



Location Choice between Rationality and Emotionality: The Concept of 'Emerging Place Decisions'

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Abstract

This article presents the concept of 'emerging place decisions'. It assumes that managers and owners of companies do not decide on locating their firms in a linear-sequential way. In fact, the decision process is characterised by a complex interplay of rational and emotional factors. Practical examples reveal that the process does not have a circular structure, meaning a logical-deductive sequence of different stages. Quite the contrary: the decision process is often interrupted and there are considerable time-lags between the individual phases. Necessary steps are skipped or analysed at a later date. Against this background we allude to 'emerging place decisions' - in short, to location decision processes which adapt to changing contextual and situational conditions. Therefore, the article aims at providing the conceptual framework to explain 'emerging place decisions'.

1. Introduction: scope for the promotion of economic development

Recently, the theme of relocating abroad has particularly been at the centre of public debate. The (apparent) increasing migration of jobs and capital to the new EU member states and the Asian region has given rise to most of this controversy (cf. Engler, 2005). West European countries are trying to counter this, in some cases with considerable amounts of financial resources (Mäding, 1992). This takes place principally in three forms: (1) companies are lured away from other countries and encouraged to relocate into the regions of the parties attracting them, (2) existing companies are given special treatment so that they do not move away or (3) the setting up of new companies is supported and promoted so that they compensate for the loss of existing companies. Here, settlement, continued existence and foundation policies are directed towards different parties. In the first case those addressed are external enterprisers, in the second case existing local ones and in the third case people who have

just taken the plunge and become self-employed. It is an obvious and undisputable fact that the target groups in any one location have very different needs. As a result, it is to be expected that location decisions will follow different patterns according to the requirements of the individual groups. From a strategic point of view it is therefore important to be aware of the respective "real" reasons for location decisions – if the organisation and coordination of the promotion of business development and of locations is to be as efficient and effective as possible. Only then is it possible to systematically influence company location decision-making and hence achieve the primary target of sustained economic development.

Two factors determine the scope for shaping economic promotion and of influencing location decisions. First the type of location decision needs to be noted, since it appears in various forms. There is no one single type of location decision as such. Not enough attention is paid to this fact, both in theory and practice. When a firm takes over a competitor, it implicitly makes a choice about location (Pred, 1977). In this case, however, economic support cannot have any influence. The auspices are different when companies want to expand due to external growth, in which case the promotion of economic development can accordingly provide (financial) incentives. Possibilities of influence thus depend on the type of location decision. On the other hand, the spatial dimension of a location decision is significant. There is a crucial difference in whether a local enterprise seeks new premises in a small town nearby or whether it wants to relocate its place of business to a large international metropolis. Different patterns of reasoning play a role depending on the spatial focus (O'Mara, 1999). A company's stage of development is also important, as requirements for a location differ greatly here, depending on whether the plan is to expand into particular markets or whether current business needs to be consolidated and reorganised (cf. Philipps, 1991). Apart from this, the physical arrangement of a company's units as well as their function and position in the production process may also be an influencing factor. The establishment of an independent company follows a different logic to transferring a section of production to a subsidiary (for typology cf. Schiebe, 1982; Corsten, 2000). A decisive factor in the success of economic promotion is whether it succeeds in recognising and effectively utilising the scope of influence available. It is therefore important to know whether and at which point a particular type of location decision can be influenced – in short: well-founded knowledge about the location decision process is of central importance. Unfortunately, there is a lack of relevant systematic research.

The second requirement is directly related to the dynamics of a company in the spatial scope of application of business promotion. The possibility of influencing location decisions is directly correlated to company mobility, i.e. the frequency at which companies are founded and relocated (Glaser/Menze, 2003: 9). Accordingly, where there is strong location dynamics, there will be more opportunities for economic support to engage in the location decision process. The number of location decisions taken every year is in this sense an indicator of the potential scope of influence for locational promotion. Start-ups are not examined here, since the place in which a young entrepreneur sets up a business and his place of residence are frequently the same (cf. Salmen, 2001: 24; Thierstein et al., 2002)¹. In this case the freedom to choose a location is not "real" freedom. Generally, however, it may be presumed that the number of location decisions taken will rise.

