factor and Attributes: Site Location Consultants

Site location consultants also closely linked the quality of life factor to “workforce” attributes. And similar to business executives, site location consultants emphasized the importance of the quality and availability of K-12 education in site selection decisions.

Also related to workforce issues, site location consultants articulated the need for vibrant urban centers as part of a long-term strategy in workforce planning and attracting talent:

C1, “Where we want to live is important....[T]alented young workers that are being hired, and will be hired over the next decade, are driving the urban choice.”

Safety did not appear on the site consultant rankings of the “quality of life” factor. None of the site location consultants were aware of crime statistics for New Jersey cities,

or of a comparison of the crime statistics for New Jersey cities versus Manhattan or Philadelphia. The basis of the concern expressed by private sector actors was the perception of an unsafe environment. New Jersey's urban centers were not specifically avoided in the site location decisions that were discussed, but site location consultants expressed concern about the safety of the state's urban areas, in comparison to other states. A comparison offered by one consultant was,

C1, "...Baltimore is unsafe, but it (the city) provides access to where you need to come and go to get to work...[T]he crime is sequestered and businesses can live with that."

"Quality of Life" Factor and Attributes: Government Officials

Government officials ranked quality of schools as important, but behind safety. Government officials articulated a different view of the value of urban centers, ranking the attribute low in site location decision making. Government actors viewed urban centers as important because they represented prior public sector investment, and were important to public policy efforts to revitalize previously developed space. Economic development officials described a number of public policy programs for urban centers, including public financing for housing developments and financial incentives to support creation of entertainment and dining options. Government executives saw the need to create an urban environment in which employees would feel they could spend time (and taxable dollars) in the cities in which they work. Government officials spoke of the need to "sell business" on the accessibility of their cities and the city streets.

Government officials ranked safety as the number one "quality of life" attribute, ahead of "quality of schools." And although urban centers were not listed by these

officials as a factor in location decisions, government officials suggested that safety concerns were high on the list because companies have not wanted to move to New Jersey's largest cities. One government official said,

G3, "Safety is the key issue for moving companies to urban areas....Safety is a perception. not a reality; maybe it is both....[T]hey will go to cities where there is a train in and a train out; no one wants to touch the sidewalks."

When prompted, state and municipal officials alike described concern with the perceptions that businesses have of the crime in New Jersey cities:

"G1, "They (businesses) don't know the statistics; there is no specific problem to fix; everyone just runs around scared without any rational judgment embedded."

"G5, "I have fought safety concerns for this city for years....[W]e use police to convey a sense of safety. I don't think it's crime they worry about; it's race....That's why companies build the big suburban campuses, to stay separate from everyone else...."

Factor: "Government"

"Government" was ranked as the 5th most important factor by business executives and site location consultants, and marginally less important by government officials, as shown in **Table 5.11**. During interviews, participants described the influence of "Government" on site location decisions using a variety of terms.

Table 5.11: "Government" Factor Ranking

Actor Group	Factor ranking
Business Executives	5
Site Consultants	5
Government Executives	6

The three attributes for the factor “government” provided important clarification for this factor in decision making, as displayed in **Table 5.12**. Overall, this factor was ranked moderately important by each set of actors, and ranked lowest by government officials.

Table 5.12: “Government” Factor Ranking and Attributes

Actor Group	Factor ranking	Factor: Government		
		Attribute 1	Attribute 2	Attribute 3
Business Executives	5	Environment Regulatory	Licenses Permits	Tax Incentives
Site Consultants	5	Environment Regulatory	Licenses Permits	Tax Incentives
Government Executives	6	Tax Incentives	Environment Regulatory	Licenses Permits

In the interviews, business executives placed similar importance on the environment/regulatory and Licenses/permits attributes, providing descriptions of the importance of the need for predictable and stable regulatory environments. Business executives also distinguished between tax policy and tax incentives. Tax incentives were perceived to be tactical, not a function of the overall cost of doing business. Regulatory and permitting issues were ranked higher because firms said they need to do long-term planning with respect to using and expanding existing sites or accessing sufficient water, air and energy for their operations. Regulatory and permitting problems translate into risks, which increase costs. The potential planning for unknown actions by government on regulatory matters increases dramatically the cost of doing business. Business executives underscored the point that uncertainty is highly unattractive; states with a history of regulatory changes and issues were penalized in the cost weightings. New Jersey’s track record on regulatory and permitting certainty was not favorable. One

business executive described the unpredictability of the environmental law as a major problem:

B6, "...[A]nyone with multiple industrial sites in New Jersey has figured out that no one in the DEP (Department of Environmental Protection) cares about business in New Jersey. We are not asking to be treated special, we are doing all the right things to follow the law....but when laws change after my capital is committed, someone should be working with me to assess how to mitigate the problems."

B5, "...We were trying to build on a little piece of an existing building, and then someone declares the site is a wet lands area based on a forty year old map...[and]can hold a multi-million dollar project up for months. No one from the state will even drive out to see the patch of land under review..."

In addition to permitting and regulatory roles, the private sector also ranked tax incentives administered by the government as important or somewhat important in decisions. The results of the interview narratives for business and site consultants clearly indicated that incentives are expected, but not a determinant:

B6, "...[I]ncentives are always important, but they are also under the (financial decision) line for our firm..."

B7, "... [i]ncentives are a complimentary type of factor rather than a leading factor. No discussion of incentives can really take place before a location is decided...so, incentives reinforce the direction, but I don't think they drive the decision. Because the cost numbers are so big on relocations, the incentives cannot be big enough to sway them."

C2, "...Coming from New York to New Jersey incentives matter because they MIGHT affect cost....Utterly irrelevant in most cases. The mistake that states make is to make relatively small tax incentive awards which don't do anything to affect a decision. An incentive has to be 10% or more of the total cost—a very large award—to really materially affect anything."

C1, "Incentives are a tactic; they are optically important versus actually important."

C3, “The goal should be to attract jobs and investments with as little public support as possible, not to minimize the cost of incentives; otherwise the state would have to improve its overall relationship with businesses who do not find state or local government officials welcoming.”

C5, “Economic development in New Jersey suffers from a design flaw. The EDA (New Jersey Economic Development Authority) has created trip wires throughout the state to hear about and respond to ideas and opportunities—but does no proactive work. This limits the role government can play because it all but ensures that the state is involved late in the decision process—when all that is left is the incentives.”

Government officials saw the attributes of the “government” factor quite differently. Government actors listed tax incentives as the most important attribute. Public officials iterated the need to offset real estate costs and taxes in order to “win” jobs from outside the state. The bias towards the importance of tax incentives may result from the fact that all the interviewees were economic development officials, and their perspective is more limited to the role they play, providing incentives and negotiating a deal.

G1, “The cost of doing business is the driving factor in a final site decision. It is critical that we offer tax abatements to offset real estate costs, or we would lose every transaction to other jurisdictions....”

G2, “...[T]he final measure is the total cost of doing business, and tax incentives are an off-set once the decision is made. We would love to stop offering them, but no one wants to take the risk of operating without a net in the competition for jobs. Incentives are our safety net, if we are fighting head-to-head with New York or Pennsylvania.”

Factor: “Transportation”

The largest gap between government officials and the private sector interviews was presented by the factor of transportation. As demonstrated in **Table 5.13**, government

officials ranked transportation the 6th most important factor in site location decisions, significantly below government officials placing the factor 2nd.

Table 5.13: “Transportation” Factor Ranking

Actor Group	Factor ranking
Business Executives	6
Site Consultants	6
Government Executives	2

The attribute rankings in **Table 5.14** provide even more information regarding the gap between rankings of this factor by government officials and by private sector executives. The relatively low ranking of the “transportation” factor belies the importance businesses described in their discussion of the both the factor and its attributes.

Table 5.14: “Transportation” Factor Ranking and Attributes

Actor Group	Factor ranking	Factor: Transportation		
		Attribute 1	Attribute 2	Attribute 3
Business Executives	6	Airport	Roads	Rail
Site Consultants	6	Airport	Ports	Roads
Government Executives	2	Ports	Airports	Rail

The airport is ranked as the center of New Jersey’s transportation assets. Overwhelmingly, businesses and consultants cited the Newark Liberty International Airport as a critical factor in site location decision making, and an asset to the region which offsets other negative factors such as costs. Government officials, who ranked this factor very high in importance, cited the ports as the primary reason.

“Transportation” Factor and Attributes: Business Executives

Businesses underscored the importance of the airport in site location decisions, particularly for international market access. (By contrast, business executives did not rank roads or mass transit as important in site location decisions.) There may have been a problem with the characterization of the transportation attributes in this research, or they simply may not be as important as reported. After the previous discussion of commute times and quality of life attributes, it was difficult to elicit any insights as to why rail and road transportation were rated relatively low.

