



Beware: Foxconn's New Plant Could Put your Employee Retention at Risk

By
Dale Buss - July 20, 2017



Foxconn Technology Group may be coming to a Midwestern state near you, and CEOs who see its shadow descending on their locale may want to prepare for what's coming—for better or worse.

An expected announcement by the Taiwan-based manufacturing giant has created one of the biggest pursuits in economic development in the Heartland since General Motors' Saturn unit selected Tennessee to

build its huge complex in the 1980s.

And for good reason. Foxconn, which is best known for building components for the Apple iPhone, is believed to be close to a decision on locating a flat panel-manufacturing plant that would employ up to 10,000 people in Michigan, Wisconsin or another Great Lakes state. Water availability is crucial for its type of manufacturing.

With that level of prize at stake, politicians are extending themselves to the nth degree. Wisconsin Gov. Scott Walker, Michigan Gov. Rick Snyder and Ohio Gov. John Kasich are said to have flown overseas to meet with top Foxconn executives including CEO Terry Gou. The Michigan legislature just passed legislation to free up massive tax incentives for huge manufacturers such

as Foxconn, and Wisconsin officials are looking at how they could possibly gear up a Manhattan Project-style effort to supply Foxconn with all the engineering and digital talent its new facility might require.

Journalists are watching airports and reading flight manifests to chronicle the comings and goings of Foxconn executives in those two states and more. Meanwhile, skeptics are digging up the fact that Foxconn promised a big plant in Harrisburg, Pa., several years ago but never built it.

“This is a very large economic-development deal,” said Larry Gigerich, executive managing director of Ginovus, a consulting firm in Fishers, Ind. “It rivals auto assembly and other major manufacturing projects, like Boeing’s location of its new [facility] in Charleston, South Carolina. You’re looking at an investment in excess of \$1 billion, a multi-year construction project and certainly the potential for thousands of new jobs.”

John Boyd, principal of a New Jersey-based site-selection firm, called the Foxconn plant “the mother of all trophy projects” in an interview with Crain’s Detroit Business.

Competition for your best employees

Besides creating interesting industrial drama, if Foxconn moves into your neighborhood, you might want to be concerned. Here are 4 ways Foxconn’s decision could affect your company.

1. Regional transformation. Factory landings of this size are few and far between, and the reason they are so eagerly pursued is because they can make such a huge difference in the economic future of entire regions.

GM’s decision to put Saturn near Nashville, for example, solidified the coming of age of the mid-South as a new region for automotive manufacturing, and in subsequent decades other car companies have built in southern and Southeastern states. Meanwhile, Tesla’s decision to locate its “gigafactory” near Reno helped create a new-technology sheen for the region, which is kicking off a complete economic remake of the old gaming town.

Similarly, Foxconn could be the fulcrum for a Heartland state to establish itself in the kind of digital-era manufacturing that helped Boston reinvent its old industrial heritage and helped Silicon Valley become perhaps the most vital region in the entire U.S. economy. That kind of transformation is something in which CEOs and entrepreneurs alike might want to participate.

2. Competition for scarce labor. Midwestern states already face disadvantages in the labor market, including a scarcity of workers for advanced manufacturing jobs, intense scrambling for engineering talent, and a shortage of the digitally savvy millennial worker who’s become commonplace in tech havens such as Silicon Valley.

Wherever Foxconn places its plant, it could create more stress on CEOs of existing firms that must compete in the areas of recruitment and retention of skilled labor, as well as in wages.

3. Deal matching. CEOs may be very interested in the details of whatever gigantic financial incentives Foxconn receives. In China, the company is used to getting subsidies for utilities and even sometimes for employee dormitories. While that's not likely in the U.S., the winning state may have to offer Foxconn cut rates on Great Lakes water.

And any Foxconn deal could offer a template of incentives CEOs of other large industrial companies, which also employ many people, might want a state government or regional coalition of municipalities to match.

But Gigerich said that CEOs shouldn't count on success. "You're talking about such an enormous project [with Foxconn] that it would be highly unusual for a CEO to knock on the door of a state government and get a deal anywhere near that big," he said.

4. Validation of right-to-work. Manufacturing CEOs were some of the biggest proponents of the recent flip by Indiana, Michigan, Wisconsin and Indiana to right-to-work status. Economic-development experts have told Chief Executive that the right-to-work distinction alone gets these states on many more lists for potential expansions and new projects. And it's said to be an important criterion for Foxconn, as well.

Whether Foxconn ends up to be a boon, or a burden, to CEOs in the winning state remains to be seen. But CEOs with locations and employees in the midwest should be meeting with their C-suite, particularly, their CHRO, to play 'what if' and ask some tough questions to ensure they are prepared should their employee retention be risk.