

# A View from the Field



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Dennis J. Donovan has been working for 30 years with major corporations in resolving locational challenges for office and industrial operations. Among his clientele are American Express, Cigna, Dun & Bradstreet, IBM, Merck, and Verizon. Donovan has also served on the boards of premiere corporate real estate associations and possesses BA and MA degrees in Economic Geography.

**B**usiness climate—the aggregate of policies put in place by state or local governments that will affect the operation of private enterprises—is critical. Understanding a place’s business climate is essential and the stakes are high. The economic success of new and expanding enterprises is impacted by a community’s business climate and by a community’s ability to recruit and attract new businesses.

But policymakers are often at a loss as to how to gauge or measure an area’s business climate. Forecasting future business and economic trends in a region, let alone the actions of state and local governments, is hardly an exact science.

One useful method of assessing an area’s business climate is that of site selection consultants and corporate real estate executives. Understanding how those responsible for relocating business assets approach their work can help inform the work of state and local officials. Their approach, though painstaking and systematic, can reduce risk and produce meaningful results.

Site selectors and real estate executives typically follow a two phase approach in determining where to locate company assets. In the first phase, they examine secondary information—data derived from public and private sources—to obtain background information in areas such as taxation, incentives, environment, workplace, liability, transportation, and business outreach. State and local officials should know these sources, make sure their own area’s information is included in them, and update their data frequently.

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Once the first phase has identified a group of finalist locations, site selectors and real estate executives begin the second phase, which is designed to assess the long-range attractiveness of each proposed location. This analysis entails a field-based, ‘due diligence’ evaluation which involves interviews with, for example, area employers, utility representatives, state business associations, local government agencies, and education officials. At this stage, site selectors will request that the lead economic development organization submit a preliminary incentives package. Once they have collected the information, site selectors prepare a summary assessment of how each area compares on various business climate factors.

These simple steps can go a long way towards helping public sector officials understand their own region and others. Once they understand their area’s strengths and weaknesses and how it compares to others, they can determine which business climate aspects to foster and promote.

How policymakers implement this process, which can be time and resource intensive, is subject for an extensive monograph. But ultimately, a systematic, two phase approach is useful to providing a robust picture of an area’s business climate.