Aware of the fact that capital is becoming increasingly interlinked and that competition for business locations is intensifying, cantonal administrations in Switzerland have been increasing financial resources spent on the promotion of business for ten years now (cf. Hasenmeile, 2004). From the point of

¹ The reason for this is that in the setup phase, location options open to new company owners is usually limited. Practical reasons – for example avoiding additional costs for relocating, the familiarity of a local environment, etc. – favour choosing a location for a newly-founded company which is close to the place of residence (Chapman/Walker, 1991; 52 and the following).

view of economic policy, the following questions therefore arise more than ever before: what really attracts companies to a certain region and what keeps them at a specific location? This need for information in practice to some extent contradicts the level of current research findings, which do not provide an adequate explanation for what actually motivates companies to choose a specific location. This is why the main features of location theories are to be outlined first.

2. Theoretic behavioural approaches when choosing a business location

2.1 Theoretic approaches based on region

Region-based approaches attempt to define the behaviour of companies when choosing a location from the point of view of regional business dynamics, i.e. analysis is focused on the region as a whole and not so much on individual companies. This has resulted in mostly abstract constructs, but these nevertheless provide initial models in explanation of the choice of location. According to Perlik/Messerli (2001), more recent theoretic approaches to regional business can be classified in four main threads. What they all have in common is that they move away from a fact-oriented viewpoint, i.e. from regional development on the basis of purely economic comparative cost advantages. The focus is on a person-related point of view, one which highlights creativity and the interrelationships between local people involved and as vital regional development factors. At this point we shall only examine the two approaches which prove to be worthwhile for the issue we are addressing (overview, for example in Moulaert/Sekia, 2003).

(1) Location theories based on markets and competition add the "spatial" factor to traditional theories on commerce and competition. Regions develop positively if clustering is achieved for certain industries. Established companies benefit from specialised labour markets, intensive innovative relationships between local suppliers and purchasers as well as a favourable industrial environment. This attracts new companies also wishing to benefit from these specialisation advantages (cf. Porter, 1990; Krugmann, 1991; Porter, 1996; Krugmann, 1998). It is crucial that these advantages can only be realised when companies set up their business locally and actively participate in clusters. (2) This idea was developed in the 1990s, although it was not only economic relationships in a certain region that were of interest; instead it was social and institutional growth conditions (MacKinnon et al., 2002). Butzin (2000) summarises the concepts of industrial areas, innovative or creative environments and learning regions under the term "simple network approaches". These approaches are based on the presumption that in economies requiring a high level of knowledge, non-economic factors constitute a main source of competitive advantage. Cooperation between those involved from business, politics and culture gives rise to a common basis of standards and values to promote innovation in networks. This is based on the assumption that significant processes of innovation in a region are linked to cooperation in networks (as a form of coordination between market and hierarchy). This applies in particular to regional economies dominated by small and medium-sized businesses, with mutual trust playing a major role in the success of these networks. Similar to location theories based on markets and competition, external companies are only included in these networks if they settle in a region and become involved as a trustworthy partner. A central factor of these approaches is the significance of knowledge as a vital resource in the battle for competitive advantages. Specialised knowledge which is only present in a specific region and attractive opportunities for cooperation thus function as magnets to attract companies from other regions (pull effect) and are also a reason for established companies to remain in a region (anti-push effect).

2.2 Company-based theoretic approaches

In addition to region-based location development theories, regional science has also seen the emergence of location theories which address companies directly as an object of analysis. They can be classified in three superordinate schools of thought: (1) neoclassical, (2) behavioural and (3) institutional approaches (Hayter, 1997; Pellenbarg et al., 2002).

The *neoclassical approach* is derived from the standard model of a classical economy and focuses on the microeconomic model of the "theory of business enterprise". The fundamental mechanism in this case is cost minimisation and profit maximisation. Since certain production costs relate to the location, companies will look for locations which will maximise their profits. This is balanced at the ideal location – relocation would in this case have a negative influence on efficiency and consequently also on the commercial success of a company. Internal and/or external factors can of course change with time for a company – and as a result so will the cost or profit function. If relocation costs are taken into account, a lower margin of profitability will result at which level a firm will *no longer* move away from a certain region (Narkosteen/Zimmer, 1987). In this sense, neoclassical approaches are able to ascertain relevant push factors in addition to traditional pull factors for locations.

