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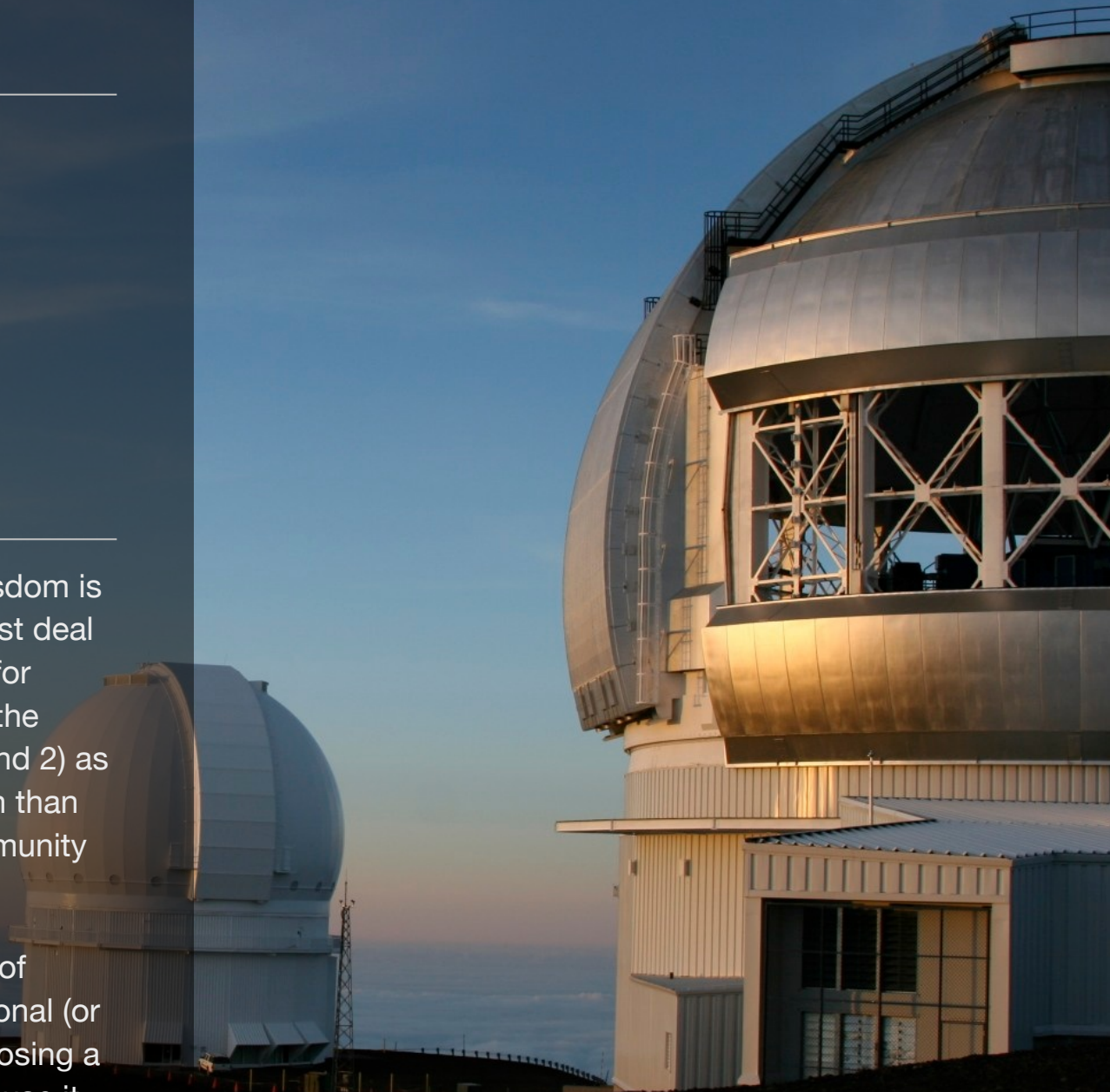
Emotion in Making Site Selection Decisions

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Role of Emotion in Decisions

In economic development, the prevailing wisdom is that the community able to assemble the best deal package will be the one selected by a CEO for capital investment. The argument is that 1) the decision is based on the project financials and 2) as a consequence, the tie breaker is more often than not the size of the incentive package a community can put on the table.

