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**Title: An examination of business occupier relocation decision making: distinguishing small and large firm behaviour**

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**Title: An examination of business occupier relocation decision making: distinguishing small and large firm behaviour**

The aim of the research presented is to explore *how* business occupiers decide whether and where to relocate. It captures the experience and behaviour of a range of sizes and types of business occupier and subjects their decision making processes to detailed scrutiny. A linear three-stage decision model is used to sequence and structure interviews with individuals who have intimate involvement with the relocation of 28 firms and organisations in Tyne and Wear, in the North East of England.

The 'constant comparative' method is used to analyse the interview data from which emerges 18 key concepts, comprising 51 characteristic components. Using an axial approach, these are organised into ten cross-cutting themes that represent the main areas of consideration or influence on the thinking of the people involved in determining whether a firm or organisation should relocate and where to.

The resulting analysis finds that organisations adopt varying degrees of sophistication when making relocation decisions; small firms are more inclined to make decisions based on constrained information; larger organisations adopt a more complex approach. Regardless of firm size, key individuals exert considerable influence over the decision-making process and its outcome.

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# Business Occupier Relocation Decision Making Behaviour

## 1. Context

*'Fundamental to assessing the future direction of commercial real estate markets is a clear understanding of **how** businesses make location decisions.'*

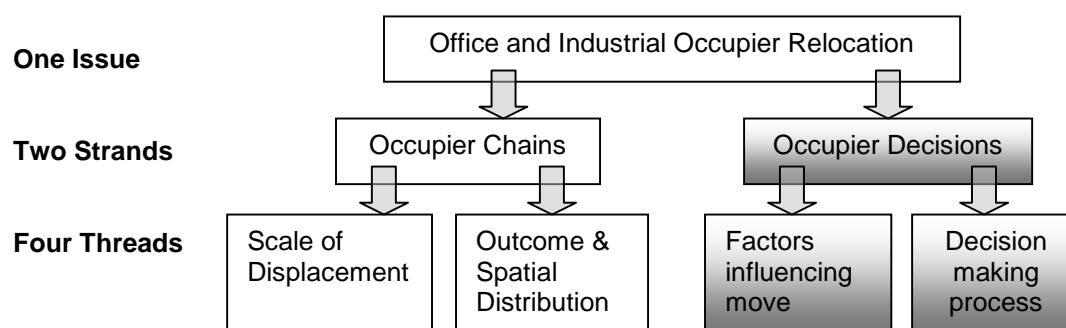
O'Mara (1999, 365)

The focus of this paper is on the *decision making process* of business property occupiers when seeking to relocate, rather than the factors that influence their choice of location.

There is a tendency for corporate real estate research on this topic to concern itself with the activity of large companies and organisations, operating in national or global markets, and to focus on the factors that influence their choice of location (Leishman *et al.* 2003, Leishman and Watkins, 2004). However, the nature of an occupier's search will become a variable in its own right, necessitating the investigation of how decisions are made. Attention therefore needs to be paid, not only to the complex business environment within which firms and organisations operate, but also the decision making processes they adopt in order to determine their property needs and location preferences.

Office and industrial occupier relocation was investigated by pursuing two distinct strands of research, occupier chains and decisions (see Figure 1). The research presented in this paper flows from the right side of the model, the 'occupier decisions' strand, which comprises two components or threads, namely, the factors influencing the necessity and destination of a move and the decision making process by which outcomes are determined.

**Figure 1 Structure of the Study (Greenhalgh, 2006)**



The preliminary phase of research identified and surveyed approximately 500 occupiers of the twenty largest new office and industrial developments in the Tyne and Wear conurbation, to record where they had come from, what influenced their need to move/relocate and what factors had influenced their choice of location (see Greenhalgh *et al.* 2000). The second phase of the research comprised investigation, mapping and analysis of the property chains generated by the relocation of occupiers to the new developments and perpetuated by property market filtering (see Greenhalgh *et al.* 2003). What became apparent, to the researcher, was that whilst the first two phases of research successfully captured *who* had relocated, *where* from (and the spatial and property market consequences of so doing), and to some extent

had explored *why*, it had not penetrated *how* business occupiers had gone about making such critical decisions.

The aim of the research is to explore the way in which business occupiers go about making decisions about whether and where to relocate, as represented by the right side of Figure 1. The research objectives are firstly, to investigate a range of sizes and types of occupier that have relocated to new office and industrial developments in the Tyne and Wear conurbation, and secondly, to subject their decisions, and the processes by which they were arrived at, to detailed scrutiny and analysis. This was done through a series of structured face to face interviews with key personnel who were intimately involved in the decision making process and its outcome.

What follows is a brief review of key literature sources that challenge neo-classical location theory and optimality, a contemplation of relocation decision making as a process, a summary of the methodology adopted for the research and the reporting of its findings and conclusions.

## **2. Challenging Neo-classical Location Theory and Profit Maximising Assumptions**

*'The neo-classical model is predicated on the notion that the market comprises rational actors operating with perfect information in an environment of costless transactions. It is assumed that property can be treated as a homogenous commodity and that consumers of space are also homogenous.'*

Most analytical work on industrial/business location before 1960 was concerned with interpreting the location of individual industries by reference to the normative location theory<sup>1</sup>. Such a conceptual framework is deductive, in that it proceeds from a set of basic propositions, regarding the objectives of those responsible for the industrial location decision, and normative, in that it indicates the optimal outcome for the occupier which may be expected under a clearly specified set of conditions defined by a series of simplifying assumptions.

However, by the late 1950s some economists were beginning to cast doubt on the neo-classical economic paradigm and, in particular, the assumptions it makes.