Behavioural approaches modify the assumptions of neoclassical theories in that they presume that information is insufficient and rationality limited. Instead of optimising behaviour, companies endeavour to achieve satisfaction, i.e. show 'satisficing behaviour' (Cybert/March, 1963; Simon 1979). The company does not seek to find a single optimal location; instead it attempts to find the best solution for meeting minimal requirements. If regions only differ marginally in terms of conditions for conducting business, companies will be able to produce profitably at several locations². In these cases non-economic, company-specific factors can better explain the choice of location. In addition to the actual location decision-making process, account is taken of the fact that decision makers only have limited information at their disposal. In addition, they differ in their ability to use the information on hand and in their behaviour when taking decisions in circumstances of uncertainty and risk (Pred.1969). The behavioural approach essentially understands location choice behaviour to result from person-related variables.

Neoclassical and behavioural approaches have one thing in common: companies are active decision-makers in a static environment. A company will choose a specific location from a number of options, take into account 'hard' and/or 'soft' factors and behave either as a 'homo oeconomicus' or as a 'homo satificens'. The environment in this case is considered to be an exogenous factor which companies need to handle. In contrast, *institutional approaches* assume that economic processes on a regional basis are mainly changed by social/cultural institutions and value systems. Firms, since they regularly interact with the environment to become 'homo agens', are at the centre of this approach. The specific type of location choice behaviour is therefore the result of negotiations with regional authorities concerning tax relief, with suppliers and customers on sale and purchase terms, with employees concerning their wages, etc. The various target groups of a company are also bound by an institutional framework which specifies their scope for action.

² Maskell/Malmberg (1999) refer in this context to 'ubiquitification'. They debate on the process of adapting location factors of the various regions.

2.3 Deficits of current approaches

Let us take a look at the strengths and weaknesses of the individual approaches. Region-based location theories primarily deal with endogenous regional development. More recent concepts highlight the significance of innovation and an accumulation of knowledge as determinants for the success of growth-oriented companies in a region. These concepts give general information on the reasons behind investment projects. Unique local conditions are in this case a reason for the investment behaviour of private actors. These theories are, on the other hand, too abstract to serve as an explanation of the actual choice of location (in particular that of small and medium-sized enterprises), especially since they are based on "region" and not on a "corporate" level. Besides, concepts often lack sharpness and differentiation between the various structures (Moulaert/Sekia, 2003: 289).

Traditional approaches of company-related location theories are criticised for their underlying assumptions – this applies to the neoclassical theory due to the assumption that those involved are perfectly informed and that absolute certainty prevails in terms of environmental conditions. Companies are interpreted as being agents for maximising benefit (so-called 'black boxes'). Besides, only transport and material costs are initially taken into account. It is not surprising that this approach is in a position to explain *why* relocations theoretically take place, but it can only partly substantiate why a company moves to a *specific* new location. Frequently, traditional location factors, such as transport costs, employment markets, fiscal duties,³ etc., are too similar in the various regions of a single country to make them alone decisive in terms of profits generated by a company and thus also in terms of decisions in favour of certain locations.

The behavioural approach, on the other hand, is generally supported by studies based on ordinal data gained from surveys and is largely of a descriptive, explorative nature. Pellenbarg et al. (2002:9) estimate that the studies do not even come close to making available a complete explanatory model. Besides, this research work frequently focuses excessively on sociological, psychological and other 'soft' factors and neglects economic correlation effects.

The most significant item of criticism against institutional approaches is the assumption that companies have substantial negotiating powers. This may be true for large enterprises with corresponding supplies of resources. Small and medium-sized enterprises, on the other hand, are affected by negotiations with external regional parties involved; they are, however, limited in their capacity to exert pressure on these parties and hence to change the surrounding environment. The institutional approach is to be understood as the continuation of the network perspective of region-based approaches (cf. Scott, 2000). The inclusion of power political and strategic aspects in location choice behaviour has notably led to new findings.

Figure 1 summarises the fundamental elements and the strengths and weaknesses of company-based theoretic approaches. The approaches all have the following in common:

- Current models are frequently of a partially analytical nature and in analyses they are limited to only a few cause and effect correlations.
- They analyse the environment from a static point of view and location factors are viewed as a fact (with the exception of location decision models based on behavioural approaches).

