Corporate relocation decision making – is there method in the madness?

Peggie Rothe¹ and Anna-Liisa Sarasoja²

¹ Aalto University, Built Environment Services, peggie.rothe@aalto.fi, P.O.Box 13300, 00076 Aalto, Finland
² Aalto University, Real estate Business, anna-liisa.sarasoja@aalto.fi, P.O.Box 15800, 00076 Aalto, Finland

The relocation of a knowledge intensive organization can have a significant effect on the organization’s future productivity and success. When aiming for a successful relocation process, it is important to understand not only where to locate and what kind of work environment solution to create. A perhaps even more critical question for both the corporate real estate function of relocating organizations, and property owners, is how decisions are made and how the actual process is carried out.

A relocation process often includes several forms of formal analysis, such as assessment of user needs, location options, characteristics of potential premises, and rent levels. Analyses are carried out either by the organization itself or agents, consultants or other service providers. Analyses can be made to generate information to support decision making, but it is proposed that they are also initiated for other reasons such as communication, direction and control, and symbolic purposes. The aim of this paper is to understand the purposes for formal analysis that are conducted during the relocation decision making process of office occupiers.

The data is collected through interviews with 5 case organizations that have recently relocated. The preliminary findings indicate that the relocation process often includes formal analysis that is done for other purposes than merely information gathering. For example, assessment of different locations is used to communicate a location decision that was in fact already made, and employee opinions are gathered for symbolic reasons.

This paper adds to the existing, yet limited, understanding on office organizations’ relocation decision making process. The findings are useful for all actors in the real estate sector, as it increases the understanding on what really goes on within office user organizations when they have identified a potential need to relocate.
**Introduction**

Understanding the relocation process of office occupiers is of high importance to several players in the real estate industry, such as landlords who wish to attract tenants, and agents and consultants who want to offer tenant representation services. Additionally, the process is important for the relocating organization itself, as the relocation of a knowledge-intensive organization can have a significant effect on the organization’s future productivity and success.

When aiming for a successful relocation process, it is important to understand not only where to locate and what kind of work environment solution to create. A perhaps even more critical question for both the corporate real estate function of relocating organizations, and property owners, is how decisions are made and how the actual process is carried out. It would be crucial for organizations to understand that, for a successful relocation project, it is not just about the destination, it is about the journey. How the journey is undertaken can have a strong impact, both positive and negative, on the employees of the relocating organization.

The relocation decision making behavior is addressed by the behavioral location and relocation research, which emerged in the late 1960’s. The focus was mainly on location of manufacturing and production facilities, while the interest of office locations developed as late as in the 1990’s (Pellenbarg et al. 2002). However, behavioral location theory has been criticized for regarding the organization as a “black box” (Pen 2000). So far the behavioral relocation related literature has mainly focused on the decision making behavior of organizations with the purpose to understand where different kinds of organizations are likely to locate. Location choice models have often been the form that studies on office occupiers’ choices have taken (Chris Leishman & Watkins 2004), and the impact of different internal and external factors on location choice has been investigated through many quantitative studies (e.g. Brouwer et al. 2004; Frenkel 2001; C. Leishman et al. 2003; Chris Leishman & Watkins 2004; Westhead & Batstone 1998). Already in 2001, Mariotti and Pen (2001) called for research that takes the underlying strategy and the organizational structure of the firm into consideration, and indicated that the current practice was “repeating the same lists of location factors”.

Surprisingly little is, however, still known about what really goes on within organizations when they make decisions about whether to relocate, where to locate, and what their future premises should look like. Research that looks at relocation behavior as a part of the organizations strategic processes is scarce, and relocating organizations are still somewhat black boxes. The purpose of this paper is to get inside the black box, and assess the behavior of organizational members in relocation by asking questions like “what did you do” and “why”. This study focuses on different sorts of analysis organizations do, or have someone else do for them, during the relocation process, and tries to reveal the reasons for initiating the analysis. Therefore, the aim of this paper is to understand the purposes for formal analysis that is conducted during the relocation decision making process of office occupiers. The study is limited to short distance relocations that occur within the same urban area, also defined as urban recommitment by O’Mara (1999).
Relocation as a strategic process in the organization

A relocation process is anything but a straight forward process. It is a collection of decisions, it includes multiple actors, multiple and conflicting goals, uncertainty, and decisions made with bounded rationality. So far, research has suggested that that organizations adopt varying degrees of sophistication when making decisions related to relocation, depending on the type and size of the organization, and the corporate structure and culture (Greenhalgh 2008). It has also been stated that the behavior, personal preferences, priorities, and perceptions of key individuals will influence the final outcome of the decision making process (Decker & Crompton 1993; Greenhalgh 2008). However, as presented in the introduction, organizations still remain black boxes in terms of their behavior in relocation processes.