*'The normative micro-economist doesn't need a theory of human behaviour because s/he wants to know how people ought to behave not how they do behave. The macro-economist's lack of concern with individual behaviour stems from different considerations. S/he assumes that the economic actor is rational and hence makes strong predictions about human behaviour without performing the hard work of actually observing people. S/he assumes competition, which carries with it the implication that only the rational survive. Thus the classical economic theory of markets with perfect competition and rational agents is deductive theory that requires almost no contact*

*with empirical (or any other) data once its assumptions are accepted.'*

Simon (1959) in Castles *et al.* (1976, 38)

Fothergill *et al* (1987) raised doubts about the applicability of neo-classical economic models to the role of property in industrial location, having found that the supply of land and buildings operates, not so much through the price mechanism, as through physical constraints and availability, and that the main effects on the location of employers arise because of constraints in the supply of land and buildings. They observed that economic theory is 'strangely silent' on the way that premises, in which firms operate, impose constraints on the nature of their operations and may limit their growth and efficiency, a condition they termed 'mismatch'. They concluded that traditional economic theory, with its emphasis on marginal adjustments, is particularly unhelpful when trying to understand the relationship between a manufacturing firm and the building its uses, because buildings and sites are rarely amenable to marginal adjustments, year by year, as needs change (Fothergill *et al.* 1987).

The growing dissatisfaction with classical theory on urban rent and location is primarily due to the simplifying assumptions<sup>2</sup>. Leishman and Watkins (2004) confirm that the standard behavioural assumptions of neo-classical economics, rational profit maximising on the basis of full information, that form part of rational choice equilibrium (RCE) economics, eliminates much of the complexity from the decision making process.



Property markets comprise the behavioural responses of thousands of individuals to the constraints and opportunities existing for them at particular times, based on locally specific information and knowledge. Such knowledge is geographically and historically bounded in terms of its generation and the local conditions of its manufacture (Barnes, 2003) which results in locally specific outcomes.

The profit maximisation assumption in particular has been much criticised, not least because it is impossible for humans to maximise across everything because of uncertainty and the vast array of information and processing that is required (Ball *et al*, 1998). Instead, responses to situations vary from standardised, unthinking ones through to uninformed guesses and calculations based on limited information.

North (1990) believed that, at best, only a limited number of decisions made by individuals can ever possibly be based on maximising criteria. The rest are based on bounded or constrained information (Alexander, 1979). Such decisions are formed through routine and other behaviour which may seem non-rational when every decision is examined individually, but rational when placed in the context of information and decision making overload.

Guy and Harris (1997) recognised that much property research adopted a mechanistic and deterministic interpretation of the world and a reductionist approach to analysis. D'Arcy and Keogh (1997) confirmed that conventional economic approaches to the analysis of property markets lack institutional or

behavioural content and tend to ignore many of the defining characteristics of property, such as high transaction costs, illiquidity and information problems. They believe that 'the simple notion of profit or utility maximisation as the driving force behind the market is inadequate' (D'Arcy and Keogh, 1997). Economic behaviour *is* human behaviour (Diaz, 1999).

Because decision makers do not possess either the level of knowledge or the powers of reason ascribed to 'economic man', they adopt courses of action that are perceived to be satisfactory. Simon (1959) defined such behaviour as 'bounded rationality', understanding of which forms the foundation of the behavioural approach.

*'Whereas 'economic man' is an optimiser, his/her real world equivalent is a satisficer. . . . . models of satisficing behaviour are richer than models of maximising behaviour because they treat not only of equilibrium but of the method of reaching it as well'.*

Simon (1959) in Castles *et al.* (1976, 44)

Locational behaviour in an uncertain environment can be seen as satisficing in character, that entrepreneurs seek satisfactory rather than optimal solutions. Thus, a satisfactory location will yield the level of profit which entrepreneurs can reasonably expect to achieve, given their knowledge and abilities at the time (Adams *et al.* 1994). Werlen (1993) recognised that explanations of actions need to acknowledge the constraining and enabling aspects of socio-cultural, psychological and material factors.

Chapman and Walker (1987) confirm the importance of 'personal considerations' over the more obvious conventional factors, and the validity of behavioural studies that focus on the way in which variables, identified by normative theory, are actually perceived and interpreted by those responsible for making location decisions. Behavioural approaches to the analysis of location decisions have concentrated not on profits, but on the priorities and perceptions of decision makers to account for sub-optimal location decisions (Massey, 1984). For example, an individual entrepreneur may well have a very different agenda to location decision making than the managing director of a major public company. Within companies, production managers may seek locations which minimise costs while sales managers are likely to prefer those which maximise revenue. Prestige, stability and psychic income, derived from social, environmental and other non-monetary factors may also be important. Recent theories of business location have thus abandoned the pretence of the optimal location and acknowledge that locational decisions are often surrounded by uncertainty and personal preference (Adams *et al.* 1994).

Most research in the field of location decisions has tended to focus exclusively on the decision making of large firms (Haigh, 1990; Decker and Crompton, 1993; Hughes, 1994; Ghosh *et al.* 1995; Brush *et al.* 1999; O'Mara, 1999; Alberto, 2000; Baravick and Steele, 2001; Wrigglesworth and Nunnington, 2004; Scheffer *et al.* 2006). One exception is work by Mazzarol and Choo (2003), based on face-to-face interviews with firms involved in industrial and commercial property sales and land developments, the convening of

stakeholder and expert panels, and a telephone survey of firms of varying size. They contemplated not only patterns of organisational 'buying behaviour' across a range of organisations, but also studied a 'buying process' that involved a group of people forming an informal, cross departmental decision unit that they termed a 'buying centre'. Within large firms the 'buying centre' may be quite large and the number of individuals that comprise it may be numerous. There is an important distinction between the 'buying centre' approach of a large firm, and the more personalised approach of the small business owner-manager.