³ Since regional authorities have a certain (legal) scope for setting corporation taxes individually, these taxes cannot be included in traditionally 'hard' location factors. Whether or not they comprise 'soft' components remains a subject for debate.

- Implicit or explicit linear process thinking is behind attempts at explanation, i.e. the idea that location decisions are all reached in a linear, target-oriented process. For this reason emotional and process-related factors are frequently completely ignored and traditional location factors tend to be over-emphasised.

Figure 1: A comparison of location theories

	Neoclassical approach	Behavioural approach	Institutional approach
Firm as...	Homo oeconomicus	Homo satificens	Homo agens
Choice of location as a result of...	Profit maximisation/ cost minimisation based on full information and complete certainty	Needs satisfied on the basis of insufficient information and uncertainty (limited rationality)	Negotiations with and in a dynamic environment
Influencing factors/ focus	Classical location factors (push and pull)	Decision-making process, ability to process information (individual perception, mental maps, image)	Intra-regional and extra-regional networks/ cooperation, learning and innovation skills, trust, social capital
Strengths/ weaknesses	+ Clear causal structure - (Excessively) abstract level - Only influencing factors external to the company - Static environment	+ Internal company factors + Non-economic factors - (Excessive) focus on psychological, subjective motivation - Static environment	+ Consideration of contextual framework - Mainly relevant for small and medium-sized enterprises - General concepts
Advocated by	Weber (1929), Christaller (1933), Lösch (1939, 1944)	Pred (1979), Schmenner (1982), Townroe (1991, 1972, 1971), Keeble (1979)	McNee (1968), Taylor (1975), Rees (1981), Stafford (1995), Storper (1995/1997), Dicken (1998)

Source: based on Pellenbarg et al. (2002), Mariotti/Pen (2001) and Hayter (1997)

3. Strategy process research findings

3.1 Concept of the "Emerging Strategy Process"

When taking a look at location decisions made by companies in practice, the justifiable question must be asked of whether or not there is any correlation between the objective location factors and specific requirements on a location from the point of view of individual companies (cf. Scherer, 2004). It is repeatedly ascertained that entrepreneurs and managers do not rely exclusively on objective criteria when seeking a new location. Individual decision-making processes as such are in some cases not as structured as one ought actually to assume given the capital expenditure involved. A new understanding of the process is thus also essential when taking a look at the behaviour of companies on choosing a location – one which does not cling to linear process sequences and which integrates both rational and emotional decision factors (Scherer/Derungs, 2005).

It thus makes sense to refer to related research disciplines which also deal with investment decisions and their decision-making processes. Economic strategic process research is suitable here. It no longer assumes that strategic decisions are necessarily taken in linear processes. In this context, Mintzberg (1978, 1991, 1994) introduces the concept of emergent strategies. His strategy formulation model distinguishes between intended and realised strategies. "Realised strategies" are "patterns in action" that can be observed in companies (Mintzberg/Waters, 1985: 256). "Intended strategies", on the other hand, are understood to be planned or welcome strategies or models which decision-makers in companies wish to implement (Kirsch/Heeckt, 2001: 170). The fundamental idea in this case is that intended strategies and those that have actually been realised may diverge, i.e. there is scope during the course of a process to develop and include new strategic initiatives or to drop the original plan. This shows that intention does not necessarily lead to realisation. Three types of strategy may be derived: (1) "deliberate strategy", (2) "unrealised strategy" and (3) "emergent strategy". The first concerns strategies which are consciously implemented after reflection, while the last two comprise contents which take effect without any previous planning⁴. Segmentation in the different development processes of these strategies means breaking away from the linear-deductive strategy process. This opens up various alternative process concepts (according to Lechner/Müller-Stewens, 2003: e.g. Noda/ Bower, 1996, Quinn, 1980, 1995; Hart/Banbury, 1994; Burgelman, 1991).

3.2 Application for location decision-making processes

The question now is: which consequences result from strategic process research in terms of examining business location decisions?

