

C3 Location of an enterprise – Solutions

1

In particular, companies that produce labor-intensive products with low-skilled workers. This has led in recent years to the outsourcing of production (e.g., of textiles) from industrialized countries to low-wage countries such as India and Thailand.

2

Government can positively or negatively influence location decisions. Influencing factors include:

- Preservation of safety / order (stable democracy, rule of law)
- Location subsidies (tax breaks)
- Statutory provisions (visa regulations, transparent legal system, environmental regulations)
- Economic development (high standard of living with well-developed infrastructure, such as through good transport connections, reduction of tariffs)

3

- a - Good availability of housing, schools and office space
- Good international connections
- High quality of life
- Attractive working environment
- Excellent labor market
- Centrality

b Individual response.

4

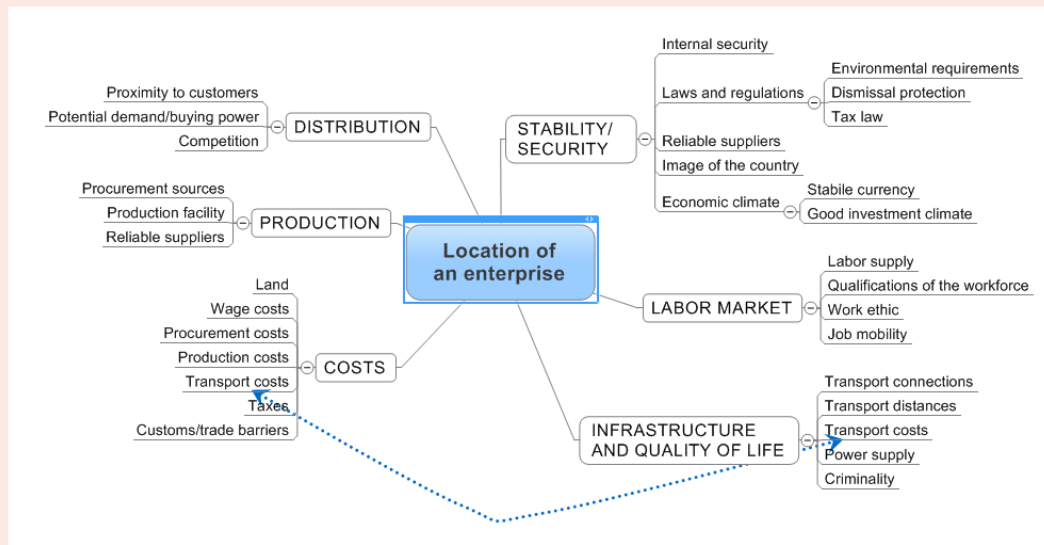
a No general answer can be given for an enterprise's selection of a location. Rather, different criteria for site selection will have importance, depending on the nature of the enterprise, its business operations and the goods and services it produces.

For some service companies, proximity to customers can be decisive. In contrast, with other service companies, such as call centers or IT support, proximity to customers is not decisive as a criterion. Rather, it is labor costs that are key, so these services can be moved to lower-wage countries such as India.

For manufacturing companies, transport connections may be an important criterion for the choice of location because the manufactured products can reach customers quickly and easily.

- b In general, the same location factors (labor, land, capital, government, etc.) are relevant for all enterprises. However, the weighting of these factors will vary between enterprises: For example, it is conceivable that proximity to a rather small group of regular customers is more important for the Müller’s Village Bakery than for Sulzer AG with its international clientele. For Sulzer, transport infrastructure (e.g., proximity to the airport) or access to overseas markets would be of greater importance than for the local bakery. Other differences are naturally conceivable.

5



6

Depending on selection and justification of the location factors, their weighting and point distribution by country can lead to individual solutions.

A possible solution could look like:

		Switzerland		Romania		China	
Evaluation criteria	W	P	= W · P	P	= W · P	P	= W · P
Land prices	20	1	20	3	60	3	60
Government services	10	2	20	2	20	2	20
Legal provisions	15	2	30	2	30	2	30
Transport connections	15	2	30	2	30	3	45
Availability of labor	15	2	30	3	45	3	45
Production costs	25	1	25	2	50	3	75
Total	100		155		235		275
Ranking			3		2		1