*'The 'buying' behaviour of firms may involve a multi-person, multi-departmental and multi-objective process depending on the size of the organisation; in this sense a distinction between large firms and small and medium sized enterprises (SMEs) can be drawn.'*

Mazzarol and Choo (2003, 134)

The dearth of studies of, and literature on, the decision making processes adopted by firms and organisations of varying size and sector, when seeking to relocate, necessitates that more research is conducted to help improve our understanding of this subject. What is also apparent from the literature is that businesses will not search for a location in the same way. It is hypothesised that not only will the factors and variables that most influence the location decisions of large companies be different to those dominating the thinking of smaller firms, but also the processes they employ to arrive at such decisions. The research therefore endeavours to subject the relocation decision making

of a range of sizes of firms and organisations, across different business sectors, to detailed scrutiny.

### 3. The Relocation Decision Making Process

O'Mara (1999) presents a typology of location decisions and identifies the primary strategic driver for each of the six types (see Table 1). Although the typology is relevant for all location decisions, it is a useful framework within which one can fit relocation decisions, representing, as they do, four of the six types of decision; namely, 'pick up and go', 'new horizons', 'green acres' and 'new urbanites'. The 'consolidated beachhead' and 'recommitment' types are not considered because they do not involve relocation; 'new horizons' will not involve relocation if a start-up.

**Table 1 Location Decision Typology (O'Mara, 1999, Exhibit 2)**

<b>Moves to new area</b>	<b>Characterisation</b>	<b>Primary strategic driver</b>
<b>Pick up and go (relocation)</b>	Entire function of company is moved	Strategic repositioning of company
<b>New horizons (possible relocation)</b>	Company selects locations to start-up or grow	Achieve cost advantages
<b>Consolidated beachhead</b>	Dispersed operations consolidated to a location where company already	Increase economies of scale, flexibility & control

	present	
<b>Moves within same area</b>	<b>Characterisation</b>	<b>Primary strategic driver</b>
<b>Green acres (relocation)</b>	Moves from urban to suburban location	Greater control over site
<b>New urbanites (relocation)</b>	Moves from suburban to urban	Increase cosmopolitan exposure of workforce
<b>Recommitment</b>	Conducts relocation analysis but decides to stay put	Historical affinity to a community

Relocation will typically occur when business and property factors coincide, the latter often providing the trigger or catalyst to do so. The need to move is usually driven by pressure to expand or a desire to improve efficiency by way of rationalisation, contraction, down-sizing or other reconfiguration. The processes of consolidation, amalgamation, out-sourcing, right-sizing, integration, takeovers and general re-structuring of an organisation can all have implications for property needs. Branch plants may be vulnerable to remote decisions taken overseas that are influenced by global economic conditions (the branch plant syndrome) and in the public sector, decisions to reorganise are often taken at national or regional level, sometimes with little consideration of local impact (Greenhalgh, 2006).

Fothergill *et al.* (1987) recognised that for all firms there is an important distinction between relocation to facilitate expansion and relocation to improve

efficiency, which may involve rationalisation. The original survey (see Greenhalgh *et al.* 2000) recorded that the need to move to facilitate expansion was four times as prevalent as the need to achieve rationalisation and usually occurred when firms were unable to expand within their existing premises or into adjoining premises which may be vacant (Greenhalgh *et al.* 2003). However, sometimes the need to relocate is driven by more arcane ‘property’ factors such as an obligation or opportunity to vacate premises through a break clause or lease expiry, obsolescence, accommodation costs or availability of alternative sites (Wrigglesworth and Nunnington, 2004).

The relocation decision making process itself may be represented by three stages of activity (see Table 2, below), each of which requires a decision. Whilst linear in sequence, it should be noted that complex locational decision making is often an iterative process with a feedback loop between the latter two stages and sometimes involves reconsideration of the need to relocate if inadequate sites or premises are identified. The three stage model was adopted as a framework with which to scrutinise the decision making processes pursued by occupiers when relocating their business.

**Table 2 Three Stage Decision Model**

Stage	Characterisation	Decision
<b>Trigger</b>	stimuli or catalyst  provoking initiation of  process	realisation of need to start process of  contemplating relocation typically due  to expansion pressure or desire to

		achieve greater efficiencies
<b>Analysis</b>	pursuit; influence of people and factors on process	who to involve; what approach to take to resolution; what factors to have regard of; prioritisation of factors
<b>Outcome</b>	decision made and process concluded	choice made about which option to pursue; tactics employed to influence outcome; review decision

#### 4. Methodological approach

In common with other studies into organisational decision making, the research is inductive and seeks to understand and interpret complex organisational behaviour surrounding the decision to relocate (see O'Mara, 1999). The research submitted the decisions of 28 organisations, to relocate within Tyne and Wear, to detailed scrutiny by interviewing the key personnel who were critical in the determination of their outcome.