“Transportation” Factor and Attributes: Site Location Consultants

Site location consultants agreed with business executives on the importance of airports to site location selection. Several consultants described searches for financial services firms that ultimately remained in New York or in New Jersey rather than moving to the North Carolina because of the international flights available from the Liberty Airport. Consultants described the availability and costs of flights as a cost consideration in the decision process.

Site location consultants also ranked ports as an important transportation attribute. Most of the consultants interviewed described working on projects to select a distribution warehouse project related to the port. But roads and rail were not noted as important. When prompted, site consultants agreed that interstate highways were important elements of the port transportation network, but that local roads were not an important factor.

“Transportation” Factor and Attributes: Government Officials

Government officials ranked transportation as the second most important factor in site location selection decisions, a notable difference from the private sector. As

importantly, government officials cited the ports as the reason for ranking transportation high on the list of factors. When prompted, government officials described projects they were working on to renew port areas in the state, and the need to offset costs relative to lower cost alternatives in other states. Officials described the ports as generating a large number of projects in the state.

Factor: “Infrastructure”

The factor of infrastructure was ranked at the same level of importance in site location decisions by all interviewees, as shown in **Table 5.15**.

Table 5.15: “Infrastructure” Factor Ranking

Actor Group	Factor ranking
Business Executives	7
Site Consultants	7
Government Executives	7

Infrastructure attributes, shown in **Table 5.16**, include the importance of having water, sewer, utilities, and broadband available. In all of the interviews, there was consistency in the participants views that infrastructure services a baseline requirement for any city or state to be considered for a location decision. In other words, if the infrastructure were not available, there simply would not be a decision to make.

Table 5.16: “Infrastructure” Factor Ranking and Attributes

Actor Group	Factor ranking	Factor: Infrastructure		
		Attribute 1	Attribute 2	Attribute 3
Business Executives	7	Water/Sewer	Utilities	Broadband
Site Consultants	7	Utilities	Water/Sewer	Broadband
Government Executives	7	Utilities	Water/Sewer	Broadband

New Jersey is generally perceived to have a well-developed infrastructure. The “infrastructure” attributes are important for industrial sites, but the interviewees noted that New Jersey’s dense population and lack of available space made these considerations moot; there is simply no space in the state to build a new large factory or industrial facility. One consultant who worked on data center projects for financial services companies noted that New Jersey had important attributes for this type of facility. Data Center projects must be able to draw power sources from multiple electric grids to a single site, to have access to ample water supplies for cooling large data centers, and to access high bandwidth network access. New Jersey has all these attributes. The site location consultant also noted that to win this site selection competitions for data centers, the real estate has to be within 25 miles of Wall Street, more of an “access to markets” attribute than an attribute of “infrastructure”.

Factor: “Politics”

All actor groups ranked the factor “politics” as the least important in site location decisions as demonstrated in **Table 5.17**. Despite prompting, the low ranking was not discussed by interviewees in much depth.

Table 5.17: “Politics” Factor Ranking

Actor Group	Factor ranking
Business Executives	8
Site Consultants	8
Government Executives	4

As noted in **Table 5.18**, two attributes were included in the “politics” factor definition: access to elected officials and the ability to move or block projects.

Table 5.18: “Politics” Factor Ranking and Attributes

Actor Group	Factor ranking	Factor: Politics	
		Attribute 1	Attribute 2
Business Executives	8	Access to officials	Move or block projects
Site Consultants	8	Move or block projects	Access to officials
Government Executives	4	Access to officials	Move or block projects

“Politics” Factor and Attributes

Business executives noted that by the time “politics” are involved, the only issues open are local permits. Local and permitting issues are typically worked by site location consultants and with government officials. One business executive quickly commented that nothing ever happened because of a bribe, and another simply shrugged his shoulders and said, “Things get done once you decide.” However, an executive at a large firm noted that in a fierce competition to relocate his company’s headquarters, the final two sites under consideration were New Jersey and a state further south. The firm’s access to the Governor’s office in New Jersey and to legislative leaders helped to broker the deal. Without the ability to have conversations regarding the issues of the New Jersey site, the other state may well have won:

B1, “We were treated so poorly by the state’s regulatory agencies in the past that most of our executives wanted to pull out of New Jersey. We negotiated directly

with the Governor's office to resolve issues regarding roads, regulatory issues, and more. In the end, it mattered that we had (political) access."

Site location consultants saw politics as both a tactical and a strategic issue. From a tactical standpoint, the final negotiations can move along if a political figure wants to see the deal culminated. On the strategic front, legislative agendas affect the stability and predictability of a state's assets, so consultant's monitor activity:

C1, "Noisy politics can be helpful to closing a project. Senator Schumer is effectively noisy...We don't see that in New Jersey."

C1, "We watch the legislative agendas in states. Currently, the Pennsylvania legislation to close the budget gap includes trimming education by \$1B for the 2010 budget. That would be very bad and will influence decisions if it moves forward."

Conclusion

The results of asking experts to rank the importance of a list of factors to the site location decision making process resulted in some insights to the two research questions posed:

- What factors inform public sector decision making in business site location selection?
- What factors inform private sector decision making in business site location selection?

There were important differences in the ranking of factors by government officials and private sector executives.

1. Government officials rank cost as the most important factor in site location selection. Further these officials described tax incentives as the most important element of cost decisions. Business executives and site location

consultants describe costs as less important than workforce factors. When discussing taxes as an element of costs, the private sector considered tax policy more important than tax incentives.

2. When describing the rankings of “workforce and “cost of doing business” as factors in site location decisions, business executives and site location consultants perceived “workforce” and “cost of doing business” as a relative advantages for New Jersey versus Manhattan.
3. Government officials described “cost of doing business” as a relative disadvantage for the state. The discrepancy in perceived competitive advantages and disadvantages can lead to economic development policy decisions that ignore the reality of the market according to a site location consultant:

C4,” Sometimes the incentives are negotiated after the site is decided. Some projects are decided on the effect of the incentives to make a good site decision better. But incentives can’t make a bad site decision good. The attributes of a site have to be right; the costs can always get better.”

Findings from the factor analysis highlight discrepancies between the governmental and business descriptions of what factors influence a business location decision and at what stage of the decision. A discrepancy between actors in the prioritization of factors and their relative importance to site location decisions results in different interpretations about how the site location decision making process is taking place. The key insights from this analysis are:

1. Workforce matters most. Attention to the quality and supply of workers is important to business executives. Retention and recruitment of workers remains the number one priority in location decisions. The supply of future talent matters.
2. Cost matters—but most of the costs are outside the control of government officials. The costs most responsible for driving the decision are real estate and wages. Corporate tax structure and the impact of a state's tax policy are considered when taxes are a cost attribute in the site location decision. Tax incentives are less important in the selection process. Tax incentives are expected in the competition between states for jobs, but only marginally—if at all—impact the decision itself.
3. Urban centers are seen as assets in attracting future talent to firms. New York City is very attractive and access to urban lifestyles is expected to become more important in recruitment strategies at many firms. There is a discrepancy in the view of public officials and the private sector on why urban centers matter. Safety issues remain an unclear attribute in urban-based site location decisions.
4. There is a gap in the importance placed on transportation in site location decisions. The international airport is critical to the growth of new businesses and international trade according to the businesses executives and site location consultants. Government officials are focused on the port as the critical asset.
5. Investing in infrastructure assets has paid off handsomely. Newark Airport, access to New York, and high quality schools are all cited by business executives and site consultants as important factors in site selection for New Jersey.

Access to markets was an important factor because of the proximity to the airport and New York's financial market according to private sector interviewees. Government officials who were focused on developing the ports were more cognizant of consumer market access. This discrepancy in factors may indicate a gap in the programs designed by government.

Chapter 6. The Decision-Making Processes

Introduction

This chapter presents findings from in-depth expert interviews describing the decision-making process for business site location selection. During the interviews, business executives, site location consultants, and government officials were asked to describe the process used to make a site location decision and to describe who was involved in the decision and when they were involved. The interviewees were encouraged, during the interviews, to provide specific examples about a site location decision in which they had been personally involved. The analysis was conducted in order to develop a more robust understanding of the question:

What are the dynamics of the decision making process for business site location selection?

The first section of this chapter describes the dynamic decision-making model used in this analysis of the findings from rankings of factors that influence business site location decisions. The next section proposes a model for considering the dynamics of the site location decision-making process. The remaining sections of the chapter describe the three phases of decision making in site location selection, using a dynamic decision-making model to explain the decision-making process and the actors involved in that process.

The Dynamics of the Site Location Decision Process

The data reported in this section highlights insights gained from interviews, insights that are not apparent from the literature or the rankings of factors. The process

and decision making described during the expert interviews underscored the interactive nature of a business site location decision-making process. Government officials are not involved directly in this process, but the decision-making process includes an evaluation of factors controlled by government policy. Public policy design in support of economic development does not directly account for this phase of strategy decisions and evaluation of options by employers.

