

The Tiny State That Could

Despite Small Size, Indiana Attracts Large Global Investments

By Candace Gwaltney

Not to give Indiana an inferiority complex, but here's the reality. Hoosiers account for about 2.1% of the United States' population and the state is the 13th smallest in land area. That makes Indiana just a tiny speck on the global business landscape.

That's the challenge when trying to attract international companies – a fact that became painfully clear for Secretary of Commerce Mitch Roob when meeting with global site selection consultants in New York in mid-2009. About a third of the way through his pitch for why their clients should come to Indiana, one of the consultants interrupted him with a question: Which 'I' state are you from?

The good news is foreign investments remain a key success for Indiana's economic development program, Roob asserts. "We continue to focus a lot of (the Indiana Economic Development Corporation's) time and attention and the governor's time and attention (on these efforts)."

More than 700 international companies operate in Indiana, according to the IEDC.

Global investments come in the form of big names such as Nestlé and Honda, as well as lesser known companies such as Sweden-based leisure product producer Dometic and German specialty chemical company Evonik. Foreign investments also include companies that expand current Indiana facilities and businesses that consolidate operations to a Hoosier city. The bottom line for Roob and others charged with bringing these companies here is more opportunities for the workforce.

Since 2005, Indiana has attracted more than 16,500 new jobs from around the globe and \$7.6 billion in foreign direct investments. That's about 20% of all new jobs, he shares.

Gov. Mitch Daniels (left) and THINK CEO Richard Canny announced in January the Norwegian company would produce its THINK City electric vehicle in Elkhart.

Change in hands, location

One of the largest recent foreign investments involved the transfer of an existing plant. In October, Evonik acquired Eli Lilly and Company's Tippecanoe Laboratories in Lafayette.

When Lilly announced the previous year it would sell the facility, Evonik expressed interest. "We preserved more than 650 jobs that might have otherwise been eliminated," Tom Bates, president

of Evonik Degussa Corporation, wrote in an e-mail.

"Indiana is a leader in biopharmaceutical development and manufacturing," Bates relates. "We were also attracted to the state for a number of other reasons, including an educated and motivated workforce and ease of doing business."

The move helps the German company increase its U.S. market presence," he says. "North America is the world's largest pharmaceutical market and it's critical for us to have a significant footprint here."

Evonik operates more than 30 manufacturing facilities in North America – the largest now in Indiana – and is active in more than 100 countries.

Nearly one-third of all



Media Company Adds to Indianapolis Base

By Tom Schuman

While global companies continue to see promise in Indiana's business climate, one of America's leading news and information organizations is also investing in its Hoosier operations.

Gannett, probably best known for creating *USA Today*, publishes 84 daily newspapers in the United States – including those in Indianapolis, Lafayette, Muncie and Richmond. And while ad revenue losses have prompted job cutbacks among reporters and other staff members, Indianapolis is becoming a regional hub for Gannett operations. That means additional investment and new positions in other areas.

Michael Kane, president and publisher of the *Indianapolis Star* and a regional group president for Gannett, details some of the recent changes:

- A National Shared Services Center, which, “when all is said and done will mean up to 200 new employees on the accounting and financial sides.”
- New Regional Toning Center (toning and transmission of photos for a large number of publications) and Gannett Production Center (building of advertisements for those same newspapers). Indianapolis and Des Moines, Iowa, are the sites for these activities.
- A soon-to-be-launched Regional Client Solutions Group will serve as a business development entity for various Gannett operations, with a Gannett sales division already in place.
- In addition, the Pulliam Production Center (a \$72 million investment when it opened in 2002) on the northwest side of Indianapolis has been a regional printing site for *USA Today* since early 2009. It also prints (among other publications) the Richmond and Muncie newspapers. Transportation and other operations for Indiana newspapers are also managed from Indianapolis.

Why Indy?

“I do talk about the geographic advantage we have here,” Kane confirms, “but you’ve got to take advantage of it. We have good economy of scale here. We have size and space with two very good facilities (the downtown office in addition to



All but four years of the *Indianapolis Star's* 107-year history have been spent at the intersection of Pennsylvania and New York streets. the production center) and a well-trained workforce.

“We’ve never had a problem here recruiting people with good skills. All the important infrastructure elements were in place,” he continues. “We’ve had a lot of walls coming down and new ones going up.”

Kane, who succeeded Barbara Henry at the Star in July 2008, wrote in early January that he anticipated “upwards of 120 jobs” being created downtown by the end of 2010. The rollout schedules for the new entities will bring additional growth in the coming years. In addition to the new positions, he points out a number of existing jobs have been saved.

Kane admits that Indianapolis’ gain is someone else’s loss in some cases. Within the state, the Richmond printing operation closed at the end of 2008 in order to take advantage of the state-of-the-art Pulliam facility.