*'The only way to truly understand the reasons for certain management decisions is to go straight to the decision makers and ask "Why?" and "How?"; therefore interviews form the basis of investigation.'*

O'Mara (1999, 67)

The three stage model presented above (see Table 2) was adopted as the structure for the interviews that gathered the primary data with which to



interrogate the relocation decisions of a range of firms and organisations and to reveal the processes employed them to influence and determine their outcome. Potential interviewees were identified during the survey conducted for the first phase of the study (see Greenhalgh *et al.* 2000). All respondents to the survey were asked whether they would be prepared to participate in in-depth follow-up interviews at a later date. In total approximately 50 firms and organisations located in the Tyne and Wear conurbation indicated that they would be prepared to do so. The sample was therefore self selecting and thus, as far as the researcher was concerned, random. It was recognised that there may be some bias in the sample towards firms and organisations that had the time and inclination to participate and also those that perhaps had a more positive experience of relocating their business. However, it was not felt that this invalidated the sample with regard to the purposes for which it had been assembled.

To test the representativeness of the sample it was compared to a profile of the total population of the survey. The resulting comparison (see Table 3) confirms that there is a good fit between the two, but that there has been some drift towards the very big occupiers by floorspace, in particular those firms occupying more than 50,000 square feet. The other measure of size, number of employees, shows a similar but less pronounced shift. This drift towards larger occupiers was not considered to be a problem because the scale and breadth of the interview phase ensured that all size categories by floorspace and employees were represented by at least one interviewee, as shown in Table 3.

**Table 3 - Size of occupiers to be interviewed compared with total population surveyed**

<b>Floorspace (sq ft)</b>	<b>Interviewees</b>	<b>Total Population %</b>
<500	4%	8%
501-2000	29%	28%
2001-10,000	25%	29%
10,001-20,000	11%	16%
20,001 –50,000	11%	11%
>50,000	21%	8%
<b>Employees</b>		
5 or less	22%	23%
6-10	11%	28%
11-20	18%	16%
21-50	21%	12%
51-100	4%	9%
101-500	18%	8%
>501	7%	4%

Potential interviewees were contacted by telephone to confirm, firstly that they were still prepared to be interviewed, secondly that they were the right person to interview and, if not who was, and thirdly to arrange a convenient time and date for the interviews to take place. During this process some potential interviewees withdrew, due mainly to work commitments and time pressures. In some instances potential interviewees identified by the questionnaire

survey had moved on, in which case a replacement person within the same firm or organisation was approached. Where an adequate substitute was identified, an interview with them was sought, however on most occasions their immediate replacement was new to the firm or had not been intimately involved in the relocation decision. At the end of the screening process 29 interviewees had been identified, representing 28 different firms and organisations. The interviewees comprised 6 managing directors or chief executives, 5 directors, 5 senior partners, 4 senior managers, 3 consultants, 3 heads of property, 2 company secretaries and 1 sole proprietor.

Maykut and Morehouse (1994) recommend that to determine the sample size, the researcher should continue to collect data until they uncover no new information. Strauss and Corbin (1998) refer to this as a saturation point; Lincoln and Guba (1985) call it 'redundancy', a point of diminishing returns. By the end of the interview phase it was apparent that saturation point had been reached; although the individual details of occupiers' experiences were different, the generic messages emanating from them reinforced views already expressed by earlier interviewees.

Interviews were structured using the three stage model (see Table 2) and questions were asked in a chronological order, from the realisation that a move was required, to determining where to move to, to the finalising of the decision to do so. A standard set of questions and prompts were devised, that allowed some opportunities for interviewees to elaborate, but ensured that responses to all questions were recorded for all participants. The

interview transcripts recorded a variety of approaches, adopted by the different firms and organisations, in pursuing their own relocation decisions. The material also captured the behavioural responses of key individuals, within the firms and organisations, to the unique environment within which they, and others, determined the outcome of the decision making process.

The approach adopted with which to analyse the interview data is based on the sociological research method known as 'grounded theory' that emphasises the use of inductive reasoning grounded in the constant comparison of empirical observations (see Glaser and Strauss, 1968; Strauss and Corbin, 1998). The interview transcripts and notes were analysed using the 'constant comparative' method, which combines inductive category coding with a simultaneous comparison of all units of meaning (Glaser and Strauss, 1968). Using the constant comparative method it is possible to develop propositions, statements of fact inductively derived from rigorous and systematic analysis of data. What becomes important is not pre-determined by the researcher but emerges out of the data from the systematic building of homogeneous categories of meaning (Maykut and Morehouse, 1994).

Goertz and LeCompte (1981) describe a process by which material is assembled under headings by cutting out highlighted sentences and paragraphs from the photocopies of the material. To do this effectively the researcher has to re-familiarise themselves with all the data and notes that have been compiled. In carrying out this process there is room for continuous refinement of the material and analysis; initial categories or strands are

changed, merged or omitted; new strands and sub-strands are generated; and new relationships discovered (Goertz and LeCompte, 1981).

The researcher adopted the technique described by Goertz and LeCompte (1981), to analyse the data collected from the interviews, and found it to be an effective, rigorous and thorough way of assimilating and refining a large quantity of interview data. The interviews transcripts and notes were carefully read and re-read. Key statements were identified, coded and then grouped around 18 emergent concepts (strands) that were identified by recurring words or phrases in the data (see Table 4). The information in each strand was collated across all of the interviews and the subsequent analysis was based upon it. Thus, the interviewees' words were recorded and typed verbatim; the researcher fragmented, coded and reassembled the material using their interpretation of the interviewees' answers and statements. Having organised the material in this way, the content of each strand was reviewed and refined by moving, where necessary, statements between strands, to make them more coherent and consistent. In total over 350 individual statements, comprising nearly 14,000 words were assembled in this way.

The next stage was to carefully study the material gathered under each strand in order to identify narrower concepts or sub-strands. Some of these had become apparent during the original coding and grouping exercise, others presented themselves on closer scrutiny of the individual statements. This allowed the data to be organised more precisely. A total of 51 sub-strands

were identified (see Table 4) that captured the specific aspects or characteristics of each strand and represented views that a number of interviewees had in common.

