

Productivity Improvements and Government Economic Incentive Programs

Few Take Advantage

By

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As an increasing number of companies invest in improving productivity and push key suppliers to do the same, it is surprising how few take advantage of lucrative incentives offered by local and regional governments worldwide.

Properly pursued, government economic incentives can have a tremendous financial benefit, making it possible for companies to improve productivity and efficiencies. Unfortunately, few companies have an effective strategy to capitalize on many of the government incentive programs available and typically miss out on opportunities to improve business performance.

Types of Government Incentives

While government incentive programs are constantly evolving and vary significantly by region, some commonly available incentives include:

- New Employment Incentives
- Wage Subsidies
- Employee Training Grants
- Infrastructure Grants
- Research Grants
- Property Tax Reduction
- Low-Cost Financing
- New Investment Incentives
- State Income tax Credits
- Utility Discounts

Why Most Companies Fail to Take Advantage

Companies typically fail to realize these awards are even available. Rarely, do they understand the true potential value. In many regions throughout the world, it is not uncommon to negotiate an incentive package equal to as much as 50% of a project's cost.

One of the most common errors is that many companies believe the government will seek them out if they are eligible to receive an award, or that they will receive the same treatment as their competitors. Nothing could be further from the truth. The fact is, these incentive programs have fixed annual budgets and only are awarded to companies that can demonstrate that their productivity and job growth initiatives depend on some type of support. If the government believes a company will make the investment anyway, why provide an incentive?

Another misconception concerning government incentives is the belief that these programs are only made available for new businesses that plan to create hundreds of new jobs. While these events are highly publicized, most government incentives are awarded to existing companies as they work to upgrade capabilities, invest in new technology, and train employees to create steady job growth; or, where such initiatives make it possible to retain existing jobs that would otherwise be lost.

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Maximizing Government Incentive Opportunities

To maximize incentive opportunities, companies must be well informed and take the initiative. Seldom does the government seek out firms to give away money, especially when it comes to expansions or productivity improvements. Following are recommendations for getting started:

1. Before investing in significant capital or productivity improvements, identify the types of incentive programs available through local and regional economic development departments.
2. Create a comprehensive business proposal illustrating how the company's investment will help secure existing jobs or, even better, create new job opportunities.
3. Arrange a meeting with local and regional government officials to discuss your project, share your proposal, and solicit preliminary support.

Every company should have a plan to identify and secure government incentives as these programs can often provide the financial support necessary to support significant improvements and help create a real and sustainable competitive advantage.

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