

**STRATEGY, LOCATION AND THE CHANGING CORPORATION:
HOW INFORMATION-AGE COMPANIES MAKE SITE SELECTION DECISIONS**

Based upon nineteen recent case studies of location decisions¹, the research presents a typology of location decisions and identifies the strategic drivers influencing these choices. It examines the criteria used in the decision-making process, which criteria may be changing and in what ways, and offers suggestions about how the real estate industry should respond to these changes. The research design is based upon a sociological methodology referred to as “grounded theory”. The goal is theory generation, not theory testing. Rather than forming the basis for definite conclusions, the grounded theory approach clarifies the relevant questions to be asked and offers insight into possible future trends. This study is not a statistically representative sample. We instead deliberately selected cases that highlighted key locational variables.

Moves to a new geographic area:

- **“Pick Up and Go”** - An entire function of the company is moved from one part of the country to another and a significant amount of the existing managerial work force moves as well.
- **“New Horizons”** - A company selects a location to start-up or grow a new business, or to reposition an existing business where most of the employees will be hired from the new location.

Moves within the same general area:

The following two categories represent moves within the same geographic area when *much of the same work force is retained*. Most employees do not relocate their residences, although they may migrate their residences closer over time.

- **“Green Acres”** - This scenario includes both moves from an urban location to a suburban location and moves from one suburban location to another in the same general area but different municipality.
- **“New Urbanites”** - Despite past general trends for larger companies to move from city to suburb, some of the companies we examined actually *moved from a suburban location to an urban one*.
- **“Recommitment”** - This represents *the company that conducts a serious relocation analysis but in the end decides to stay* either at the same location or to locate nearby in improved facilities. The last category is less examined in the literature, yet it is of great interest because retaining existing firms is key to the sustained well-being of an area.
The category is further divided into **“Urban Recommitment”** - those remaining in a urban setting (either downtown or adjacent to the core) and **“Suburban Recommitment.”**

The following summarizes the strategic drivers for each type of decision:

Location Decision	Primary Strategic Driver
Pick Up and Go	Major strategic repositioning of the company
New Horizons	Achieve greater cost advantages
Green Acres	Greater control over surrounding site--ability to easily expand
New Urbanites	Increase cosmopolitan exposure of its work force
Recommitment	Historical affinity to a community which has retained its quality of work force and living standards

Site Selection in the Current Environment:

- Advanced telecommunications infrastructures (offering high speed transmission, redundancy, and access to lower cost alternative providers) are now “table stakes” that companies expect to be provided.
- The presence of a local workforce with the appropriate industry-related skills and the local means to train potential employees in those skills, was more influential in attracting companies than economic development incentives.
- Faster rates of technological and social change, combined with the rapid globalization of many industries, translates to greater competitive uncertainty and shorter planning horizons for many companies. Companies emphasized the need for speed and responsiveness to specific concerns from municipalities and economic development agencies and considered these more important than specific financial incentives.
- The urban design factors that are most influential in the site selection process are those that affect the quality of employees’ daily lives -- the “ease of living”: housing quality, easy commuting, access to parking, and overall visual attractiveness. Educational institutions, both those that train potential employees and serve the needs of current employees’ families, were the most critical public policy related factors. Access to other major public institutions (such as libraries, parks, sports venues) were far less acknowledged as key decision variables.

Future Trends Suggested by the Findings:

- Companies will prefer to bring together and co-locate all core management and technical functions and use advanced telecommunications and networks to connect with geographically dispersed customers, suppliers, and field personnel. For information-age companies, geographic separation occurs under two scenarios: either the company must geographically diversify its work force to obtain sufficient talent, or it must act to lower its cost position if its home location imposes a cost disadvantage in comparison to the company’s competitors.
- Geographic clusters of information-age industries will be more driven by labor pools with specific industry expertise than by access to suppliers or customers.
- Shortening the time from decision to occupancy will become an even more important goal as rates of competitive change increase. Developers will need to offer more of a total package than just the land or a building. Companies will look for the ability to occupy a facility quickly, with attractive support facilities and amenities already in place. This may help make urban locations more competitive in the future.
- Information-age companies, which greatly rely on the quality of their work force for competitive advantage, view the quality of housing and the local community as integral parts of their operations. Communities must support the development of housing that is both affordable and attractive within a reasonable commuting range of its business sites.
- Corporate real estate and facilities are not going to disappear anytime soon, despite new technological advances in communications.

ⁱ Established companies who have made information-age transitions include: Adobe Systems, AMOCO, Apple Computer, Applied Materials, Bausch and Lomb, Corning Bio, Dayton Hudson, EDS, Fidelity Investments, Huelbein, JC Penney, National Semiconductor, Octel, Reichhold Chemicals, Rhone-Poulenc Rorer, St. Paul Companies, and United Parcel Service.