**Table 4 Matrix of strands and sub-strands representing key issues arising from interviews and contribution to ‘cross-cutting’ themes**

No.	Strands & sub-strands	Cross-cutting themes (see Table 5)									
<b>1</b>	<b>Affirmation</b>	<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>	<b>F</b>	<b>G</b>	<b>H</b>	<b>I</b>	<b>J</b>
1.1	Satisfaction/right decision					✓					✓
1.2	Facilitate Growth	✓				✓					
1.3	Improved Performance	✓				✓					
<b>2</b>	<b>Change</b>	<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>	<b>F</b>	<b>G</b>	<b>H</b>	<b>I</b>	<b>J</b>
2.1	(Re) Structure						✓				
2.2	Flexibility	✓	✓		✓				✓	✓	
<b>3</b>	<b>Choice</b>	<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>	<b>F</b>	<b>G</b>	<b>H</b>	<b>I</b>	<b>J</b>
3.1	Dilemma				✓						✓
3.2	No-brainer								✓		✓
3.3	Fundamentals				✓				✓		
3.4	(Lack of) choice								✓		
3.5	Ambivalence		✓								
<b>4</b>	<b>Communications</b>	<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>	<b>F</b>	<b>G</b>	<b>H</b>	<b>I</b>	<b>J</b>
4.1	Convenience										✓
4.2	Networks					✓					✓
4.3	Transport		✓								

4.4	Proximity		✓								
<b>5</b>	<b>Conflict</b>	<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>	<b>F</b>	<b>G</b>	<b>H</b>	<b>I</b>	<b>J</b>
5.1	Fear			✓			✓				
5.2	Misfit						✓	✓			
5.3	Impediment						✓				
5.4	Frustration			✓			✓				
<b>6</b>	<b>Control</b>	<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>	<b>F</b>	<b>G</b>	<b>H</b>	<b>I</b>	<b>J</b>
6.1	Do It Yourself				✓						✓
6.2	(Un) Certainty									✓	
<b>7</b>	<b>Differentiation</b>	<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>	<b>F</b>	<b>G</b>	<b>H</b>	<b>I</b>	<b>J</b>
7.1	Differentiation				✓		✓	✓			✓
7.2	Specialisation (niche)		✓	✓				✓			
<b>8</b>	<b>Expectations</b>	<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>	<b>F</b>	<b>G</b>	<b>H</b>	<b>I</b>	<b>J</b>
8.1	Ambitions	✓		✓	✓				✓		✓
8.2	Growth	✓									
8.3	Potential										✓
<b>9</b>	<b>External</b>	<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>	<b>F</b>	<b>G</b>	<b>H</b>	<b>I</b>	<b>J</b>
9.1	Restrictions						✓			✓	
9.2	(Re) Structure						✓				
9.3	Triggers				✓					✓	
<b>10</b>	<b>Growth</b>	<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>	<b>F</b>	<b>G</b>	<b>H</b>	<b>I</b>	<b>J</b>
10.1	Expansion	✓								✓	
10.2	Constrained	✓									
10.3	Downsizing	✓					✓				

<b>11</b>	<b>Image</b>	<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>	<b>F</b>	<b>G</b>	<b>H</b>	<b>I</b>	<b>J</b>
11.1	Impressions							✓			✓
<b>12</b>	<b>Money</b>	<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>	<b>F</b>	<b>G</b>	<b>H</b>	<b>I</b>	<b>J</b>
12.1	Buy or Rent			✓	✓						
12.2	Assistance			✓							
12.3	A Good Deal			✓							
12.4	Overheads			✓		✓			✓		
<b>13</b>	<b>Necessity</b>	<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>	<b>F</b>	<b>G</b>	<b>H</b>	<b>I</b>	<b>J</b>
13.1	Under One Roof	✓				✓			✓		
13.2	Location		✓								
13.3	Capacity	✓				✓			✓		
13.4	Staff & Customers		✓								
13.5	Physical	✓							✓		✓
<b>14</b>	<b>Performance</b>	<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>	<b>F</b>	<b>G</b>	<b>H</b>	<b>I</b>	<b>J</b>
14.1	Good Results		✓			✓					
14.2	Marginal Contribution	✓				✓					
14.3	Positive Contribution	✓	✓			✓					
<b>15</b>	<b>Personality</b>	<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>	<b>F</b>	<b>G</b>	<b>H</b>	<b>I</b>	<b>J</b>
15.1	Character										✓
<b>16</b>	<b>Power</b>	<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>	<b>F</b>	<b>G</b>	<b>H</b>	<b>I</b>	<b>J</b>
16.1	Manage/influence outcome										✓
16.2	Driving Force			✓	✓						✓
<b>17</b>	<b>Regrets</b>	<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>	<b>F</b>	<b>G</b>	<b>H</b>	<b>I</b>	<b>J</b>
17.1	Bitter			✓			✓				



17.2	Missed Opportunity				✓					✓	
17.3	Mistake				✓	✓	✓			✓	
<b>18</b>	<b>Time</b>	<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>	<b>F</b>	<b>G</b>	<b>H</b>	<b>I</b>	<b>J</b>
18.1	Of the Essence									✓	

The final stage of the analysis of the interview material was to identify broad themes that cut across all the strands and sub-strands using a process of axial coding (Strauss and Corbin, 1998). Themes were derived with reference, not just to those identified from studying and organising the interview material, but also from the earlier phases of the research. Ten distinct and substantial ‘cross-cutting’ themes were established that comprehensively covered all the sub-strands (see Table 5). The sub-strands were allocated across the themes. Some sub strands fitted comfortably into one theme, others split across a number of themes. The 350+ individual statements that had previously been assembled under the strand headings were reorganised by cross-cutting theme and form the basis of the findings derived from the analysis of the interview data.