The ranking of factors that influence site selection decisions by interviewees (discussed in Chapter 5) highlights discrepancies in the assessment of the importance of these factors by public sector actors and private sector actors, but fails to explain why the discrepancy exists. The rankings provide a static view of the relative importance attributed to each factor. While helpful, the initial rankings fail to account for differences in decision dynamics related to the timing of the site location search and any market shifts by competitors and customers of the firms that are seeking new locations. Consistent with previous economic development research, the qualitative data from the in-depth interviews provides insights to the nature of an evolving decision-making process, in which factors have more or less importance depending on the phase of the site selection decision process. The static survey research also fails to explain why public sector executives would take actions incongruent with the both the research in the field on economic incentives and with the decision-making information articulated by business executives.

Dynamic Decision-Making Framework

In this chapter, decision-making theory provides the framework for analysis of the interview data. In order to understand how the factors influencing site location decisions

are used by different actors in the decision-making process, interview questions were designed to encourage conversations about what factors were being used by the different groups and how the decision process for site locations unfolded. The expert interviews provided an opportunity to probe beyond the rankings of factors cited as relevant to site location decisions, and to explore whether or not the importance of a factor changes over the course of a site location decision process. The interviews provided data on timing, on roles of various actors in the decision process, and on the interaction among actors during the decision process. The interview data builds on the static view of the role of factors in site location decisions by providing information about the dynamics among actors and within the decision-making process itself. To understand the interaction among the processes of the multiple actors, the interviews explored how the importance of factors changes over time, based on decisions taken by an actor group. The decision processes used by government officials were found to be sequential, while the overall decision process used by the private sector appears to be non-sequential, dynamically incorporating information, decisions, and actions.

The data from in-depth interviews unveils a decision-making process involving multiple actors. The public and private sector actors work in parallel, but the decision-making process proceeds regardless of whether information is integrated as the process evolves; that is, the two different types of actors, business executives and government officials, can make decisions independently and without the engagement of other actors. The result can be a sub-optimized outcome from an integrated process. This site selection decision-making process is consistent with the characteristics of a dynamic

decision-making environment, supporting Sterman's (1989) findings on three requirements of a dynamic process:

1. Conditions of the decision-making process require a series of decisions
2. The decisions are interdependent and not linear
3. The conditions change autonomously, and as a consequence of previous decisions

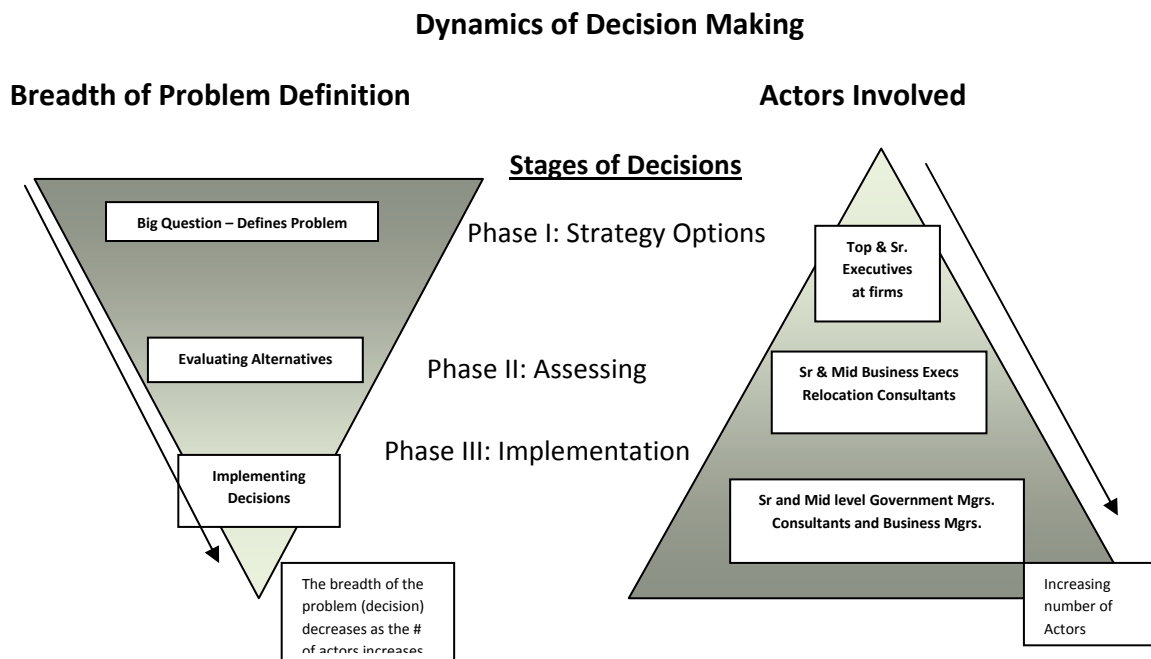
In meeting the first criteria, the site selection decision-making process emanates from a series of decisions rather than from a single decision; corporations make decisions about what and why job creation or movement needs to happen, and government officials make decisions about what public programs should be offered to increase a jurisdiction's probability of creating or keeping jobs. The series of decisions is not required to be coordinated, either for businesses to select sites or for governments to offer programs. This leads to the second criteria; site selection decisions are interdependent but not sequential. Decisions about what programs government officials should offer companies to encourage job creation depends on a firm's decision to move jobs, but the program decisions do not need to follow a specific request for financial support in order to be offered. Job creation and financial incentives may be offered to all companies, irrespective of whether or not a pending site location decision favors the jurisdiction. The private firm decisions and public policy are interdependent in that to receive a financial incentive, a firm has to agree to create jobs in the jurisdiction. Finally, site selection decisions can change autonomously, without consideration of other decision-making elements. For example, a firm's decision to move jobs to New Jersey—to hire top pharmaceutical industry researchers who already live there—can be made without the offer of incentives by that state. New Jersey can offer incentives to a firm regardless of whether or not the firm requires financial incentives to make the decision. Both elements

of the decision-making process would operate as planned, but a sub-optimal outcome would result, at least from a public policy standpoint. As Sterman (1989) suggested, achieving optimal results requires actors in the process receive and use feedback from both external actions and decisions that can inform the decision process. If the actors are unable to act on feedback and outcomes of earlier decisions, results will be sub-optimal.

The model depicted below in **Figure 6.1** provides a macro-level view of the business site selection decision-making model described by experts during the in-depth interviews. The decision-making process for site selection begins with a broad view of strategy options, and narrows as the firm makes strategic choices. The decision-making process continues during the second phase, narrowing alternatives as evaluations and assessment are made. Finally, during the implementation phase of the process, trade-off decisions are made within a constrained number of choices dictated by earlier phases of the process. As the decision narrows, the number and variety of actors involved in the decision-making process expands as specialists from the firms enter the implementation phase, and as government officials are consulted on specific tax incentives for the selected sites. The decision-making process begins with identification of strategic options that define the problem to be solved by the site selection process. Iteration of the problem identification steps continues as the choices are narrowed in each phase of the process. Data from the in-depth interviews detail a process in which not all actors are involved in the same decision phases. Businesses have a range of strategic options to consider during the strategy options phase. Government officials enter the decision process of business site selection during the final phase. This late engagement pushes government officials to a narrowly defined set of decision-making criteria about what

public policy decisions need to be made to attract new jobs. Government officials, who are in a narrowly defined role in the firms' evaluation process, are precluded from the earlier phase in which strategic choices were made. This role limits the government officials' perspectives on their alternatives for addressing the needs of the site selection process.

Figure 6.1: Dynamic Decision Making



Site Location Selection in a Dynamic Decision Model

The funnel on the left-hand side of the diagram depicts the decision-making process from the initial identification of a problem through the evaluation of alternatives and the final decisions and implementation of the decision. The pyramid on the right-hand side of the diagram depicts the number of actors involved in the decision process. The element of time is characterized by the arrangement (from top to bottom) of three phases of the decision process. The diagram also highlights the relationship among the

actors involved in a decision over time, with fewer actors involved at the strategic decision stage; an increasing number of actors involved as the assessment of alternatives begins and incremental decision-making begins to take place; and finally, the largest number of actors is engaged at the final stage of the decision process, after the alternatives are narrowed and consensus emerges, and when implementation begins. In other words, at the earliest stages of a decision, the entirety of strategy options is available to the people in the room responsible for business decisions. The constraints on problem definition are minimal and related to the human and capital resources of the firm; only the most senior decision-makers are involved and their common purpose is the profitability of the business. As the decision process proceeds, the funnel of options and alternatives narrows as prior decisions inform and direct future decisions.¹ The definition of the strategic issue directs future steps in the site location decision process, directing the steps in the next phase of the process.

That decisions have multiple phases is not new information. Many decision-making models are based on the assumption that problem identification precedes the generation and evaluation of options. In site location decisions, multiple decision-making processes are take place, both in the private sector and by government officials. However, businesses report engaging public officials in site location decisions only at the final stage of evaluation of alternatives and implementation of decisions.

