



Partnering With State Governments

You Are Reaping The Rewards of Over A Year of TBM Kaizen Events.
State training grants paid for half of TBM's fees. Here's What's Next. –

By Marty Abbott, President of The IM Group, Inc.

Last quarter in this space, we revealed that companies could cut the bill for TBM training events, sometimes in half, with state training grants. Nationwide, states offer about \$1 billion per year in training grants. The bigger piece of the incentive pie, however, is the \$24 billion in other business incentives that we will explore in this article.

Let's say you have been working hard on a LeanSigma transformation for a year or so and are seeing the rewards. Productivity is up. Variation is down. Space utilization is down. Lead times to fulfill orders have shortened. Market share and sales are up.

What new opportunities exist to get the state to help you as your business moves forward and changes? The two biggest categories are job creation and retention.

Let's first cover job creation. You might be adding jobs to handle new demand or, because of consolidation, you might be transferring jobs across state lines. In either of these two situations, states will compete for these jobs and offer incentives to add them *in their state*. County and local governments will also participate in these efforts.

On average, state and local governments will reward new jobs to the tune of about \$5,000 per new employee or more if a company knows how to ask. These benefit packages come in all shapes and sizes and will usually be designed to address your company's ability to use the benefits. In general, however, some of the more common types of benefits are: job creation grants (cash), job creation tax credits (future cash), training grants, training tax credits, low cost loans, forgivable loans, property tax abatements and infrastructure improvements.

Let's review an example of how an IM Group client, American Standard Incorporated, took advantage of these state programs. Trane, which manufactures heating and air conditioning systems, was planning to expand operations in one of two states, Georgia or Florida. The expansion involved spending substantially for new equipment and creating 200 jobs.

Our first step was to introduce American Standard's president, senior Trane leadership and local plant management to Florida state officials including Governor Jeb Bush and members of Enterprise Florida, the state's economic development arm. The second step was to manage the approval process for state and county applications.

As a result of the meetings and the information provided, Florida and the local county provided \$1 million in incentives to attract Trane. The package consisted of \$600,000 in new-job tax credits, and \$400,000 in new-jobs and existing-jobs training grants. American Standard and Trane chose Florida.

As noted above, there is a second category that creates significant government incentive opportunities: job retention. In this category, when a company is thinking about moving jobs out of state, the current state will often offer incentives to keep those jobs local. These can total about \$2,500 per job, on average and can be higher.

Again, it would be illustrative to view a case history. Here the case history involves Hubbell Incorporated, a TBM and IM Group client. In South Bend, Indiana, Hubbell has a business unit called RACO. Senior Hubbell corporate management and RACO local management were considering leaving South Bend and relocating about 300 jobs to Mexico. The IM Group worked with Hubbell and the state of Indiana to provide the required information to obtain an incentive offer of \$3.5 million consisting of \$3 million of income tax credits and \$470,000 of training grants.

Whether you are just beginning the LeanSigma journey or are well along, it's never too late to partner with state, county and local governments who are eager to see your business succeed.

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