**Table 5 Cross Cutting Themes**

<b>Code</b>	<b>Theme</b>
A	Improved performance, growth & expansion
B	Access, location, proximity to staff & customers
C	The influence of public sector intervention
D	Tenure
E	The contribution of property to business performance

F	Structure, changes & rules
G	Market perceptions
H	Property characteristics
I	Time and chance
J	Decision

The axial coding approach enabled the researcher to not only identify and pursue strands, but also to break these down or unravel them to reveal their component parts or sub-strands. The prominent cross cutting themes, arising from the interviews and previous phases of research, have been isolated and the sub-strands allocated to them, to establish a two dimensional analysis, the assembling of which allowed a small number of essential themes, or units of meaning, to be elevated back out of the fragmented sub-strands. According to Strauss and Corbin (1998) the purpose of reassembling of data that were fractured open during coding, where categories are related to their subcategories, is to form more precise and complete explanations about phenomena.

By adopting the axial approach to analyse the interview data, it has been possible to synthesise ten distinct 'cross cutting' themes, that incorporate every sub-strand and thus all the propositions that emanated from the interviews. Such an approach ensures that every relevant essence from the interviews has been captured and is contained within, what appear to be, ten relatively simple and accessible concepts, when in fact their origins are far more complex and interrelated. Underpinning each theme is a collection of

statements, made by the interviewees, which share common terminology and meaning. The 'cross-cutting' themes (see Table 5) represent the main areas of consideration or influence on the thinking of the people involved in determining whether a firm or organisation should relocate, where to and the process by which such matters are determined. The focus of this paper is on Theme J Decision and the sub-strands that contribute to this theme.

## **5. Exploring the relocation decision making process**

There are similarities between the 18 strands identified above and those factors reported by Mazzarol and Choo (2003) as being the main reasons why firms, ranging from large multi-national corporations to small proprietor owned and run businesses, considered relocating. However, the empirical approach they adopted to analyse the interview material, generated rather constrained findings that offered little contemplation or insight into the reasoning behind the decisions made.

Analysis of interview data using the constant comparative method has identified a comprehensive list of factors that influence office and industrial occupiers when they seek to relocate their business. These are the sub-themes listed in Table 4 above. However, the research goes beyond somewhat prosaic consideration of factors that influence the outcome of a relocation decision, to scrutinise the process by which the decisions were made within individual organisations. The people at the heart of the decision making process explained, at interview, the approaches they adopted to identify the necessity of relocating, assess what options were available in

terms of alternative locations, and determine the final choice of location (see Table 2 - three stage decision model ). The following analysis concentrates on Theme J (Decision), incorporating all the sub-strands that made a contribution to the theme (identified by darker shading in Table 4), and attempts to distinguish the decision making behaviour and approach of small business operators (SBOs), and large organisations, when making locational decisions.

Wigglesworth and Nunnington (2004) observed that varying degrees of sophistication are adopted by companies in their approach to the relocation question, ranging from chaotic, driven by a few individuals in a firm, to highly qualified property teams using precise, objective-driven processes that consider a wide range of factors. Some large firms pursue complex and sophisticated measurement and modelling of the impact of moving to a particular location on all their staff. This approach is rare amongst SBOs, as confirmed by Wigglesworth and Nunnington (2004), who reported that amongst smaller firms, who have less organisational resources to commit to the office search, benchmarking was sporadic, due to lack of accurate property costs. Decisions were often made on 'gut feeling' or instinct and the processes 'dressed up' to appear more sophisticated than they actually were.

*'It appears that the question of objectivity is highly dependent on the particular company's circumstances, influenced by the condition of the market, the perceived risk in the move and, most importantly, the size of the company. . . . . for firms relocating within a city, the*

*decision is very much a property exercise; issues such as rental levels, supply pipeline and building specification are the priority. The creation of checklists and tick box exercises is common. For companies with a wider brief, another set of factors such as demographics and quality of life are likely to play a greater role.'*

Wrigglesworth and Nunnington (2004, 2)

Small firms and organisations lack adequate resources to assess all the variables likely to impact on a decision and are therefore prone to making decisions based on bounded or constrained information. External contacts and networks are important to smaller organisations, to compensate for their inability to afford relocation consultants, to provide information and identify opportunities. Common external contacts are local (planning) authorities, economic development, employment and skills agencies (for example the Small Business Service and Business Link) and commercial property agents. This pattern of behaviour is consistent with the '*social network model*' that recognises that mutual trust relations between key decision-making agents in different organisations may be at least as important as decision making hierarchies within organisations (McCann and Sheppard, 2003).

Decisions are made in different ways depending on the type of organisation, its size, corporate structure and culture. In small firms, important decisions are typically taken by the proprietor or owner of a business. Although a similar model was sometimes prevalent in larger firms, where a chief, or other senior, executive would dictate matters, the hierarchical structures of large

organisations usually dictate that high level decisions are carried out by people at a lower level, often with little further influence from, or referral to, the person who made the original decision.

*“Get me a 100,000 square feet facility!” were the only words he said to us.”*

(Consultant to high street banking corporation)

A general distinction can thus be made between large organisations and SBOs, in terms of the structure and organisation of the process of making a relocation decision. Mazzarol and Choo (2003) found that organisational behaviour of large firms is frequently a multi-phase, multi-person, multi-departmental and multi-objective process. Central to this complex process is a group of people that form an informal, cross departmental decision unit known as the ‘buying centre’. Wrigglesworth and Nunnington (2004) labelled a similar approach ‘division-led’.