Data gathered in the expert interviews indicate not only that the site location decision- making process is iterative, but also indicate that each step in the iterative

¹ In this analysis, I did not assume linearity. It was obvious that the decision making process itself sometimes looped back on itself. However, this process is fodder for future research.

process provides information relative to the overall decision-making process. The private sector actors have information regarding the public sector actors' decision-making process, and can integrate the processes to inform the steps they take in decision making. For example, business executives hire site location consultants to negotiate with government officials about specific sites, rather than discuss the decision directly with government officials. The decision-making process at the firm is informed by the fact that government actions can be predicted because information about economic development programs and financial incentives is available and public. Firms can predict the actions government is going to take based on the availability of public information. However, government officials do not have public information about a firm's plans and strategic decisions during a site selection process. A firm may elect not to engage government officials in discussion regarding a site selection process until the final phases of a decision. Government economic development programs that address the issues companies consider in the strategy phase of site location decisions will influence the site selection decision-making process earlier than programs that do not account for this phase of decision making. In the next sections of this chapter, in-depth interview results are presented to describe each phase of the decision making process, and the roles of the actors in that process.

Phase I: Strategy Options

During the first phase of site location decisions, as described by company executives, the process begins with defining the purpose and goals of the site location selection process. The strategy phase has the most impact on which factors will be important to the site selection decision, because the decisions made at this point establish

goals and objectives for the project. Based on the strategic business reason for a new site selection decision, criteria are established for the decision process that follows, so knowledge of why a new site selection process is underway is the most important information for determining what factors will inform the decision-making process as it progresses.

Business executives indicated that the direction of the strategy determines the importance of individual factors in influencing the site location decision-making process. For example, firms that established cost reductions as the strategy goal for a site location decision indicated that real estate costs and tax policy were important factors during the evaluation phase of the decision process because those factors contribute to location costs. On the other hand, businesses that were considering a new site location for product development indicated that access to talent would be the most important criteria because the research talent at the new site would determine the success of the decision. The criteria for the site selection decision process are established during the strategy phase.

Business executives characterized site location decisions as strategic moves intended to improve the competitive position of the firm. Neither the site consultants nor the government officials described participating in this strategy phase of a site location decision-making process. Business executives described many different reasons for the initial momentum for a site location search, and cost savings was not always described in real estate terms. One executive described his large financial services firm move to New Jersey this way:

B3, “The decision to look at New Jersey was prompted by our corporate structure; we thought we could save a very large amount of money under the corporate tax code there.”

Other executives described strategy moves due to industry consolidations or their own mergers:

B7, “After the acquisition we had two goals.... First, ensure we hit the cost savings targets promised to the (financial) market, and secondly that we ensure the new revenues from products....[I]n our business, new products mean having the right people working in the right places without disruption.”

Another business executive described strategy driven by the fact that his business operates in a regulated market. The market conditions depend on favorable government perceptions and good consumer relations, so the company considers the “optics” of how every site location decision looks to the population that they serve:

B1, “We also have a code of corporate responsibility; our decisions have to be the right kind of thing to do....[T]his is our community and we are investing in the state, accountants just look at numbers...but the corporate and social responsibility piece is ours to look at too.”

Business executives described strategy setting when asked to be specific about how site location decisions were made at the firm. At this stage of site location decisions, a broad search for alternatives is available, and all options can be considered. The strategic choices narrow all future options, including what factors will be important to the site selection decision.

Phase I Actors: Small Number of Senior Executives from the Firm

In the strategy phase of site location decisions, only a small number of business executives were reported to be involved in the decisions. Interviewees suggested that a corporate executive committee—including for example, the Chief Executive Officer and Chief Financial Officer or Business Unit President—is involved with strategy setting.

Business executives alone described this phase of the process, and business interviewees indicated that the senior managers of the firm were involved in the goal setting.

B2, "...[O]ur strategy has to drive our decision making, and strategic decisions are made in the board room; we are accountable."

Site location consultants described awareness of the strategy decision phase of a site location decision, but did not describe a role for themselves. All site consultants interviewed described the importance of the strategy decision to the factors that influence site location decisions. The first step of a decision process establishes what the firm is trying to accomplish, and what needs to be done. Site location consultants indicated that the business case for a site decision is determined based on what strategy is selected; the strategy determines what will be required to drive success at a location.

C1, "The early stages of decisions drive the purpose of the move....[W]e get involved later when they want us to help them think about how to accomplish what they are looking for."

Government officials did not describe participating in the strategy setting phase of a site location decision. They were aware of the literature on the strategic importance of certain factors in site location decisions, but did not describe policy options to address strategic issues. Government economic development officials indicated that they believe other parts of government to be responsible for strategic policy that might influence job creation. One municipal official shared his perspective on why his city was not involved in this phase of site selection decisions:

G5, "...[W]e can control very little about why a company will look at (our city), tax abatements and incentives are basically the only things I can control....[W]e have to focus on the things we can control and hope the state covers the rest...."

None of the government officials interviewed described a process to capture the information from strategic decisions regarding site selection. When probed during the interviews, government officials used examples of elected official's involvement with specific corporate decision makers to describe strategic engagement. This confusion was common; government officials described with whom they spoke versus when they communicated with the firm during the decision process. Both who and when are important. Because the strategic options considered in the first phase also determine what factors will be important to the site location decisions, the first phase of decision-making also specifies who will be engaged in the process at the next stage. Real estate executives and site location consultants are most likely to be added to the process shortly after a strategic decision is made.

Phase II: Assessing and Evaluating

During the second phase of the site location decision-making process, the search for alternatives is narrowed through an iterative process driven by goals set in the strategy phase. Business executives and site location consultants described this phase of the process as driven by the need to use data and facts to optimize the site selection decision. When probed to define this optimization process, interviewees described the need to mitigate risk and decrease uncertainty for each site location option considered.

The process and decision making during this phase of a business site location decision underscored the interactive nature of an evaluation process. Firms use site location consultants to provide data on alternatives and to conduct evaluations. At this point, government officials were still not directly involved in the process. In fact, evaluation of options could be influenced by public policy decisions, but public policy

design in support of economic development does not account for this phase of evaluation in site selection decision making. Business executives and site location consultants crunch the numbers on workforce attributes, access to transportation networks, tax policy, and quality of life, but government economic development officials do not have parallel policy tools to influence the decision process. The following examples underscore the importance of a feedback loop for participants in the site selection decision making.

Strategy choices inform this phase of the process as well as which actors are engaged in the next step. Phase II of the process is evaluating alternatives, depending on the strategy options selected, the alternatives are different. The strategy choices frame the alternatives that will be considered. Summed up by a consultant:

C2, "...[Y]ou go through step one: what are you trying to accomplish? Are you indifferent to all things except cost, or is an international airport important? If you need a skill set, you need to go where the people are located. If you need proximity to your customers, then you need an airport."

The strategy choices made during phase I of the decision-making process drive a broad range of issues, from cost reduction to optimization of resources following a merger or acquisition or expansion into a new business. In the first case, cost-based strategies for site location selection decisions are likely to focus on real estate and financial factors, and the decision process quickly expands to include mid-level managers in real estate and financial roles. In the second case, site location decision processes following a merger or acquisition might include a process to evaluate cost savings while optimizing the talent retained by the firm post merger. The assessment and evaluation phase in this type of decision process is more elaborate as teams expand to include human resource managers and business unit leaders. Business executives interviewed frequently described creating

multi-functional teams to evaluate the factors that drive costs. Site location consultants described being hired during this phase to facilitate data collection and analysis.

Evaluating Cost-Driven Site Location Decisions

Cost reduction strategies in the New Jersey area were articulated by a number of interviewees from all the actor groups. Financial services firms in particular cited the benefits of cost reductions gained from moving operations out of New York City to Jersey City, New Jersey. Moves across the Hudson River from Manhattan were described by the business executives and site locations consultants as decisions to reduce operating costs. Some of the momentum for Jersey City was generated after the tragic events of 9/11, and resulted in many financial services firms considering the city for the long term:

B4, "...[W]e moved to Jersey City after 9/11; it was chaotic and we needed to be operational to get the markets up....We realized later that we were saving a lot of money in real estate and the taxes."

Site location consultants and government officials described the assessment and evaluation in narrower terms than business executives, possibly reflecting the fact that these actors are not involved in establishing the cost cutting goal, but rather contribute to achieving it; typically in real estate and tax cost reductions. As a site location consultant said of the process:

C2, "Manhattan to New Jersey is not a relocation; it's the same labor shed. There are minimal unknowns with the workforce and access to clients stays the same....It really is a retention project....[I]t's about finding the best real estate.

Government officials also acknowledged the advantage of cost-oriented moves from Manhattan:

G2, “Jersey City works because it’s cheaper than Manhattan and commuters are willing to go there. No firm needs to talk to the state to reach that decision.”

