

## Construction of Unique Buildings and Structures



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### Review of T. Glatte's book "International Production Site Selection"

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##### Review

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#### ABSTRACT

The approaches to the problem of global site development to be found in the specialized literature are quite diverse. Construction- and property-specific site location aspects are generally only considered from the point of view of a narrow local market, such as the German, British, or US market – if they are considered at all. Generally, these aspects are only looked at in a limited and generic manner and by the way in the technical literature dealing with global markets. The book "International Production Site Selection", published in English language by Dr. Thomas Glatte in late 2012, aims to close this gap. It describes that real estate constitutes a substantial share of the overall assets of industrial companies. The article provides a review of the book which is considered a major contribution in the field of location strategy and property development as it shows a ten-staged approach towards industrial site selection, an comprehensive catalogue of determining factors for manufacturing sites and an assessment of existing evaluation methods.

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As early as the 19<sup>th</sup> century, there were attempts to extend industrial production across countries and continents. At the time, these initial, though very tentative, steps were largely driven by the availability of raw materials in the colonies of the industrialized countries, and by the markets in North America and Europe. After the end of the Second World War, international trade, and, subsequently, international production, grew dramatically. The driving factors behind this development are manifold. By the end of the 1980s, the so-called age of globalization was reached. The trend towards globalization in industrial production in recent years introduced numerous new aspects to the search for sites. The growing importance of this issue is reflected in developments in specialized literature. While a decade ago, there were only very few, mostly US-American, publications, a sharp increase in the number of publications is now evident in many countries media and specialized literature.

The approaches to the problem of global site development to be found in the specialized literature are quite diverse. The most common approach is the generic approach, which attempts to consider all aspects of site decisions, as far as possible. There is also specialized technical literature referring largely to production processes, management processes, and the cost of personnel and logistics in international business. Construction- and property-specific site location aspects are generally only considered from the point of view of a narrow local market, such as the German, British, or US market – if they are considered at all. Generally, these aspects are only looked at in a limited and generic manner and by the way in the technical literature dealing with global markets.

The book “International Production Site Selection”, published in English language by Dr. Thomas Glatte at German publishing house Expert Verlag, Renningen, in late 2012, aims to close this gap. It describes that real estate constitutes a substantial share of the overall assets of industrial companies. Likewise, acquisition of real estate and construction costs constitute a substantial share of the overall investment into a new site. With the exception of lightweight construction, which largely plays a role only in logistics and simple production processes, the significant extent of the initial investment into the construction of buildings and facilities is the first barrier to production abroad. However, it also constitutes quite a significant barrier to relocating the production site in case the original site decision subsequently turns out to be the wrong one. Therefore, the location of company real estate and – due to the complexity of the framework conditions attached to real estate (climate, topography, infrastructure, etc.) – its geography have a strong influence on the overall business success of an investment.

Based on the challenge expounded above, Glatte formulated three main propositions which resulted from the current status of knowledge and some deficits in previous studies on this topic.

- Site selection at an international, cross-border level increases the complexity of site analysis.
- Classical quantitative evaluation methods fail due to the lack of quantifiability of qualitative site factors for projects abroad because of inferior availability of data.
- There is no single method equally applicable for all project phases and all projects. Only appropriate aggregation of several methods will lead to a balanced result.

As a result thereof, Thomas Glatte has developed in his work a ten-staged process to approach an international site selection for industrial corporations. These ten stages are based on the quality and quantity of information available at different times of a project (see figure 1).

As developed in Glatte's propositions, different methods have to be applied to ensure appropriate results. The book elaborates in detail on common methodologies, both qualitative and quantitative, for industrial site selections as well as their advantages and, even more importantly, their deficiencies. Not surprisingly, quantitative methods can only be used in a more advanced phase of analysis, as information of sufficient quantity and quality will only then be available. For international site evaluation, the cost-effectiveness analysis is the preferred option as it allows for quantification of qualitative site factors. At the same time, any monetary information available is duly considered. In a nutshell for international projects, Glatte makes a simple but very relevant statement – based on his analysis performed in the early chapters of his book: “*There are no perfect methods.*”

Furthermore, the book investigates in detail the factors needed to determine a site location. These site factors are the variables to be considered and assessed in a structured site selection process. The book is complemented by a comprehensive listing of site determinants, be it driven by the macro-environment or the micro-environment of a projected manufacturing site.