Organizational behavior in general, however, is a subject that has been approached by organizational researchers since the middle of the 20th century. The notion that organizational decision making is a rational process has been questioned already since the 40’s by decision making theorists such as Herbert Simon, James March, and Richard Cyert, and there is nothing that would indicate that decision making concerning relocation would be any different. In fact, relocation decision making can be regarded as one of many strategic topics that the organization has to deal with. It would perhaps gain from more investigation done in the light of other organizational strategic processes, instead of being considered as an isolated event that an agent called ‘organization’ experiences, as has previously often been the case. This would mean e.g. adapting more research methods and frameworks from organizational research into relocation research.

For many organizations, the relocation process comprises many issues that need investigation, e.g. what kind and how much space the organization needs, what kind of premises are available on market, what the employees would like to have, etc. While the extent and especially the actual role of these kinds of investigations remains unknown in the relocation decision making context, research in management research suggests that formal analysis within strategic decision making is conducted for purposes other than solely information. Langley (1989) suggests a framework for examining the different ways in which the use of analysis may occur, which includes four categories of purposes for formal analysis:

- **Information** – formal analysis is carried out to acquire information, in order to get a better understanding of a certain issue. It can be done open-mindedly to receive new knowledge, or to seek confirmation to a tentative option. Information seekers are likely to maximize the number of independent sources of information.

- **Communication** – formal analysis is done to communicate one’s own conviction or to bring other people over to their point of view. It can either be the initiator him- or herself writing up a report on the issue as a means of persuasion, or an outside consultant that does the analytical work, in which case the conviction receives even more credibility. The communication motive is also used in situation where people want to communicate their opinion, even though they know it is highly unlikely that it will have an impact on the organization’s decisions. Unlike the information purpose, the initiator of the analysis is likely to minimize the number of independent sources of information, in order to remain control of them all.
• **Direction and control** – formal analysis is conducted because of a wish to get a specific problem solved or a decision detailed and implemented. Formal analysis with direction and control purposes is “to get something done by asking for a report”. It can be done to focus subordinates’ attention on certain issues and to make sure that actions are taken.

• **Symbolic purposes** – formal analysis is done to symbolize information use, rational decision making, willingness to act, and participation and concern with other people’s views. However, carrying out a formal analysis does not mean that the information will be used, that it will help make rational decisions, that the organization will act accordingly, or that other people’s opinions will be taken into consideration. (Langley 1989.)

The distinction between the different forms of analysis is not always totally clear and Langley (1989) also found in her study that almost half of the analyses she assessed were initiated to serve more than one purpose. While Langley looked at strategic issues covering a wide range of topics, such as diversification, market development, closure of services, capital investments in equipment and facilities, and restructuring, this study will now focus on the formal analysis done by office occupiers during a relocation process.

**Data collection and analysis**

In this study, the types and purposes of formal analysis were assessed in 5 different case organizations that had gone through a relocation process during the past 16 months. The data was collected during April – September 2010 through semi-structured interviews with 15 persons from the 5 different organizations. A description of the case settings is given in Table 1. The interviewees were all people who had been involved in the relocation process of their organization. The interviews comprised four different themes: the relocation process and the phases related to it; the organization involved in the process; the employees and the process; and the interviewees’ thoughts concerning the outcome. The different analyses that the organization had conducted was discussed mainly in the first part of the interviews, but in some cases analyses were brought up also later on, e.g. related to employee involvement.