Idiosyncratic Factors Emerge in Phase II

The interviews also provided insights into unreported factors that exert an impact on the outcome, including the preferences of an influential or highly placed group or individual within the organization. Although these factors were not identified by interviewees during the ranking of factors, in-depth conversations produced specific examples of how idiosyncratic factors impact the site selection decision process during the evaluation stage. Some of the unreported and idiosyncratic factors that influence decisions included personal preferences of top executives for a region or city. These idiosyncratic factors were noted at different stages of a site selection decision-making process, including the final implementation stages, but were noted primarily during the evaluation of alternatives. For example, the choice of a chief executive officer (CEO) to live closer to New York City might rule out consideration of Southern New Jersey or Pennsylvania. Similarly, the desire for proximity to a preferred golf course or school might eliminate a regional contender for a new location during the evaluation of alternatives.

During the evaluation of alternatives, other idiosyncratic factors emerge that simply ensure that a jurisdiction is added to or removed from the list of potential locations. One real estate executive at a major firm explained the direction he received from more senior executives during a recent site location decision:

B7: “We looked at St. Louis, too; the demographics are a good match, and we might be able to save money by moving to the middle of the country, but it is a lot of disruption.... Besides, most of the executives don’t want to disrupt their

families either. Moving to a place like St. Louis is just not going to happen. [My CFO] is very clear about what stays on the list of possibilities....”

Several senior executives noted that the CEO’s home town or desired home would almost always dictate the location of a headquarters operation. One CEO interviewed was very clear on why he was moving the firm to New Jersey from another state after he was hired:

B5, “I am a long term resident of Monmouth County; it’s where I want to be....[I]t does not make sense to keep offices in other states.”

Public Policy Factors in Phase II of the Process

During the evaluation of alternatives phase of a site location decision, firms reported making decisions about where to locate that had nothing to do with workforce or taxes, even when they cited these as important factors in their decisions. Factors that drive this stage of decision-making can include the perceived stability of the regulatory environment in a state. Some firms indicated that they filtered New Jersey out of consideration at a very early stage. For example, one firm indicated that a long-running dispute with the state’s environmental regulatory agency led to a decision to cut New Jersey from consideration,

B6, “...[We] will never build in this state again. The degree of uncertainty and risk we have in being able to ensure we can build on our own property is too high. We don’t even talk to the economic development authorities in this state. Other states make a point of talking to us regularly and we will continue to move operations to those states that understand our business.”

In describing how cities in New Jersey are evaluated during the site selection decision process, most firms acknowledged the attractiveness of Jersey City. The evaluation phase of decision making takes the location and transportation attributes of the city into

account. However, other cities were not considered desirable for a number of reasons, as described by one business executive:

B1, “The state always wants us to look at the cities, but there are negative quality of life factors in Newark. Absenteeism is higher, parking is a huge issue;... few people use the trains. The issues are the intangibles that tax incentives won’t fix.”

In summary, once a strategy decision is made, the filtering process in site selection decisions continues to identify jurisdictions that meet the criteria that the firm needs as the assessment and evaluation during Phase II continues. Decisions rest not only on the raw numbers, but on the perception of stability and predictability of a jurisdiction’s tax and regulatory environments. There are also a number of idiosyncratic factors—representing personal preferences of highly placed individuals—that account for alternatives being accepted or rejected during the Phase II of the decision-making process.

Phase II Actors: Business managers increase and site location consultants are added

The number of actors involved in the decision process expands after the strategic choices have been made. Because the strategic decisions determine what factors will be important to the site location decisions, the first phase of decision making also determines who is engaged in the process at the next stage. Site location consultants join the decision process at this stage. In some cases, site location consultants provide data to support the choice of alternatives; in other cases, the consultants evaluate the data for each of the alternatives. Firms reported creating teams of managers from various disciplines to evaluate site alternatives and establish more detailed specifications for the site location selection process. Business executives indicate that real estate managers,

business unit managers, and tax accountants join the project teams at this stage. The broader range of executives involved reflects the type of activity under way: the evaluation of options and their potential impact on the firm. Business units use their own staff and site location consultants to inform these decisions rather than engaging government officials:

C4, "Tax strategy is a driver in site location decisions. In big firms there are state and local tax groups that advise clients and they turn to those experts in the firm, rather than the government."

During this phase of the site location decision, government officials may be notified of a pending action by the consultants; rarely do firms contact government officials. Executives interviewed believe the role of government in a decision is to offer economic incentives, and that decision is not relevant at this phase of decision making, as noted by one executive:

B4, "We cannot afford to make decisions based on incentives. That's the last stop to ensure we have the most attractive deal possible."

Site location consultants engaged in the process at this phase are aware of factors that influence site location decisions and the priorities of the firm seeking the new site. As the firm works through this second phase of evaluating alternatives, tax incentives may not even be considered.

In the expert interviews, government officials reported that public policy extended into this phase of site selection decision-making. However, the economic development officials did not report personally engaging in the Phase II decision-making process. The government officials interviewed indicated that they were constrained in what tools they had to use to influence site locations, and that the authority of the economic development

agencies did not extend to non-financial incentive tools. Given the constraints in authority reported by the economic development officials, the role of government officials to influence the decision-making process while alternatives are being considered seems limited. Government officials are not in a position to respond to, or even receive and act on, the information considered by employers during the Phase II evaluation of alternatives. The inability to use feedback from the decision-making process underway further limits the actions available to government officials. Interestingly, site location consultants encouraged this limited role for government. Site location consultants described their role in the process to be the analytical support for the firms making the decision. It may also be that because site location consultants are used to negotiate tax credits and financial incentives, they are advantaged by the limited information available to government officials.

Phase III: Implementation Choices

The solutions or policy alternatives that are considered by government officials were described in the expert interviews as being limited to purview of the existing economic development toolkit, rather than being informed by the full spectrum of factors considered in business site location decisions. Definition of the problem in terms of costs, and relative costs limits the economic development tool chest to financial support to firms developing real estate or moving jobs to the state. One government official described the dilemma facing policy makers as a matter of self-creation:

C5, “Economic development in New Jersey suffers from a design flaw. The EDA (New Jersey Economic Development Authority) has created trip wires throughout the state to hear about and respond to ideas and opportunities—but does no proactive work. This limits the role government can play because it all but

ensures that the state is involved late in the decision process—when all that is left is the incentives.”

And while government officials appear to be aware of the problem created by the late engagement of public officials and programs in the site selection decision-making process, the rewards of providing incentives, even if they are not the deal makers, remain publically attractive:

G1, “There is always a risk-reward assessment involved in decision making. We see value in getting credit for the win, but little value in being the one that say no (to an incentive).”

Phase III Actors: More Business Mangers, Site Location Consultants and Government Officials

Because government officials are not part of the earlier phases of decision making, their role in the site selection process is limited. Businesses and site location consultants engage public officials when the final aspects of a decision are under review, and this typically includes costs, according to those interviewed. Government officials engaged so late in the process are frequently brought into this phase of decision making in order to offer incentives.

Site location consultants note that while tax incentives do not influence earlier phases of the decision-making process, most companies have come to expect them to be offered in the final phase of decision making. Without the information about why the sites are competitive, the only role for government officials is cost cutting to make a New Jersey site most attractive in the process. For example, an economic development official said,

G2, “The state is only involved at the very last stage of decisions. By the time a firm is talking to the state, it’s to shake us down for incentives. We know the decision has already been made, but no one is willing to say no. Third party lobbyists’ influence on policy is dominated by real estate professionals and attorneys, reinforcing our bad policies to provide tax incentives.”

And finally, government officials felt that site location consultants controlled access to the firms once a negotiation for incentives was under way, limiting the effectiveness of attempts to reach a business executive at this stage of the decision process:

G1, “The negotiation prevented the state from speaking directly with the firm; our only contact was through the consultant. Our only way to reach the firm directly was through a back channel, which was seen as too controlling. Besides, the consultant would have prepped the firm for our questions and negated the value of trying to reach out directly.”

The dynamic nature of the site location decision-making process apparently does not provide adequate information to the government decision-making process to sufficiently influence economic development programs. In fact, lack of integration of economic development officials with the site location decision-making processes at major firms contributes to the continued government strategy of offering large financial incentives to private firms. Because government officials enter the process after a location has been selected, sub-optimal decisions may be perpetuated by the enthusiasm with which the public embraces the announcement of new job creation credited to incentive programs. Information about how much of an incentive was “required” to close a deal versus how much was “offered” is unknown, and is unreported when announcements are made about jobs creation. Government officials who are unable to account for strategic advantages already embedded in the site location decision can reach sub-optimal decisions about financial and tax incentive programs required to ensure job

creation; this is likely if the information they use in a decision process is limited to the information at the final stage of the decisions

Conclusions and Findings

The three phases of the site selection decision-making process evolve and narrow the problem addressed in the process. In the first phase of site location decision making, businesses consider strategy options, and only senior executives at the firm are involved. The strategy choices inform the second phase in which businesses assess and evaluate alternatives. During Phase II, public policy considerations are important, but government officials are not usually involved. Businesses expand the number of managers in the decision-making process and engage site location consultants to improve the results of Phase II. Implementation choices made in Phase III involve a limited number of alternatives and are focused on optimizing the decision that has been made. In addition to business managers and consultants, government officials are involved in Phase III.