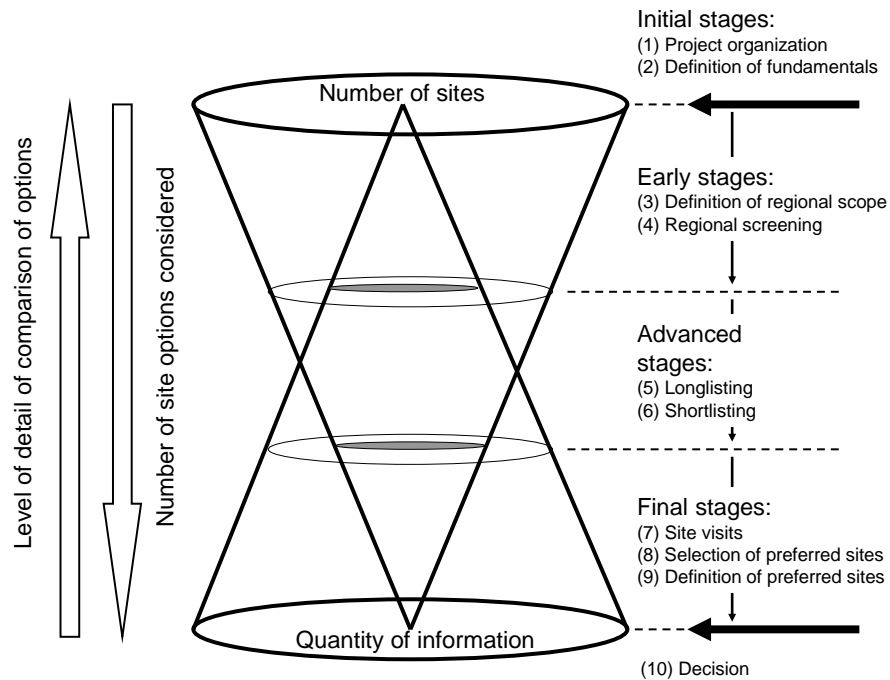


Figure 1. Funnel model on site decisions

In summary, the book is a major contribution on including property and construction-related aspects into an international site selection process for manufacturing corporations. It gives a holistic analysis and view on how to approach such projects in order to achieve a lasting, sustainable result. The conclusion even by the author remains, however, that evaluation methods can only help to prepare decisions and minimize risks. The final decision for or against a specific site will remain a business decision!

## Обзор книги Т.Глатта "Выбор площадки строительства для объекта производственного назначения с учетом анализа международного строительного рынка"

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### АННОТАЦИЯ

Различные подходы к проблеме глобальной застройки местности рассматриваются весьма широко в специализированной литературе. В этих источниках аспекты выбора расположения строительной площадки, в общем, упоминаются только с учетом рассмотрения узких местных строительных рынков, например, Германии, Великобритании или США. Обычно такие аспекты рассматриваются весьма ограниченно и обобщенно. Книга "Выбор площадки строительства для объекта производственного назначения с учетом анализа международного строительного рынка", вышедшая в свет на английском языке, написанная д.т.н. Томасом Глаттом в 2012 году удачно обобщает эти аспекты. В книге описано, что недвижимость составляет значительную долю общих активов промышленных компаний. В статье представлен обзор книги, в которой подчеркивается значимость выбора стратегии расположения строительной площадки, демонстрируется подход из десяти стадий к выбору места строительства промышленного объекта, а также описывается комплексный перечень определяющих факторов для расположения производственных площадок с оценкой существующих методов.

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