- First of all, the (theoretically) ideal location for a certain company is no longer given from the outset, i.e. potential requirements relating to a location may re-emerge during the course of the decision-making process. This is due to emerging strategic considerations relating to location issues which arise from interaction between the environment and companies. In this case feedback loops are not excluded.
- If the standard requirements of a company are phase-related and hence variable, this will also mean that the relative significance of location factors in the process may change (cf. Louw, 1996).

⁴ Unrealised strategies are not of interest for this article since the concept of "emerging place decisions" examines effective decisions.

- The location decision-making process itself becomes a central item of research (cf. Pen, 1999, 2000; Sergot, 2003). This means that factors impacting the location decision-making process become more important. They determine the structure of the process and thus also the course of the decision-making process. What must be kept in mind are emotional bindings and aversions against certain regions or internal power structures and learning processes in the company.

This prompts us to speak of a true paradigm shift in behaviour in company location decisions. There is no automatic matching of a company as the party making an enquiry about a location and the region as the party offering a location. Instead development trends result from the environment and these will have an effect on the company which will in turn respond to these impulses or absorb them to result in new scope for decision-making throughout the decision-making process. It is now possible that the actual choice of location will deviate from that originally envisaged. In this sense we refer to emerging place decisions. These are based on the development from a formerly static economy to a hyper-dynamic one. This is distinguished by the fact that companies are no longer in competition for better products or production processes; the issue now is faster and more effective adaptation to new circumstances. The focus is on "the ability to develop and permanently adapt skills and to permanently develop new concepts" (Bieger/Scherer, 2003: 15)

4. Concept of "Emerging Place Decisions"

4.1 Phase sequence

The decision-making process for locations can be divided into individual processes. Between three and seven subtasks are distinguished, depending on the concept (Schmenner, 1982; Louw, 1996; Pen, 2000). We refer to a wide-ranging interpretation of location decision-making processes and address their seven phases (cf. Figure 3).

(1) Pull and push factors may both prompt company owners to give some thought to their current location. This is triggered by expectations concerning comparatively better conditions at a different location (pull factor) or increasingly worsening conditions at the current location (push factor).

(2) If a certain threshold is exceeded, these expectations will become more concrete. There is potentially a need for action by the company in terms of dealing more thoroughly with the question of location. However, this intention to take action will only take effect when the question of location is seriously addressed within the company and is included as an item on the agenda.

(3) Once a basic decision has been taken to initiate a search for a suitable location (go/no go decision), targets will be defined. (4) Criteria which need to be fulfilled for a future location – or which should be fulfilled – help to make the search more effective. (5) The actual search can begin and so can the development of possible alternative locations. (6) These locations are assessed on the basis of previously defined criteria. (7) A location is chosen in the final step.

4.2 Role of influencing factors

As already stated, this logical sequence of individual phases is highly idealised and hardly represents a normal case, since:

- There is a tendency to limit the area in which a company looks for a location at an early stage. If this is due to reasons directly relating to the business environment, we refer to business-related

limitations to the search area, e.g. through the opening up of specific markets. Personal preferences of the management are defined as preference-related limitations. The predominance of specific factors and motives may hence have a limiting effect on the search area.

- Company owners form subjective judgements of the quality of specific locations. These assessments range from specific information to somewhat more diffuse images. Destinations which are considered to be negative are generally not even taken into consideration as a potential location. Depending on the intensity of this predisposition, they will have a considerable impact when narrowing down the choice of location. We refer to a distorting effect caused by information already available (cf. Schwenk, 1986).
- Company owners maintain informal contacts to colleagues and experts. Knowledge, experience and qualified information is exchanged in personal talks. This may result in groundbreaking decisions being taken even before the search process has got under way, i.e. target regions may already be specified. In extreme cases imitation or herd effects may be observed. Frequently the prime manufacturers in an industry will assume a leading role and others will be duly guided.
- Location factors have effects at different levels, i.e. they may be differently rated depending on whether comparisons are made at local, regional or national levels. It is thus possible that a plot of land in a town is ideally located from a transport point of view but that the region is located far away from national transport hubs. This will eventually result in various levels being taken into consideration simultaneously when looking for a suitable location. If this is not the case, then favourable micro-locations may be prematurely excluded from evaluation. Negatively assessed location factors therefore have a limiting effect during the initial evaluation phase.
- Group dynamic effects should not be underestimated. Decisions on location in large enterprises are group decisions and are far more complex than decisions taken in a firm under the auspices of the founder and owner. Informal links, aspects of power distribution and ownership structures are of key importance. Effects relating to power strategies mainly concern the question of how decision-making processes are organised and which procedure is used for taking a final decision on a location. If individual persons involved play a dominating role in a company, they will have more chances to exert their influence. In this case, personal motives and experience may be more vital as influencing factors.