The findings from expert interviews add new insight to the factors influencing site location decisions and the dynamics of the decision-making process. Government officials are not involved in the early phases of a site location decision and therefore are unable to benefit from early knowledge of factors influencing the early site location choices. The factors prioritized by business executives indicate that an educated workforce, the need for livable urban centers, and attractive quality of life in a region are important factors in site location decisions. Depending on the strategic nature of the site location decision being made, these business climate factors may offset cost considerations. Government officials whose decision-making process does not incorporate information from the business site location decision process may miss the

opportunity to influence a decision without offering financial incentives. If the full stream of options is not considered, the government's role in economic development, as defined by job creation, is narrowed to a handful of tools, primarily tax incentives. As one senior government executive stated:

G2, "It would take great courage to trim or eliminate incentives that are tied to location decisions (e.g. BEIP's and BRAGG's). The real estate interests would loudly accuse such advocates of giving up on the state's competitiveness and point to other (likely neighboring) states that still offered them. Plus, any lost business (and there will always be losses and wins) would be attributed to the lack of incentives. Nevertheless, it would be the correct decision and the moneys saved could be devoted to more creative and targeted programs that would create more business growth and jobs, likely in the small business sector."

Because the site selection decision-making process described in the interviews involves multiple actors and processes, the lack of interaction between actors at different stages of the decision making process appears to result in sub-optimal outcomes. This important finding suggests that government actors achieve sub-optimal results from economic development incentives because public policy elements of the decision-making process do not integrate feedback and outcomes from the business site location decision-making process.

The dynamic decision-making model in business site location decisions leads to the following key findings about the process:

1. Businesses use multi-phase decision processes to make site location selections.

The first phase in which strategy options are selected determines what factors will be important later in the decision. Only senior business executives are involved in this phase of the decision.

2. A factor's relative importance to a site location decision changes over time, depending on the point at which the decision process is queried. The factors influencing site location decisions are determined in Phase I and evaluated in Phase II of the decision process.
3. Business executives and site location consultants described a decision-making process that emerges from a set of strategic choices that firms make about running their business, independent of government officials. Government officials confirmed that the role of economic development professionals was limited to providing financial incentives to finalize a negotiation for specific sites.
4. When government officials engage in the process is important, not just why. In addition, different actor groups' perceptions of a factor's importance are influenced by the limitations of their engagement in the overall decision-making process. Government officials were often not involved in a site location decision-making process until the strategic decisions of a company's process were complete, and often not until a final site or two had been selected. This lack of information about the strategic phase of decision-making leads government officials to focus on the decision implementation factors for site selection and may explain why government officials are primarily focused on questions of costs.
5. Government officials were not engaged in evaluating factors considered during the decision-making process before their involvement. Some business climate and public policy options are evaluated before government officials are involved in the process.

The dynamic decision making process described during the interviews begins with a relatively small number of decision makers, all from the private sector, establishing the strategic options available to the employer. As the decision-making process proceeds, the options available are narrowed in an iterative process as alternatives are evaluated. Although relatively few senior people are involved during the early strategy phase, as the decision-making process proceeds, more actors are engaged in the process. During Phase II, more business executives and site location consultants are added to the process. Government officials are not brought in to the site location selection process until Phase III, when the implementation phase has begun. The limited role of government officials described in this process may account for the continued use of financial incentives despite the inconclusive research on their effectiveness. Without knowledge of the decision making process in earlier stages, government officials have limited exposure to the decision-making criteria.

Chapter 7. Conclusions and Recommendations

Introduction

This chapter presents research findings and their contribution to the understanding of economic development and the business site location decision-making process, concluding with policy recommendations, discussion of the limitations of the research, and suggestions of areas for future study.

This research was designed to address questions about decision-making in business site location selection. The findings pertinent to the research questions are presented in the context of the factors that influence business site location decisions and the site location decision-making process.

Research Findings: Factors that Influence Site Location Decisions

The first two research questions relate to the factors that influence location decisions:

- What factors inform public sector decision making in business site location selection?
- What factors inform private sector decision making in business site location selection?

The findings presented in earlier chapters describe the rankings by public and private sector participants of factors that influence business site location and the differences in rankings between the two actor groups, public and private. The private sector actors in the business site location decision-making process are business executives and site location consultants. The public sector participants in the process are government officials. When asked to prioritize a list of factors that influence those site selection

decisions, the private sector actors ranked the factors in similar order. However, discrepancies between the private sector rankings and those of the government officials were apparent. These notable differences in factor rankings seem to stem from two issues: the way the factors are defined and how the actors view the decision-making process.

1. Defining the Factors

Public and private sector participants in the decision-making process used different definitions to describe the factors that influence site location decisions. Survey research benefits from well defined questions and clarity of purpose, but variation from survey to survey in the field of economic development may have resulted in a lack of clarity when government officials listen to the private sector prioritizing factors in site location selection. For each interviewee in this research, deep descriptions were solicited to probe for understanding of how a factor might influence site location decisions. The descriptions solicited during the expert interviews provided insight about the definition of the factors, and clarification about why discrepancies exist between the public and private sector rankings.

When government officials define a factor differently than actors in the private sector, the difference can impact the policy actions evaluated. The definitional clarity provided in the interviews adds insight to the discrepancies between public and private sector actors in ranking factors that influence business site location decisions. In addition to the findings presented in earlier chapters about factor rankings by different actors, one contribution of this research is to make it clear that definitions of factors influencing site location decisions vary in the literature. There is variability in use of terms across

studies, and definitions used by different actor groups reflected this in the interviews. Terminology used by public and private sector actors varied substantially in this research, so the use of clarifying conversation was important.

In an important example, all of the actors in the decision process ranked “costs of doing business” as an important factor in site selection decisions; asked to rank the factors that influence business site locations, all of the participants agreed that “costs of doing business” was an important consideration. But as noted in the findings on factor rankings, the attribute “taxes” meant different things to different actor groups. Tax policy and tax incentives were used interchangeably by some government officials. Some government officials described tax incentives as a tool to correct tax policy for an individual firm. Business executives described tax incentives as a cost offset that would be used to offset costs of a location, but highly discounted because the tax incentive was not a permanent change in tax policy. Prior research noted the need to understand why government officials proceed with financial incentives to influence site location decisions despite mixed evidence as to the efficacy of this economic development tool. This research demonstrates the importance of definitions to probe further and understand actions of public officials.²

Contradictory conclusions have been reached by survey research and econometric studies on the variables or factors that influence site location decisions. The lack of congruency in what is measured by careful definition disrupts the usefulness of the variables. In this study, each of the interview participants provided definitions and

² Of course, ambiguity can be a political tool. However, the impact of purposeful ambiguity was not explored in this research.

clarification for the ranking of factors; and as a result, the discrepancy in factor rankings between public and private sector actors can be better understood than would be the case without the rich definitions of factors. If everyone is interpreting the factors that influence site location decisions differently, perceptions of what is happening will be different for each person. As in to the tale of the blind men and the elephant, if each actor “touches” a different part of the elephant, it might be described in very different ways, all of which are correct. In the business site location decision-making process, the actors describe the factors differently because they are viewing the problem from a different perspective. Understanding the differences in the meanings of the terms is a first step to understanding the incongruence in the factor rankings. In economic development practice, the definitions create problems in policy design and implementation. Competing interests work to define the factors that influence location decisions in order to optimize their role and their benefit from the policy design. Government officials operating with definitions from multiple sources are unable to decide what is required in order to make the state more attractive.

2. It Matters Where You Stand

The differences in rankings by government officials versus private sector executives also reflect how government officials perceive their role in the business site selection process. Government officials describe participating in a site selection decision-making process when companies call on them to ask specific questions about a particular site under consideration. The role of government officials, as described by private sector executives, was also limited to the final phase of a multi-phase decision-making process.

The factors that influence business site location decisions at each phase of a decision are different, and therefore the engagement of government officials during the later phases of a decision-making process helps to explain the differences in factor rankings.

Government officials are not involved in the early strategic phases of a site location decision, and have limited access to the factors being considered in those earlier phases.

The private sector evaluation of factors that takes place in Phases I and II of the decision process does not include government officials, although frequently the attributes of a region or state are important elements of those evaluations, as reflected in the factor descriptions provided by business executives. For example, in the early phases of a site location decision, business executives ranked access to airports, particularly international airports, as an important factor. The importance of the airport limits the radius from which the business will look for a new site, and will exclude competing regions with less attractive international flight options. On the other hand, government officials acknowledged the importance of airport transportation, but did not describe the airport as an important attribute in site selection decisions. Because government officials were not engaged in the site selection decision-making process at the time the airports were being considered as a factor, the rankings of public sector officials reflect the considerably lower ranking of the airport as an influence on the decision. Similarly, government officials engaged in the final phases of a decision ranked tax incentives as important, reflecting the importance of tax incentives as an attribute, from their perspective, at the point in the decision process.