All interviews were recorded and transcribed. The transcriptions were thoroughly analyzed and all formal analyses mentioned by the interviewees were collected in a spreadsheet case by case, together with citations indicating the content of the analysis and the purpose(s) of the analyses. After all interviews had been analyzed case by case, the case specific findings were combined into one listing where similar kinds of analyses were merged. After this, the purposes for the different types of analyses were analyzed in more detail.
Table 1 Description of cases

<table>
<thead>
<tr>
<th>Case</th>
<th>Description</th>
<th>Number of people interviewed</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>A Finnish organisation relocating the HQ with approx. 200 employees. Moved ca. 1km within the Helsinki Metropolitan Area (HMA). Decreased the amount of space from 8000sqm to 4000sqm. The old office consisted mainly of private offices, the new office is mainly open plan.</td>
<td>3</td>
</tr>
<tr>
<td>B</td>
<td>A global organisation relocating two sites as a result of a M&amp;A. Both organisations had private offices in their old sites, while the new site consisted of mainly open plan.</td>
<td>4</td>
</tr>
<tr>
<td>C</td>
<td>A global organisation with approx. 45 employees at the case site. Moved ca. 5km within the HMA from approx. 500sqm to 900sqm. Both offices were a combination of open and private space, but the share of people sitting in open space is bigger in the new premises.</td>
<td>2</td>
</tr>
<tr>
<td>D</td>
<td>Finnish organisation operating globally relocating the HQ with 50 employees. Moved approx. 7km within the HMA. The old office was a traditional private office layout while the new office is a combination of open plan and smaller rooms for a few people.</td>
<td>3</td>
</tr>
<tr>
<td>E</td>
<td>A global organisation with approx. 30 employees stationed at the new site and another 20 working outside the office. Consolidated two locations into one. Moved 15-20km within the HMA to more modern facilities that support all different operations of the organisation. The total amount of space decreased.</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>15</td>
</tr>
</tbody>
</table>

Findings

The interviews with the case organizations revealed in total 10 different sorts of analysis that the organizations had conducted (Table 2). The analyses covered a wide range of different topics, such as needs and requirement analyses, analysis of ways of working, defining search criteria, analyses of office supply and available options, comparisons of options, cost calculations, and assessment of employee preferences. As site visits were a common procedure in the relocation process, these were also included in the study, even though a site visit is more an action than an analysis.

Differences between the cases could be identified in terms of the amount of analyses and degree of sophistication used in the analyses. For example, in terms of space need, some used external consultants to analyze and determine the space need while some did not go through any kind of formal analysis of how much space they actually needed. For example, one interviewee explained that one of the first facilities they had a look at was 780 m2 and it seemed a bit too small so “after that, very quickly it [the space need] became 900-1100 m2 and we went to see facilities of that size”.

In terms of the purposes of the analyses conducted, information was the most commonly identified one. This is perhaps not surprising, as most analyses generate some sort of information, whether it is the main purpose or not. In most instances, it was impossible to determine whether the information
was collected for the information value or not (or just for other purposes), and therefore the information purpose might be overestimated in this analysis.

The only analyses that were not convincingly indicated to have been conducted for the initiator’s own information purposes were cost calculations that were done in a later phase of the process. The instances where cost calculations were done in a later phase of the process showed to be done more because of communication and symbolic purposes, rather than for one’s own information purposes. At this stage the options which were over budget would already have been excluded from the shortlist and, instead, cost calculations were done more in order to convince the headquarter that the selected option was the most appropriate one (communication) or to symbolize rational decision making and this way get negotiation power into negotiations with the landlord of the most wanted option (symbolic).

The second most common purpose for analyses was communication. The communication was most often directed to either the final decision maker, such as the European headquarter, or to the employees of the organization. Communication which addressed decision makers was mainly related to selection of premises. Detailed search criteria and later on matching the most preferred option to the criteria was, in cases where decisions needed to be approved elsewhere, done to convince decision makers. In these cases it was mainly a matter of rationalizing and communicating a decision that had already been made.

Analysis that was done to communicate something to the employees, on the other hand, was more often related to convincing employees about new ways of working, and design and layout of the new facilities. For example, even though it had already been decided that the organization will move to a more open space to enable better communication, the employees were asked about whom they work with and how much they collaborate. The analysis was done by an external consultant because, as the interviewee put it, “it is better that it is done by an outsider”. This way, there was analysis to back up the decision about a more open solution. On the other hand, it was also done with direction and control purposes to focus the employees’ attention to the issue and make them ‘realize’ themselves that the open solution is a good solution for them.