The logic is appealing because, as a matter of money, the economic development professional (or Organization) is never held accountable for losing a deal. The community is always at fault because it was unwilling to authorize a larger incentive package to outbid the competition.



The Bigger The Risk The Greater Role Emotion Plays

PRIMARY & SECONDARY EMOTIONS

1. Love - Affection, Lust, Longing, Sentimentality, Passion, Attraction
2. Joy - Cheerfulness, Zest, Contentment, Pride, Optimism, Enthrallment, Trust
3. Surprise - Amazement, Astonishment
4. Anger - Irritation, Exasperation, Rage, Disgust, Envy, Torment
5. Sadness - Suffering, Disappointment, Shame, Neglect, Sympathy
6. Fear - Horror, Nervousness, Anxiety, Apprehension, Worry, Panic, Dread

The problem, is the argument is fundamentally flawed. The capital investment decision process is often more emotional than rational. In fact, the higher profile the site selection decision is, the greater role emotion plays.

This is not to say that having credible data and a competitive project net present value (or return on investment) are not relevant to the decision. They are. But, while facts and figures are necessary, alone they are not sufficient to win the capital investment decision. You not only need to win the decision-maker's head with rational arguments, you also need to win her/his heart.

When I was building brands, a phrase I always kept top of mind was - ***“The way to win the hands is to first win a person's heart and head.”*** It reminded me that decisions tend to be made first with emotion and then rationalized with data. As a result, job #1 was to create an emotional connection and then make it easy for the decision-maker to rationalize the choice.

I also learned early in my career the power of personal credibility as a factor in persuading Management to accept my business recommendations in spite of the financial risk they entailed. If Management “trusted” (an emotion) in my ability to find a way to overcome competitive challenges, then I simply had to provide a plausible business case to gain their alignment to move forward. The decision

was based primarily on their trust in me and then rationalized by the data presented in the business case.

Based on my experience in economic development, the capital investment decision is truly no different than any other major decision that a CEO has to make. And, as a consequence, emotion plays an important role.

For many CEOs, making a site selection choice is a once in a career experience. It carries a meaningful degree of worry and apprehension. The CEO wants to minimize the risk of making a bad decision, or a decision that may create concern among the Company's Board of Directors, shareholders, financial partners, the Media, Wall Street if the Company is publicly traded, and even the CEO's significant other if a personal move is required.

The process inevitably will yield 2 - 3 location options that, on paper, meet the minimum project criteria and look financially equivalent. The CEO is left without a rational basis to make the decision and relies on emotions to select one over another. Criteria like "cultural fit" of the community, "trustworthiness" of the community leaders, perceived probability of convincing key managers to move to the location, etc. come into play as a way to differentiate one option from another.

In other words, emotions become the only basis for deciding which location option makes the most sense for the Company and its employees longer-term.

Virtually every economic development professional I have spoken to has more than one story of a deal lost for intangible reasons. For example, the CEO wanted to be a "big fish in a small pond" rather than one of many corporate citizens in a major metropolitan center (i.e. - fear of not being able to effectively lobby for public policy reform advantageous to the Company). Or, the CEO wanted to locate the business where there was a higher industry density (i.e. - the safest location choice to defend from criticism). And so on, and so on.

Trust is an emotion that is discussed in a 2011 report from the International Economic Development Council entitled "*Knowledge Is Power: Working Effectively With Site Selectors*". Here is an excerpt from that Report:

*"Relationship-building benefits both the economic developer and the site selector as familiarity and trust develop. Economic developers who get to know a number of consultants are better able to understand the consultants' perspective and how to work with them effectively. In turn consultants become familiar with individual economic developers and their communities. Directly addressing a community's weaknesses with a consultant - and what the community is doing about them - is another way to build trust. ... A trusted relationship may be a **deciding** factor in a short list decision."*

Trust can be a powerful emotion in the site selection decision.

Understanding Emotion As A Driver Of Decisions

EMOTION IS OF GREATEST IMPORTANCE WHEN THE DECISION IS:

1. Conspicuous
2. Complex
3. High-Level
4. High-Risk
5. Subject to Second Guessing
6. Being Made By an Inexperienced CEO

There is a reasonable amount of literature authored on the subject of emotion in complex decision-making. Enough to make a compelling case for emotion being a key driver of important decisions.

In most cases it boils down to an issue of risk management (both professional and personal). Here are links to a short series of blog posts on the subject that share what I found in the literature.