If government officials are not part of the early phases of the site selection decision-making process, the value of factors evaluated early in the process is not apparent to the

government bodies. Government decision-making regarding investments in higher education, access to airports, and quality of life would benefit from deeper understanding of the value that businesses place on these factors in selecting sites to create new jobs. Government officials ranked the factors and attributes that they controlled higher than other factors. Factors and attributes outside the control of the government officials interviewed were not ranked as important, perhaps reflecting the lack of control or even visibility of the factors as part of a location decision. The factors that private firms consider in location decisions are affected by a myriad of government agencies, and not all of the officials may be working together to achieve economic development in the jurisdiction. The lack of an integrated effort by government agencies limits the tools used to attract jobs; this may result in economic development professionals resorting to the use of financial incentives.

What different actors see and judge to be important in the decision-making process depends not only on the evidence available but also on the “conceptual lens” through which they look for the evidence (Allison, 1999). My research explored the factors as well as the assumptions that influence decision-making about the problem of attracting jobs to a state. When government officials are engaged by the private sector during the final phase of site selection decision process, the company is already implementing the choices that have been made. At this late stage, the business location decision is typically concerned with optimizing value by reducing risks and expense. So even when government officials and business executives ranked factors influencing business site selection as having the same importance, discrepancies existed in why the factors were ranked in the order they were ranked. These findings are consistent with decision-

making research which postulates that what you see depends on where you stand; actors in a process may view the problem from different perspectives (Allison, 1999).

Government officials described being brought into the business site location decision-making process at the end of a search for a new location. The engagement of the government, primarily by site location consultants or business managers, often focuses solely on cost optimization for a decision that has already been made, and therefore is a discussion of optimizing value for the firm for that decision.

Research Finding: A Dynamic Decision-Making Process

The third question posed in the research was:

- What are the dynamics of the decision-making process for business site location selection?

The third finding that emerged in the discussion of factors informing business site location selection was the identification of multiple phases in the decision-making process. The public and private sector actors became engaged in the decision making at different points in the process. When asked to describe the process for site location decisions, business executives and site location consultants identified the three phases of a process which were described earlier in the findings as: strategy options, evaluating alternatives and implementing decisions.

During the earlier two phases of the site selection decision-making process, government officials are not involved, limiting the knowledge and feedback that government officials could gain from participating earlier in the process. Economic development programs that are designed with information and learning derived only from

the final phase of the location decision process will be limited in scope. It is characteristic of dynamic decision-making environments that the feedback on decisions made earlier in the process informs decisions taken later in the process. If actors who are engaged in the later phases of the process are unable to use information from earlier decisions in the process, a key feedback loop is broken, impacting the outcomes negatively. Government officials who join the decision-making process for business site location during the last phase of the process are not exposed to, and do not participate in, prioritizing the relative importance of factors considered earlier in the decision-making process. The dynamic nature of the site location decision-making process apparently does not provide adequate information to the government decision-making process early enough to influence development of economic development programs. In fact, lack of integration of economic development officials with the site location decision-making processes at major firms contributes to the continued strategy of government offering the only tool they have available to them, financial incentives. Sub-optimal decisions may be perpetuated by the enthusiasm with which the public embraces the announcement of new job creations that are credited to incentive programs.

According to the interviewees, during the final phase of site location decision-making, costs are often the only factors discussed; this perspective skews the perceived value of financial incentives for the government officials engaged late in the process. In order to be effective in attracting jobs to the state, the officials use the tools available at the point at which they are engaged in the decision-making process; these tools are often tax incentives. And while winning jobs from a nearby jurisdiction may not enhance a state's economic attractiveness, it can provide a political boost from good press and

perceptions that the government is “doing something” to bring jobs to the state. Once business site location decisions are narrowed to a small number of sites within a geographic area, cost offsets are usually the only tool government officials have with which to influence the decision making. Using tax dollars to move companies within a region may have political value, but does not improve the economics of the region.

Government economic development professionals did not describe being engaged in policy decisions to address factors other than taxes and costs. Because the tool-kit that economic development agencies typically hold consists primarily of financial incentives, few government officials described having the ability to use other policy tools to affect site location decisions. Policies that might drive the state’s attractiveness to firms such as workforce quality, transportation infrastructure, regulatory controls, and quality of life issues are not the purview of economic development officials. Government officials involved in economic development operate with a toolkit designed to offset costs with tax incentives, rebates and low cost financing. These tools are important in the final phases of site location decision making, but are limiting in their impact on the overall site location decision-making process.

Recommendations

The dynamic decision-making process described during the expert interviews conducted for this research defined three phases of the site selection process. The first phase involves the selection of strategy options, and establishes the goals of the site selection decisions; this phase is dominated by a select group of high-level private sector actors. The second phase in site location selection focuses on evaluating alternatives to fulfill the strategy choice and engages more actors in the process. Site location

consultants and mid-level managers with functional expertise in the business join the decision-making during the second phase to evaluate a broad range of factors that influence the decision. The final phase of a site location selection process expands the participants to include government officials and additional managers from the business. During this phase, the company and site location consultant goals are to optimize the choices made in the earlier stages of the decision by minimizing uncertainty and reducing costs. The policy recommendations from this research reflect the three phases of the site location decision process and advance economic development research opportunities for job creation by the public sector.

Phase I – Policy Options

The initial phase of the business site location decision-making is controlled by the most senior business executives who have accountability to their shareholders. Government officials are not likely to influence strategy choices for firms; senior business executives are the first actors involved in the decision-making process.

- While access to these business executives is limited, contact is available to the Governor or members of the state's congressional delegation. Organizing economic development activity to build relationships between senior business executives and the Governor and cabinet officials provides an opportunity to engage in discussions early in the site location decision-making process and influence perceptions of the state.

In New Jersey's neighboring states, there is evidence that private sector executive relationships with the Governor of Pennsylvania and the Mayor of

New York have bolstered the perception of each state's economic potential.

Direct engagement of government with businesses can provide insights to the importance of policy actions that influence site location decisions. For example, in New York Mayor Bloomberg has maintained what is considered a "pro-business" attitude in attracting jobs without endorsing the use of tax and financial incentives. On the other hand, Governor Rendell of Pennsylvania is credited with reaching out proactively to attract businesses, yet the state offers large incentives for new job creation. Studying the most effective executive relationships should inform the development of a sustained effort to work with business executives before the site selection process begins. And while just having a conversation with a governor may not change the outcome of the decision, if senior level executives have an ongoing dialogue with state officials, the relative importance of factors and assets in the state can be shared and used as data by the state economic development team.

- The state's assets should be marketed to business before the site location process is initiated. Getting the state on the short list of locations to be considered is both a function of having highly rated factors that influence the decision, and ensuring that the state is being considered by the senior executives who will establish the agenda.

Phase II – Assessing and Evaluating

In the second phase of site location selection, factors influencing business site selection relate directly to public policy decisions, frequently beyond the purview of traditional economic development policy.

- A re-conceptualization of the state's economic development activity is necessary to address the factors that influence site selection so as to influence the decision-making process at this stage. The evaluations done by businesses in Phase II include educational opportunities for employees, housing cost, access to airports and transportation infrastructure, and regulatory issues like permitting. Governments may need to assess the type of work done by economic development agencies and expand their responsibilities or engage other senior government officials in the process.
- Rather than look to the economic development toolkit to offset costs during the last phase of site location decision making, government policy makers should look “upstream” in the decision process. Policies that influence the factors that lead to job growth should be considered in public policy decisions, and the benefit of investments made with the job creation opportunities in mind should be considered.
- An intra-state effort should be created to align policy goals across disciplines. While working together may come naturally to some department leaders and cabinet members, alignment of policy goals can provide a more comprehensive approach to job creation efforts. Careful attention to the trade-offs made between policies may prevent scarce public dollars from being used as incentives if other policy options exist; for example improving transportation rather than funding a company specific incentive. There is evidence that infrastructure assets—including high speed broadband networks, transportation networks, and airports—are solid investments to make because

they can influence site location. The risk of non-alignment of goals across departments can result in frustrated companies and lost jobs as businesses make job creation and retention decisions. One approach used in New Jersey was the creation of the Action Council on the Economy (ACE) in 2006 to bring cabinet level officials together to work on both strategic and operational efforts to recruit jobs to the state. The group met every six weeks, established measurable objectives for departments, and aligned resources to support cross-department legislation. The ACE team allowed sharing of information and building of relationships which in turn facilitated working on specific company attraction projects as well.

