

Q: What are the key factors that each organization should consider in locating a new facility?

Ans: the factors need to consider are:

Favorable labor climate: A favorable labor climate may well be the most important factor for labor-intensive firms in industries such as textiles, furniture, and consumer electronics. Labor climate is a function of wage rates, training requirements, and attitudes toward work, worker productivity, and union strength. Having a favourable climate applies not only to the workforce already on site but also to the employees that a firm hope will transfer to or will be attracted to the new site.

Proximity to markets: After determining where the demand for services and goods is greatest, management must select a location for the facility that will supply that demand. Often, locating operations offshore near the market is less expensive than manufacturing the product at home and shipping it.

Impact on Environment: As the focus on sustainability has increased, firms are looking to recognize the impact of the location decisions on the environment. Along with minimizing the carbon footprint of the new facility and its accompanying facilities in the supply chain, consideration must also be given to reducing overall energy costs.

Quality of life: Good schools, recreational facilities, cultural events, and an attractive lifestyle contribute to quality of life. This factor can make the difference in location decisions.

Proximity to suppliers and resources: Firms dependent on inputs of bulky, perishable, or heavy raw materials emphasize proximity to their suppliers and resources. In such cases, inbound transportation costs become a dominant factor, encouraging such firms to locate facilities near suppliers.

Proximity to the parent company's facilities: In many companies, plants supply parts to other facilities or rely on other facilities for management and staff support. These ties require frequent communication and coordination, which can become more difficult as distance increases.

Utilities, taxes, and real estate costs: Other location decision factors include utility costs (telephone, energy, and water), local and state taxes, financing incentives offered by local or state governments, relocation costs, and land costs.

Other factors: Still other secondary factors may need to be considered, including room for expansion, construction costs, accessibility to multiple modes of transportation, the cost of shuffling people and materials between plants,

insurance costs, competition from other firms for the workforce, local ordinances (such as pollution or noise control regulations), community attitudes, and many others.