Sometimes progress through the three decision stages is driven by a person who has the vision, determination, power and influence to see the process through to completion. Such individuals convince others of the need to change, articulating clearly what other people may be thinking, and carrying colleagues with them, towards what has then become a common goal. This is most likely to occur in SBOs, where an individual is capable of exerting such influence; significantly, the person driving the decision making process will be someone who will, quite literally, ‘have to live with it’. Mazzarol and Choo

(2003) confirm that SBO managers purchased land and premises from a personal perspective and were closely involved in the decision-making process. This contrasts starkly with the process of deciding the future of branch plants, where decisions are often made remotely, by parent companies. Managers of branch plants often found their company's rationale for decisions incomprehensible and expressed emotions that ranged from helplessness and resignation, to bewilderment and resentment.

Few firms and organisations captured by the research were footloose; most did not look far afield when sourcing new premises and restricted their choice to areas that they knew well. Such parochial attitudes constrained the scope of their property searching and, as a result, many relocating occupiers were not aware of the full range of accommodation that was available to them within the conurbation. This is an example of satisficing behaviour and bounded rationality. However, the adoption of a parochial approach by some occupiers was not without good reason, as they were acutely aware of the need to retain their trained and skilled workforce. For example, a small specialised circuit board manufacturer lost nearly half its workforce when it relocated a distance of only 4.5 miles (6km).

Exceptions to the parochial approach were the locating of new branches by multi-national corporations which took a more strategic view, contemplating potential locations at an international level. Another influential factor for large employers was the availability of labour that could be employed on competitive (cheaper) wages than other locations. For instance, a high street

bank rejected Dublin as a location for their call centre because the wages commanded by the multi-lingual staff were higher. In contrast, a company manufacturing equipment for offshore oil production chose to locate in Tyne and Wear because of the supply of highly skilled labour in the maritime engineering and fabrication sector.

Differences also exist between small, owner-managed firms, and larger 'footloose' companies, in relation to their choice of location. Mazzarol and Choo (2003) acknowledged the tendency for proprietors of SBOs to locate in close proximity to their own home, in contrast to larger firms that place greater importance on locations with wider accessibility. This was borne out by the subject research, where proprietors of small businesses were found to choose new premises in locations that were more convenient for them to travel to than their employees. Keeble and Tyler's (1995) survey of over 1000 small business recorded that the primary influence of one in five location decisions was proximity to the founder's home. However, such behaviour was not uniform, with some small businesses carrying out detailed research to assess the likely impact of a move on the travel arrangements of existing staff and going to great lengths to ensure that the relocation disadvantaged as few employees as possible.

A general distinction may be made between local manufacturers and service providers that need to retain their trained staff and have loyalty to their local area, professional service sector firms to whom clients' needs are paramount,



and more footloose activities such as call centres that will go where they can get cheap and plentiful labour.

Larger firms sometimes augmented their internal 'buying centres' with external relocation consultants. It was interesting to record how, on occasions, the consultants unpicked a company's preconceived ideas about where to relocate, introduced new alternatives and engineered a completely different outcome. Typically, in large organisations, final options are presented to the company board, with one strongly backed contender, and directors and board members interrogate the consultants or representatives of the buying centre. However, the outcome is often a formality, because the important decisions have already been made outside the boardroom by influential directors, and approval by the full board was often simply the confirmation of a pre-determined outcome.

Partnerships, by contrast, whether large or small, need unanimity amongst the partners for a decision to be made and this is achieved through a more inclusive process.

*"All the options were goers in the minds of some of the partners. We couldn't get a (unanimous) decision until these premises came along. I thought, at last! Here's somewhere that everybody can be reasonably be happy with"*

(Partner in a print firm)

However the obtaining of approval within a partnership for a particular option can also mirror the approach adopted by large companies, where the oft expressed sentiment is that the outcome is far too important to leave to the board to decide on the day.

*“We presented the culmination of the work to the partnership as a strongly backed recommendation. It was not a totally corporate decision; it is more ‘touchy-feely’ in a partnership. You use different tactics. You get the decision informally made outside. We managed the outcome. The watershed decision was a partner’s meeting. The partnership interrogated the team that had made the recommendation. We went to the partnership for approval but the managing team had already made the decision.”*

(Consultant to a large legal practice)

Interviewees had little doubt that their decision to move to new premises, and their choice of locations, had been the right decisions in the circumstances. Their responses are tainted by a degree of post-hoc rationalisation, which creates a ‘halo effect’ and the unanimity of view may arise because failed relocations will have disappeared or be less willing to be interviewed. However, there was genuine satisfaction with, and enthusiasm for the moves to new premises, with most interviewees able to report enhanced business performance in terms of increased productivity, turnover, profitability, competitiveness, staff morale and retention. Firms and organisations used the move to new premises as an opportunity to align their property with

upgrading and modernisation of their business operations (see Roulac *et al.* 2005). The ability of premises to accommodate new technology and equipment, new production processes or restructured operations was an important consideration. This occurred despite most firms and organisations not having a property strategy, although the process of going through the three decision making stages of relocation did raise the profile of property and property matters on the business agenda.