“If the trend in our industry is toward consolidation and contraction, which it is, let’s position Indianapolis as the place to make it happen. That’s better than losing jobs to other states and regions,” he declares. “Some of the operations we’re talking about are new. And if we’re going to do that as a company, I want Indianapolis to be the one with the additional investments.”

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job-producing projects in 2009 were a result of a company closing an operation elsewhere and increasing capacity in Indiana, according to IEDC data. That trend continues to include foreign investments.

RV supplier Dometic already operated a facility in Elkhart when it announced last year it would create 241 jobs by moving its refrigerator manufacturing operations from Sweden to Elkhart. The company also plans to move production from a Mexico plant to its LaGrange facility, according to the company.

Truly the heartland

Indiana placed 10th among North America sites for foreign job creation in 2008 – attracting an estimated 3,000 jobs, according to the IBM Global Location Trends annual report released last fall. Ontario, Canada, ranked first with estimated

new jobs from foreign companies surpassing 7,000 that year.

“Of course the U.S. has a huge and important consumer market, and that’s one of the key reasons companies invest in large numbers in the U.S.,” relates Roel Spee, global leader of IBM’s PLI-Global Location Strategies practice. Based in Belgium, Spee advises companies where to locate businesses around the world.

“For Indiana, one of the advantages in the North America market is it is quite central in geographic location,” Spee notes. “In terms of companies seeking access to the markets, it has a sort of a strategic location very central to all of those customers.”

That is a primary message shared by Roob when pitching Indiana. On the back of every IEDC business card is a U.S. map with Indiana prominently marked.

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Some of these businesspeople know of the Indy 500, many recognize Notre Dame and a surprising number are now aware of the Colts. “There’s not really a great understanding past that,” Roob asserts.

That awareness of where Indiana is located must happen before Roob can discuss the state’s strengths in logistics, education, workforce and work ethic.

Helping convey that message are six IEDC offices in international markets in which development specialists work as ambassadors for the state. They help sell Indiana to draw investments from that country, Roob explains. The offices are located in London, Berlin, Beijing, Tokyo, Taipei and Sydney. Some of these employees work fulltime for Indiana, while others are on a contract basis.

Power in numbers

Well-established foreign companies help make the case for Indiana. If the large companies think it’s a good location, it becomes an indicator for others.

Indiana is second only to California in Japanese foreign investments, Roob asserts. “We are the only state with three major Japanese name-plated automobile manufacturing facilities (Toyota, Subaru and Honda).”

The region’s history in manufacturing indicates to investors “there is a workforce available with the right experience, which always is an important factor for attracting particular manufacturing industries,” Spee contends.

In January, a Norway-based manufacturer of pure electric vehicles announced it would locate its North America production facility in Elkhart. THINK is expected to begin assembling the THINK City car in early 2011.

Several factors helped Indiana land the facility, including its skilled workforce, available facilities and established automotive supply base, states Brendan Prebow, spokesperson for THINK North America.

Elkhart beat locations in eight other states, including Portland, Oregon. Prebow cites the state’s central location as well as proximity to a major supplier as other reasons for THINK’s decision. Indianapolis-based EnerDel will provide the City’s battery. The supplier’s parent company, Ener1, Inc., is a stakeholder in THINK, Prebow notes.

The perfect pitch

So what will seal the deal for a foreign investor?

Tax and other incentives are helpful, but states and regions cannot rely on that. (IEDC offered Evonik up to \$10 million in performance-based tax credits and THINK North America up to \$3.04 million, according to the state agency.)

“Many people think it’s about incentives or about good quality sites – that is correct, that plays a role at the very end of decision-making – but much more important is that you have a good quality of workforce,” Spee surmises.

That becomes even more important with the aging workforce in many places around the world, he adds. Companies often



Evonik purchased the Eli Lilly Tippecanoe Laboratories plant in Lafayette in the fall. Employees Doug Miller and Jeff Horral, from the bulk pharmaceutical manufacturing department, portion a production run.

are looking for a mix of people with industry experience as well as the right education system to ensure “the new fresh workforce has ... the right skill sets required by companies of the future.”

Indiana’s universities are a strong selling point, particularly in Asia, Roob shares. And it’s not only because of the workforce they create. Strong Japanese and Chinese programs at Indiana University and Purdue University are attractive to investors.

Other institutions play a role in selling the state, such as Notre Dame. “In part it’s because it validates us as a place where interesting intellectual activity is occurring, particularly science- and math-oriented,” he relates.

Still, attracting foreign investment remains a constant effort. Hoosiers aren’t the type to brag, Roob muses, but he says he’s more than happy to do just that. “We have to go out and toot our own horn. We have a lot to be proud of in the state of Indiana.”

INFORMATION LINK

Resources: Tom Bates, Evonik Industries, at corporate.evonik.com

Brendon Prebow, THINK North America, at www.thinkev.com

Mitch Roob, Indiana Economic Development Corporation, at www.in.gov/iedc

Roel Spee, IBM, at www.ibm.com/bcs/pli