- Technology should be used to understand the businesses and industries attracted to the state. The state should develop tools to communicate across departments and with business associations about key factors that can influence site location decisions.
- Idiosyncratic factors matter. Senior executives at a firm can bias a site selection process early in the process by establishing where they want to live and why. Personal and organizational relationships established between government officials and private sector executives may help government officials to better understand these idiosyncratic factors. Knowledge of personal preferences and specific requirements a company may have can prevent unnecessary competition with financial incentives later in the site location decision process. Understanding the living preferences of senior

executives provides invaluable insights to guide economic development professionals.

Phase III – Implementing Choices

During the final phase of business site selection decision-making, government officials are frequently engaged by businesses and consultants who are working to optimize implementation of decisions made in the first two phases of the decision-making process. During this phase, government officials are engaged to provide financial incentives.

- Government officials need to be able to act with some discretion to avoid offering unnecessary financial incentives to firms that have already decided on a location. For example, understanding that financial services firms see relocation from Manhattan to Jersey City, New Jersey as a cost reduction move can prevent the state from offering corporate business tax grants that are trivial costs in comparison to the overall savings the firms achieve in moving. As the site location consultants noted in the interviews, the costs of a move are large, while grants are a very small percentage of any cost savings.
- Inter-state agreements in the region could be developed to share information about tax incentives offered to employers. While it may be too much to expect states to completely halt competition for jobs, agreements to cap total tax incentives might lead to better outcomes when companies see financial incentives in a bidding war between states. Establishing regional objectives for economic growth rather than competing with tax credits would allow each

jurisdiction to optimize its assets in the competition for jobs, and would encourage government to invest in the factors most valued by employers.

Jurisdictions that take a holistic approach to making the region a desirable place in which to live and work can gain an advantage in competition for jobs, an advantage that may reduce the need to offer financial incentives at the end of competition. Firms indicate that the role of an educated workforce, the need for livable urban centers, and the attractiveness of quality of life factors are important to site location decisions.

Limitations of this Research

This research design was oriented toward large companies in the Fortune 500. Small and growing companies, from which much new job growth comes, were not addressed in this research. Factors that influence site location decisions may be different for smaller firms, and the decision-making process may also be different, with fewer actors involved at every phase.

The process for selecting participants for the expert interviews was a purposive sample taken from the list of companies who applied for, and received, financial incentives from the state of New Jersey. This sample did not account for companies that made site location decisions independent of government intervention or incentives

The secondary data analysis included “C-Suite” survey results in New Jersey. The survey took place between 2006 and 2008. The analysis of secondary data from BEIP reports included state grants made between 1996 and 2007.

Interview limitations

Subject matter expert interviews provided insight into factors influencing economic development policy and site location decisions in a densely populated state in the northeast. The results are not likely to be generalized to other regions of the US where perceived advantages and disadvantages might tip consideration in a different direction.

The original research design included audio taping and transcription of the in-depth expert interviews. However, during the summer of 2009, a number of indictments were announced by the Assistant US Attorney's office in New Jersey and brought against public officials, some in conjunction with economic development activities. As a result of the indictments, participants were hesitant to have interviews audio taped, and the interviews were conducted while I took extensive notes. These events may also have suppressed participants' willingness to rank and discuss political factors in the site selection process, or the factors simply may not be relevant. The credibility of answers to interview questions may have been compromised by these events.

Bias

There is the possibility for distortion in the interview information. The interview participants are describing a process and using stories as examples that define a publically reported outcome. Particularly in the case of this research, which involved economic development incentives and rebates, actors involved in the decision making stand to gain economically from financial incentives or suffer penalties for improper use of public funds under strict and complex legal frameworks. In participant interviews, the

researcher chooses from the complex and continuing reality of information that informs the research questions. As analysts move between the facts and the generalizations in the interview, a holistic picture can emerge. I am aware of the roles of the actors because of my experience working in the Governor's Office, and these roles could be seen as adding bias or adding clarity in the probes of the research design. This possibility of bias was considered in the research design, and the qualitative methods were selected specifically for the value that the interviewer's insights could bring to exploring and detailing the stories of executives involved in site location decisions. Any intelligent executive wishing to keep information from an interviewer can do so. No academic interviewer can pry secrets that may be present from unwilling executive. Academics are trained to understand and explain processes, not to uncover what is consciously hidden.

The interview protocol could lead to variations in how the questions were asked, with probes varying based on the specifics of each interview. To address the issues of reliability and operational validity, the semi-structured interview frames both the purpose of the study, and ensures a measure of reliability with core questions (see Appendix A for instrument). Extensive quantitative research on the site location selection process provided the list of key factors that influence a firm's site location decision. Particularly because, as the author and interviewer, I had direct business experience working with a number of the interviewees, there is more chance of bias in both the responses and the interpretation of the responses. To mitigate the possibility of bias, participants were provided with a description of the research objectives and assured of confidentiality.

Future research

A number of areas emerge from this research as potential topics for further study, including: defining the factors that influence site location decisions, using case studies from states adjacent to New Jersey to confirm the findings, creating a similar study of small business site location decision-making, and studying the causal relationships between policy interventions and job creation.

Clarification of Factor Definitions

Variation in the use of terms in the literature and research exacerbate the conflicting advice offered to government economic development officials. Prior research called for the qualitative evaluation of factors as considered in this research. Using these findings to further define variables used in quantitative studies could lead to clarification of the usefulness of economic development tools, particularly with financial incentives.

Case Studies of the Decision-Making Process

Case studies comparing winning and losing states or regional contiguous states in site-selection decisions will also provide additional insight to the site location selection process. Do states in the same region have similar factors that influence site location decisions?

Comparison of State Rankings

Comparison of existing annual studies of states' rankings would further clarify the definitions of factors influencing business site locations. Annual reports measure the

economic attractiveness of states, but reach different conclusions. Assessing the indices can add further clarity to the factors.

Small Business Decision-Making

This research analyzed findings from large firms that had applied for financial incentives from the State of New Jersey. It would be interesting to identify the factors that influence small business site location decisions and the decision-making process used. It is likely that the factors will vary somewhat from that of large companies and that geographic preferences may be narrowed more quickly than for large firms.

Measuring Incentive Programs

Another possible research project that builds on this work is exploring ways to more accurately measure the outcomes of incentive programs. How can we study the causal relationships between policy interventions and job creation?

Appendices

Appendix A. Interview consent form

Attachment 4: Informed Consent (protocol E10-016)

Consent Form

You are invited to participate in a research study that is being conducted by Angie McGuire. The purpose of this research is to analyze the factors which influence business location decisions.

Approximately 25 officials and managers will participate in the study, and each individual's participation will last approximately 45 to 60 minutes. The study procedure is an open discussion between participants and the researcher.

There are no foreseeable risks to participation in this study and participation is voluntary. A better understanding of the factors that influence business location decisions is the intended outcome of this interview, and your participation will remain confidential. You may choose not to participate, and you may withdraw at any time during the study procedures without any penalty to you. In addition, you may choose not to answer any questions with which you are not comfortable.

If a report of this study is published, or the results are presented are made public through some other medium, your name will not be identified. You have the option to remain anonymous, which means that no information will be recorded about you that could identify you

If you have any questions about the study procedures, you may contact Angie McGuire at (732)-932-6998 x603 or aemc@dceo.rutgers.edu, or Kathe Callahan at 732-932-6998 x602 or Kathe@dceo.rutgers.edu, or 303 George Street Suite 610, New Brunswick, NJ 08901. If you have any questions about your rights as a research subject, you may contact the Sponsored Programs Administrator at Rutgers University at:

Rutgers University Institutional Review Board for the Protection of Human Subjects
Office of Research and Sponsored Programs
3 Rutgers Plaza
New Brunswick, NJ 08901-8559
Tel: 732-932-0150 ext. 2104
Email: humansubjects@orsp.rutgers.edu

You will be given a copy of this consent form for your records.
Sign below if you agree to participate in this research study:

Subject _____ Date _____
Principal Investigator _____ Date _____

This informed consent form was approved by the Rutgers University Institutional Review Board for the Protection of Human Subjects on July 25, 2009; approval of this form expires on July 24, 2010.

Attachment 7: Interview Questions

Please rank the following factors in order of importance to decisions made regarding the location or relocation of a business in New Jersey.

Factors Influencing a Business's Decision to Relocate to New Jersey

- Workforce
 - experience
 - education
 - diversity
- Access to Markets
 - consumers/businesses
 - transportation networks
- Costs of Doing Business
 - taxes
 - energy
 - real estate
 - wages
- Infrastructure
 - water/sewer
 - utilities
 - broadband
- Transportation Infrastructure
 - ports/rail
 - airports
 - mass transit
 - roads
- Government
 - licenses and permits
 - environmental regulatory
 - tax incentives, rebates and credits
- Quality of Life Factors
 - quality of schools
 - safety
 - entertainment
 - urban centers
 - housing costs
- Politics
 - access to elected officials
 - ability to move projects/block projects

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