Making assessments of where the employees of the organization live and how different locations would affect their commuting times and type of transport was claimed to be done either for information or communication purposes. When done for information purposes by someone involved in searching new premises, the results of the assessment had often been than no location would be optimal for all employees, and the outcome was mainly used to exclude locations that were not to be considered under any circumstances. Surprisingly, in these cases the fact that this had been taken into account was seldom communicated to the employees. On the contrary, assessment of the geographical location of employees was in one case used by an employee representative to communicate disagreement to the chosen location and to “prove” that the chosen location was no good.

The symbolic purposes of analysis was, as previously mentioned, used to gain advantage in lease negotiations, but also to symbolize concern with employees’ views and opinions. As one interviewee put it: “... so that people got to [...] and vote a bit. It was perhaps to get the chance to make yourself heard”.

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Table 2 Types and purposes of formal analysis in the case organizations

<table>
<thead>
<tr>
<th>Type of analysis</th>
<th>Description</th>
<th>Information</th>
<th>Communication</th>
<th>Direction and control</th>
<th>Symbolic</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assessment of markets</td>
<td>Preliminary assessment of office markets (supply, price) (A)</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Defining organizational needs</td>
<td>Assessment of organizational requirements in terms of e.g. location, amount of space, layout</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Defining search criteria</td>
<td>Defining more accurate search criteria</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Long listing options</td>
<td>Listing possible options and information related to the options</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Preliminary comparison of options</td>
<td>Comparison of options, creating shortlist</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost calculations</td>
<td>Cost calculations and comparison to other options</td>
<td>X</td>
<td></td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Site visits</td>
<td>Site visits (A)</td>
<td>X</td>
<td>X</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Assessment of where employees live</td>
<td>Assessment of where employees live and commuting distances</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Analysing ways of working</td>
<td>Analysing ways of working (D)</td>
<td>X</td>
<td>X</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Employee participation</td>
<td>Assessing employee needs and preferences, concerns, opportunities and opinions through questionnaires, workshops and different voting schemes</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
</tbody>
</table>

Discussion and conclusions

In this study the types of formal analysis that are done in office occupiers’ relocation processes, and the purposes for the analyses, were examined. A previously developed framework comprising four different purposes for formal analysis was used. Through a multiple case study, the research recognized 10 types of analyses which had been conducted in the 5 case organizations. Purposes for the different types of analysis varied from one to all four.
While the findings show that organizations conduct analysis for other purposes than to simply acquire information, the message is not that all other purposes for conducting analysis other than information is somehow wrong or should be considered negative. Instead, the findings can be used as suggestions on how analysis could be used. Many analyses that are done for information purposes could also be used to communicate and explain decisions and solutions to the employees. Even though this could help employees understand the process better, this was not commonly done in the studied organizations. In some cases, for example, assessments had been done on where the majority of employees lived, and apparently the information was used to exclude some locations. However, the fact that this had been done was seldom communicated to the employees.

The findings presented in this paper represent the results of a preliminary examination of the purposes of analysis conducted in five case organizations. Further analysis is, however, still yet to be done. The further analysis should comprise:

- A more detailed analysis on the social context in which the analyses were conducted; who initiated the analysis, who conducted it, and who used the analysis for whatever purpose?
- A more detailed analysis on how the purpose of an analysis might change, depending on at what stage of the process it is conducted.
- A more detailed assessment on whether different people perceive the analysis to have been done for different purposes; for example, the employees of the organizations might have perceived that an even bigger part of the analyses were done for symbolic purposes.

Analyzing the relocation process with the framework used in this study could also benefit from widening the scope to cover not only analyses but also actions. For example, in all case organizations some kind of project group had been established at some point during the process. It seems, however, that the purpose for establishing these groups is different: In one case the project group was established in order to get decisions detailed and implemented (direction and control), while in another case the project group seemed to serve the purpose of communication: through the project group the decision maker communicated his own conviction.

One of the limitations of this study is that it relies on the information given by the interviewees. While it might be easy for the interviewees to state that one has done or initiated an analysis for information purposes, identifying other reasons behind the analyses is more challenging. The ideal setting would have been to collect all documents produced by the analyses in question, analyze the content and compare it in detail with the decisions that were actually made.

**References**