[What Role Does Emotion Play In The Capital Investment Decision?](#)

[To Win More Deals Start With Answering The Question “Why?”](#)

[Intuition The Emotion We Often Forget](#)

In my mind, the upshot of everything I read is that the more personal and professional “skin in the game” for a CEO, the more important a factor emotion becomes in the capital investment decision. Nobody likes to be wrong and nobody wants to be perceived as a fool for choosing a wrong location.

Interestingly, CEOs are less concerned with finding the “ideal” location than they are about protecting against the downside risk of making a wrong decision. Pretty often CEOs feel like a wrong site selection decision will lead to a career set-back.

In my research, I also read a great paper entitled *“The Case For Place”*. It was presented by Journal Communications Inc. in September 2011. The basic argument of the paper is that workforce is key to sustained business success and expansion, and quality of place is a driving factor in people deciding where to live and prosper.

“The changing nature of the workforce means communities will see increasing competition to retain and attract knowledge workers. Workers, especially younger workers, will be more inclined to make decisions about location based on where they want to live rather than where they want to work.”

AreaDevelopment Magazine ran an article entitled *“When Quality of Life Closes The Location Decision Deal”*. The article tells the story of CEO Marc Vogt’s site selection decision. Marc was evaluating location options in both San Francisco and Seattle. The reason Marc gave reporters for selecting San Francisco was - *“I have a 3-year-old daughter, and I just couldn’t see her in rainy Seattle.”* Emotion clearly played a key role in the final decision.

I found some interesting examples in an article about a panel discussion entitled *“Site Selection Depends On Location, Worker, and CEO Quirks”*. There is a story of a CEO who wanted to locate his food-processing plant close to his favorite hunting camp. Another about a CEO wanting to be close to a golf course he loved. A third about how Westinghouse had an emotional tie to its hometown that trumped anything the numbers said. The net

conclusion was *“The secret to the site selection process is identifying early-on the biases of the CEO. It’s very, very important, and its there. It’s always there.”*

I have no doubt that you likely have a number of personal experiences where considerations outside your influence were the reason for your community not winning a site selection decision.

As an economic development professional, your job is to help the Company Team and/or site selection consultant make fully informed decisions that are right for both the Company and your community’s long-term success.

Failure to take into consideration the emotional side of the site selection decision is like trying to win a boxing match with one hand tied behind your back. It is possible, but not probable.

Insight Into What CEOs Think Is Important

A NATIONAL STUDY OF CEOS SUGGESTS:

- 1. The ability to envision personal and company success in your community is the most important driver of a site selection decision. This requires an emotional connection between the decision-maker and your community.**
- 2. The impact of establishing a business in your community on the lives of a CEO's family and employees truly matters.**
- 3. The attitude of local elected officials to business is an important consideration. CEOs basically want their company interests to be heard and considered in public policy decisions.**
- 4. If the "must have" project success criteria are met, then a community can competitively differentiate itself on an emotional basis.**

As background, when I was Executive Director of the Ohio Business Development Coalition, we ran a comprehensive national study among CEOs and site selection consultants to better understand what was important in their site selection decision process. The findings confirmed the importance of emotional factors to CEOs. In fact, for CEOs the #1 most important attribute (based on this study) was an emotional one rather than a rational one. Not surprisingly, site selection consultants focused more on rational drivers. But, when you consider that is what companies are paying them to advise on, it makes perfect sense.

For perspective, this study was completed in 2011 and was run in collaboration with the Wall Street Journal. There were a total of 1,054 respondents nationally, from which 868 were C-level executives (i.e. CEO, CFO, COO, sole proprietor, etc.)

The study evaluated 21 attributes C-level executives consider when making a location decision for capital investment. The list is a combination of both rational and emotional attributes.

Factor analysis (a statistical technique to evaluate relationships between attributes to determine associations and resultant groupings) led to 8 distinct categories.