## **6. Summary of findings and conclusions**

Rather than focussing on factors that influence location decisions, the research examines the way in which business occupiers go about making decisions about whether and where to relocate. The research captures a range of sizes and types of organisation in order to establish whether there are differences in the behaviour and processes adopted by large and small organisations to reach relocation decisions. The research corroborates many of the findings of Mazzarol and Choo (2003), with regard to the factors influencing the selection of new premises and the organisation of the process of determining where to locate, for both large and small organisations. It also extends the study of location decision making, by adopting an inductive approach, to explore how key personnel in the process influence its outcome.

A simple, linear, three-stage relocation decision making model (see Table 2) is used to structure interviews with individuals who had been intimately involved in the relocation of businesses in Tyne and Wear. The constant comparative method, rarely used in property research, is employed to analyse

interview data to identify the components of business occupier relocation decisions (see Table 4). These in turn are reinterpreted, using an axial coding technique, into 10 cross-cutting themes (see Table 5) which represent the main areas of consideration or influence on the thinking and behaviour of people making relocation decisions. By synthesising all the data coded under the 'decision' theme (J) it is possible to derive some valuable insights into how business occupiers go about making locational decisions and why they make the decisions they do.

Rational choice equilibrium economics' notions of rationality and optimality rarely prevail in the complex and varied environment within which business occupiers go about making locational decisions. Some business occupiers *do* adopt approaches, strategies and decision-making processes that seek to reach optimal location decisions, subject to the constraints and conditions that any particular organisation may find itself at a given time. This is most likely to occur in large firms and organisations, which have the resources, capacity and structure to support a multi-person, multi-phase and multi-department process, to identify, model and test a range of options. The evidence gathered by this study suggests that most SBOs, and some larger organisations, sometimes knowingly, usually unwittingly, pursue a satisficing approach to determining their business location.

What is apparent, regardless of firm size, is that the behaviour, personal preferences, priorities and perceptions, of key individuals will influence the final outcome of the decision making process. The opportunity to influence

the process is usually commensurate with the status and position an individual may hold within an organisation. A small business with single or joint proprietors may be potentially more prone to individual priorities taking precedence over the wider interests of staff, but even apparently sophisticated and objective decision-making processes may be manipulated or unduly influenced by individuals both from within and without an organisation.

The determination of whether, and where to relocate a business, is one of the most critical and challenging decisions a firm or organisation has to make. Inevitably, contemplation of these matters requires a high degree of knowledge and information about not only the prevailing conditions and constraints in a firm's particular business or market sector, but also those of the local property market within which they are seeking to relocate. SBOs in particular can suffer from bounded local property market knowledge and information, that may result in them making constrained or sub-optimal choices of premises. To counteract this situation SBOs may rely more heavily on external networks, contacts and relations.

It is concluded that, not only are the factors and variables that most influence location decisions of large companies different to those dominating the thinking of smaller firms, but also the processes they employ to arrive at such decisions. The evidence suggests that business occupier relocation decision making rarely holds to the neo-classical assumptions that are required to fulfil the requirements of rationality and profit maximisation. Small firms are more prone to making sub-optimal decisions based on bounded information and

constrained choice, but differences in the behaviour of firms and organisations when seeking to relocate can also be attributed to their organisational status, culture and structure. The neo-classical paradigm and the assumptions it makes are eschewed in favour of a behavioural approach to examine, not just *why* business occupiers make the locational decisions they do, but *how*. To understand business relocation decisions we must recognise the influence that key individuals exert over both the decision making process and its outcome.

The research presented in this paper has sought to address two deficiencies of most research in this field, firstly, the lack of attention paid to SBOs and, secondly, the study of why and how relocation decisions are made. The originality of the work lies in the application of the constant comparative method to systematically interrogate the behaviour of SBOs, as well as larger firms, across a range of business sectors in a single conurbation. Anyone seeking to replicate this study's approach, on a wider geographical level, must appreciate that scaling-up the spatial coverage of the research may exclude the very subjects that are required to make the study worthwhile, namely SBOs.

A limitation of the study is that it does not capture firms or organisations that choose to remain in their current location or consolidate their operations to an existing location (see 'Recommitment' and 'Consolidated beachhead' in O'Mara, (1999) typology). It is worth noting that the pursuit of both options, by business occupiers, may become more prevalent in the current economic

conditions. Replicating a similar methodological approach with such occupiers would offer an insight into the flip-side of the decision to relocate; the decision to stay.

There is considerable potential to use inductive and behavioural approaches to pursue further research into the themes and strands identified in Tables 4 and 5 and explore decision making behaviour in a variety of real estate markets. Questions arising from this study that offer opportunities for further research are:

1. How can we effectively ascertain the contribution that real property makes to business performance?
2. How do occupiers adjust their property holdings in volatile market conditions to fit rapidly changing business requirements?
3. What is the role of real property in corporate re-branding and market repositioning?
4. How do we measure the 'success' of business relocations in the light of the halo effect?

## **Footnotes**

1. For detailed contemplation and critique of normative location theory see:
  - a. Chapman and Walker's (1987) comprehensive summary of the development of location theory
  - b. Barnes' (2003) identification and interpretation of three distinct periods of locational analysis: the German School of Von Thünen,

Weber and Lösch; American spatial science of the mid 1950s; new economic geography associated with Krugman

- c. McCann and Sheppard's (2003) critique of neo classical location theory.

2. see Wyatt (1999) for a circumspect summary of the criticisms of neo-classical economic theories of urban land use and value *and* McCann (1999) for a critique of the implicit assumptions underpinning neo-classical location models. McCann (1999) concludes that, when discussing real-world spatial phenomena, it is necessary to make explicit assumptions in order to determine the conditions under which models can be used; such conditions, he believes, are so restrictive as to make the models inapplicable to most real-world cases.



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