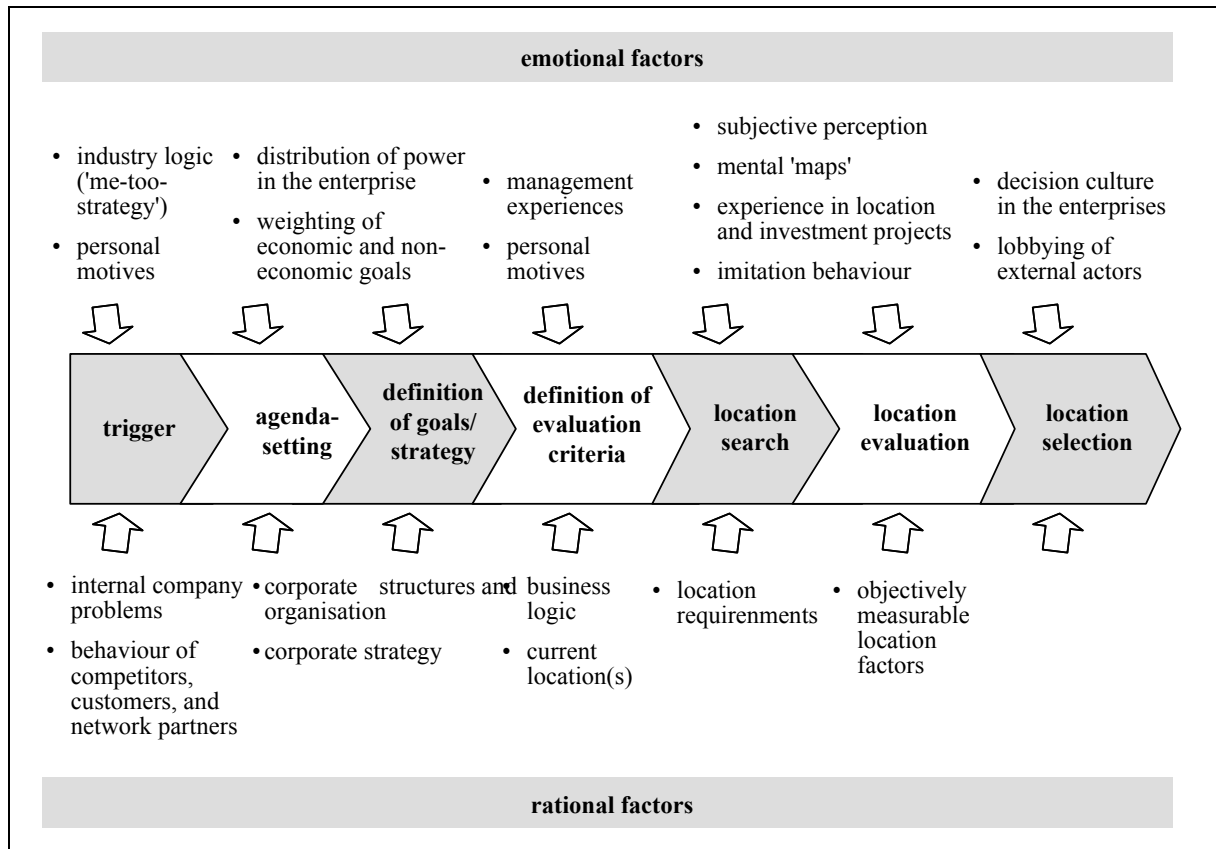
4.3 Distinguishing rational and emotional factors