CATEGORIES IN RANK ORDER OF INFLUENCE	ATTRIBUTES
Thriving Environment	Location will allow you to achieve personal ambitions. Location will allow you to achieve your professional ambitions. Can envision your company thriving there.
Favorable Government Regulations	Public sector is sensitive to business. Business friendly tax structure. Reasonable regulatory environment.
Family and Cultural Opportunities	Family would feel at home there. Desirable recreational, cultural opportunities. Location allows me to balance work and life obligations.
Working Environment Advantages	Availability of telecommunication services. Proximity to major markets. Reliable and affordable energy sources. Availability of quality medical care.
Affordability/Labor Force/Quality Education	Affordable cost of living. Available skilled labor at a reasonable cost. Quality K-12 educational system
Cost Friendly and Safe	Competitive cost of doing business. Safe environment for employees and family.
Educationally Oriented	Quality higher education system. Impressive community of business leaders.
Favorable Transportation	World-class transportation system.

It is interesting to note that the category of “Thriving Environment” is defined by three emotional attributes (love and joy). Based on these data, failure to find a way for the CEO (or decision-maker) to see how your community can enable both personal and company success will represent a meaningful missed opportunity to gain a competitive advantage. Convincing the decision-maker your community has a competitive advantage in cost of doing business is important, but not sufficient to carry the day. The compelling conclusion from this study is that emotion plays an important role in the site selection decision. Finding a way to win the emotional competition is every bit as, if not more, important as winning the rational evaluation. Your job as an economic development professional just got harder.

Emotion Drives Action - Reason Drives Conclusions

PRACTICAL TIPS

1. **Look at your community through the eyes of a business traveller. Is the impression consistent with your message?**
2. **Get your website right. Review the look and feel with a sensitivity to the emotional impression it is making. Is your community's website engaging? Does it tell a story? Or, is it cold and impersonal?**
3. **Evaluate the your community's online footprint to determine what impression it leaves. Is it positive or negative?**
4. **Get proactive in establishing a the kind of image your community deserves.**
5. **Tell stories of real people who live and work in your community to "put a human face" on your location.**

Now that you have reviewed learning from the literature, data from a national study of C-level executives, and your own personal experiences, I hope you have concluded that focusing on winning the competition for the decision-makers heart is every bit as important as winning his/her head.

Now the challenge is to decide how to win the hearts of capital investment decision-makers and key influencers. On a limited budget this is no easy task.

My first bit of advice is to start with a communication objective and get genuine buy-in from your leadership. For this example, let's focus on site selectors. Your objective might be - ***"Messaging will build site selector trust that every promise we make will be fulfilled."***

Then you need to define and align to strategies that collectively will deliver your stated objective. Here are some you might consider for our example objective -

- ***Every promotional claim will be supported by at least one reliable reference.***
- ***Every written or oral promise made to a site selection consultant will be documented and reviewed weekly to ensure timely fulfillment.***
- ***Our project managers will be evaluated on the trust level established with our key site selectors. This will be measured twice a year using a 10-point***

rating scale with 1 meaning untrustworthy and 10 meaning totally trustworthy. If the score is below an eight specific action plans will be developed to improve performance.

- ***We will have a telephone conference once a year with each of our top 10 site selection consultants to update them on relevant changes in our community's business climate and to allow for a frank discussion with one (or more) of our business leaders.***

Then the trick is to ensure the behavior you want to have happen actually does.

The second bit of advice is to objectively evaluate the overall engagingness of your community's website. According to Development Counsellors International's 2012 *"Winning Strategies in Economic Development"* report, 76% of the time a short-list of location options to take into due diligence is created without ever having talked with an economic development professional. That means for the vast majority of capital investment occasions, your community's image determines if it is on or off the short list.

How are companies and site selectors forming an image of your community? One way is through what they find from their online searches. What emotional connection and impression is your community making through its website and any other online resource that is being accessed to create the short-list of location

options? Do you like what you see? Do you see anything, or does your community information not appear in the first few pages of a search? These are important questions to answer.

But, where do you even start to begin understanding what image your community is conveying? Here are a list of websites you want to bookmark and keep an eye on -

- [U.S. Census Bureau](#)
- [U.S. Bureau of Labor Statistics](#)
- [U.S. Bureau of Economic Analysis](#)
- [State Electricity Profiles](#)
- [SiteNet.com](#)
- [Area Development Online](#)
- [American Dream Composite Index](#)

Do a Google search of your community and see what you find. many times, this is where the long-list evaluation starts and stops for many communities.

The more you can see your community through the eyes of the capital-investment decision-maker, the better prepared you will be to win both their heads and hearts. Address the emotional side of the decision and I have confidence you will start winning more capital investment deals than you are losing.