Footprint of the Future: Chasing Technology and Talent

(MAPI – Jenn Callaway: 10-14-15) Over the last 20 years, the growing global economy has allowed manufacturers to enter new markets to serve an increasingly global customer base while also shortening supply chains and reducing cost structures. As the business environment changes, a country that once promised low-cost manufacturing might now boast high-tech R&D centers.

MAPI collaborated with Deloitte to understand the factors that drive manufacturing investments today and how they will shift by 2020. Our study found that over 50% of manufacturers plan to enter a new market in the next five years and almost all plan to expand existing sites or open new facilities in countries with existing operations.

Today market conditions and opportunities, the search for talent, and business disruption risks drive primary location decisions. But by 2020 the drivers are expected to shift to access to technological advances and investment in the talent pipeline. As a result, manufacturers should optimize their footprints to put assets in the right places at the right times to drive performance.

So where's next? **Brazil**, **China**, and **India** remain at the top of the list for companies looking to enter new markets, but the middle class boom and associated spending power also pushes **South Africa**, **Turkey**, and **Vietnam** higher up the priority list. For those planning to expand in countries where they already have a presence, the majority of future investments will occur in the **U.S.** and **China**, where technology and talent investments continue to attract deeper investments.

The path forward

Ultimately, to be effective, enterprise footprint optimization needs to be a continuous process. Proactively responding to dynamic company strategy, revenue growth and cost containment, in concert with growth decisions, can create a framework for continuous improvement that heightens value by ensuring operations are in the right place, at the right time. As manufacturers embark on the journey of global expansion, here are a few key things to keep in mind:

Understand the complexities created by a global footprint	Large businesses with highly diversified global portfolios face greater complexities in volatile markets. The global optimization process should consider market, cost, talent, risks, functional requirements, and legacy footprint restraints while aligning with the corporate strategy.
Assess the risks	Geopolitical risk may arise from a recession (e.g., protectionism), market volatility can increase financial risk and regional imbalances can lead to security risks that severely affect the success of a business. It's difficult to project forward, but take action to balance the

	portfolio of risks.
Make optimization a sustainable and repeatable process	Ultimately, footprint optimization is a continuous process, creating competitive advantage by keeping structural costs in check and assets aligned with market realities.
Focus on the long-term	A footprint realignment effort should focus on and plan beyond the current economic environment. Make actions deliberate, with a long-term focus on overall business success.
Lead from the top	Executive leadership, stakeholder engagement, as well as alignment across business units and geographies is important to the success of a global footprint realignment. Assessing and realigning resources can potentially affect the entire organization.

Learn more about the factors that will determine manufacturing footprints in the future and how companies plan to invest in new markets in the full study.

(Jenn Callaway is a MAPI Council director.)