The information given so far shows that it is advisable to separate rational and emotional influencing factors. On the one hand, the above effects show that company-related rational arguments and personal, emotional impressions are a part of decision-making processes. Or, in the wording of Kahnemann/Riepe (1998: 62): "Investment decisions have both emotional and financial consequences over time." This means that decisions (with far-reaching effects on business) are seldom made on the basis of only a single motivation. They are in fact the result of a complex interaction of different considerations. On the other hand, bare facts and figures about the various locations need to be analysed and the development of the future quality of a location must be assessed. In this case emotions and subjective previous knowledge help those involved to minimise the time and effort spent on evaluation and searching, as well as reducing the complexity of a search. "All investors need a device to limit the options and to allow them to make a decision on less than perfect information. This device can be the use of emotions. They can become a functional tool in actually making decisions by helping the investor to limit the review and decision process" (van de Laar/de Neubourg, 2005: 6).

4.4 Overview of influencing factors

Our process-oriented approach focuses on the decision-making process itself. The question now arises of which factors accelerate or even constrain a decision-making procedure and structure. Current research literature only gives a rough indication in this case and specific effect correlations remain unexplained. For this reason, in a next step, potential influencing factors need to be identified, with the range of factors being kept as wide as possible (see Figure 3). We presume that rational and emotional factors will affect each phase of a decision-making process and will hence also affect phase-related sub-decisions. These in turn define the scope for decision-making of the respective following phase(s) and thus also potentially effective influencing factors. Emotional factors are sub-divided into group-related and person-related variables. Examples here are the distribution of power in companies and personal location preferences. This is matched by rational factors which can be classified as internal and external influencing factors for a company. Excessive production capacities or the behaviour of direct rivals are examples here. Figure 2 also shows that in each phase, both rational and emotional factors have an impact. The question of resulting typical patterns of behaviour has not yet been clarified.

Figure 2: Rational and emotional influencing factors in the location decision-making process



(Source: own chart)

5. Summary and outlook

In summary, we presume that when companies select a location, deductive, linear process sequences, defined by rational decisions, hardly exist in practice. Subjective, emotional factors play as important a role here and influence the structure of location decision-making processes to the extent that new decisions are repeatedly taken and that processes no longer follow a logical linear sequence.

5.1 Consequences for economic promotion

What does this mean in terms of economic promotion in cities and regions today? First of all it means that there is no perfect location to suit every requirement. There are only locations which are right for a certain company at a certain point in time. Business promotion target groups must therefore be very well defined and their needs must be known exactly in order to be able to create a corresponding environment. On the other hand the focus must once again be more on people when it comes to business development. Things can be a lot easier if a suitable climate is established (Scherer, 2004: 8). Only if economic promotion is pro-active and relationship-oriented and able to make contact to companies will it have the potential to influence strategic location decisions (cf. Beckmann, 2005:234). In concrete terms, those responsible for economic promotion must meet the following requirements:

- Experience and knowledge concerning possible concepts for influencing decision-making processes in companies are to be systematically gathered. In this sense it must be determined how rational arguments for a location can be presented to a company more effectively and how emotional links to locations can be reinforced. This is the beginning of systematic customer management.
- Professionalism is an element of the service philosophy of any economic promotion scheme. This includes responding quickly to enquiries, supporting companies in each individual case in their decision-making process and hence achieving effective adaptation of the services provided to the needs of customers. Specialised knowledge of current developments in business practice is also essential.
- At the same time sensitivity to group-dynamic effects within a company is required. Who is the driving force behind an innovation process, who has the final word and who can give decisions a direction? The people at the top of the organigram are not necessarily always those with the most influence.
- Effective use of financial resources requires perfect coordination of the marketing instruments.

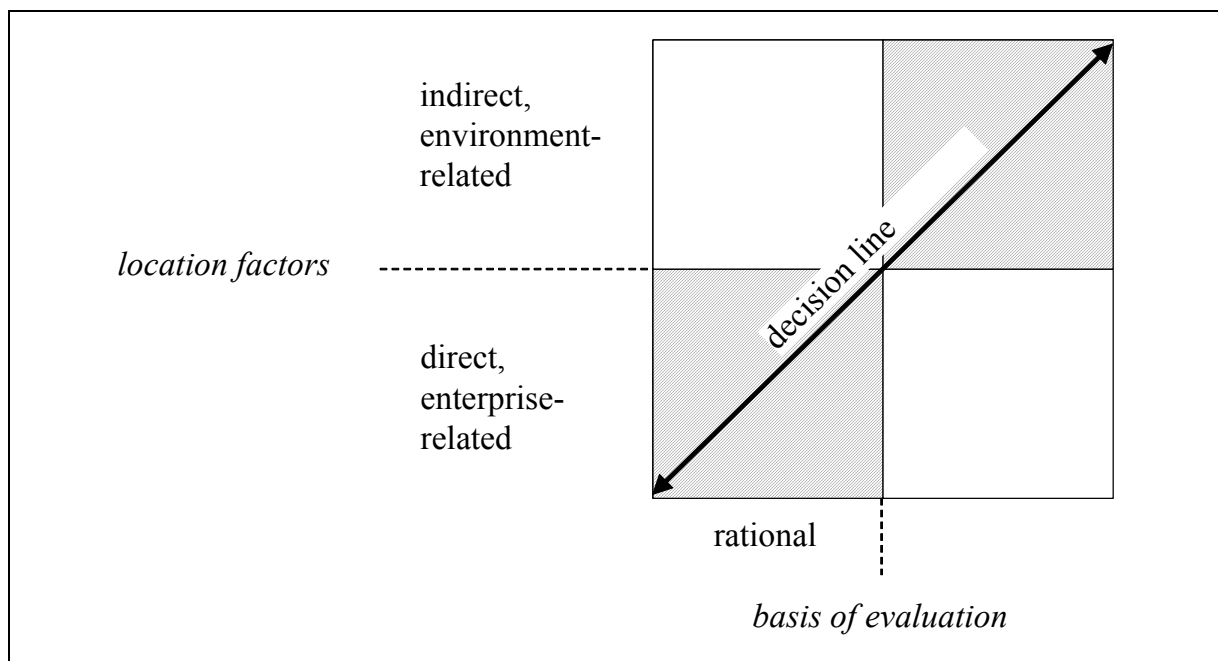
This can have a positive influence on the most important factors determining the quality of customer relationships between economic promotion activities and companies. According to Leuninger/Held (2003: 136) this means that first of all "concrete benefits for a company taking up the funding and the services of economic promotion" arise (economic and/or social benefit) and that secondly, a basis of trust is established between companies and those responsible for economic promotion.

5.2 Consequences for companies: the "ideal" location decision process

From the point of view of different companies, the question of an ideal location is not equally significant. For small and medium-sized companies with only one or a few locations it is usually more important than for major, globally diversified enterprises operating at several locations. Firms are nevertheless permanently subject to the risk of choosing a suboptimal location and as a result not being able to benefit from available business potential. Although little is known about location decisions which prove to be wrong, it must be presumed that with hindsight, a large number of unreported companies

and managers are dissatisfied with the decisions they have taken. There are various methods to alleviate this risk. The Kinkel research group (2004: 37f) has drawn up guidelines for avoiding suboptimal decisions in respect of company relocations. In the process of reaching a decision on a location, these include (1) reflecting on corporate strategy, (2) drawing practical knowledge of the process from past experience, (3) checking potential for improving the current location, (4) analysing current networks and relationships, (5) establishing future scenarios for all the potential locations and including these when assessing the locations and (6) implementing a systematic system of location monitoring in order to enable locations to be continuously checked. This approach is very much able to recognise the right decision criteria. Another question is whether these criteria are properly assessed. We summarise the requirements for an ideal location decision-making process in a single guiding principle: "optimal decisions can be expected when company-related location criteria are assessed rationally, while those that are environment-related are assessed on an emotional level." This guarantees that respectively ideal bases are applied when assessing the two groups of factors. Figure 3 shows a chart of this hypothesis.

Figure 3: Decision line for choosing a location



(Source: own chart)

5.3 Consequences for regional science

What is of interest now is the extent to which company determinants, such as the ownership structure of a company or the industry in which it operates, affect the type of decision-making processes and whether differences in terms of the relevance of rational or emotional decision factors can be identified here. We see possibilities for renewing the basics of approaches towards economic strategy here. These fundamental findings must eventually also be implemented in practice. In this case current concepts for economic promotion, e.g. customer management, one-stop shop concepts or full-service concepts, are to be adapted. The critical factors determining success constitute another future research field for regional science.

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