

Article Title Page

How far Finnish HQ's have relocated? - The role of short distance relocations in Finnish HQ moves

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Structured Abstract:

Relocation is one of the tasks that CREM is responsible for. This paper focuses on contributing to the knowledge of the relocation phenomenon. The aim is to examine the scale and volume of companies' HQ relocations. This is done by analyzing the relocation distances and the amounts of relocations. The findings indicate that the majority of relocations are short distance relocations. Two thirds of the moves were relocations of less than ten kilometres. The median relocation distance was less than five kilometres. Further, some 30 percent of companies had relocated at least once during the five and half year period.

Keywords: Relocation, Distance, HQ, Corporate Real Estate Management, Finland

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Running Heads:

How far Finnish HQ's have relocated? – The role of short distance relocations in Finnish HQ moves

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Abstract:

Relocation is one of the tasks that corporate real estate management is responsible for. They are important events for organizations as there can be a variety of short and long term impacts due to the relocation. Certain portion of previous research has focused on longer distance relocations i.e. relocation between cities, countries or continents although short distance relocations have certain impacts, too.

This paper focuses on contributing to the knowledge of the relocation phenomenon. The aim is to examine the scale and volume of companies' HQ relocations. This is done by analyzing the relocation distances and the amounts of relocated companies in order to formulate an understanding of how far and how often companies have relocated. The study uses quantitative data of address changes of Finnish limited liability companies between years 2006 – 2011.

The findings of this study indicate that the vast majority of relocations are short distance relocations. Over two thirds of all of the moves were relocations of less than ten kilometres by distance. The average distance that the companies relocated was *ca.* 30 kilometres and the median only less than five kilometres. Further, according to the analysis, some 30 percent of all of the companies had relocated at least once during the five and half year time period of the dataset and some six percent during the last year of the data.

The findings of the study give an overall view of the scale and volume of the relocations phenomenon within the private sector in Finland. It is concluded that the vast majority of relocations are actually short distance ones and that organizations do not conduct relocations on regular basis. The conclusions raise a question of whether the importance of relocation process and workplace change should be highlighted more as opposite to the mere location selection. Thus, in addition to long distance relocations, the focus in future research could be directed more on the impacts of these types of relocations and the relocation process itself.

Keywords – Corporate Real Estate Management, Relocation, Headquarters, Finland

1. Introduction

Relocation is one of the tasks that corporate real estate management is responsible for. They are important events for organizations as there can be a variety of financial, environmental and social impacts due to the relocation (Christersson and Rothe, 2013). Certain portion of previous relocation research has focused on longer distance relocations i.e. relocation between cities, countries or continents and their impacts on organizations and employees (see e.g. Stroh, 1999; Gregory *et al.*, 2005 and Feldman and Bolino, 1998). For instance, employee quality of life (Rabianski, 2007), willingness to relocate (Eby and Russell, 1999) and cost reduction (Spee and Douw, 2004) has been addressed from this viewpoint, to name but a few impacts. These kinds of relocations to new geographic areas, which e.g. O'Mara (1999) defined as “*New Horizons*”, “*Pick Up and Go*” and “*Consolidation to Beachhead*”, can be expected to have certain financial, social and environmental impacts and influence the relocating organizations in various ways.

However, short distance relocations (i.e. the ones taking place within the same geographic area) can arguably have certain impacts, too. For example Hanssen (1995) studied the changes in means of commuting while relocating from CBD to suburb location. Further, e.g. Greenhalgh (2008: p. 120) reported of a case where a company had relocated only 6 km but had still lost nearly half of its workforce whereas Brown *et al.* (2010) identified gains in comfort, productivity, health and wellbeing due to a relocation of a HQ.

The influence of the relocation distance to the financial relocation impacts has been studied e.g. by Gregory *et al.* (2005): they concluded that there was no significant correlation between the relocation distance and the financial performance of the firm after HQ relocation. Regarding the social impacts, e.g. a study made by Lawson and Angle (1998) revealed that the relocation distance has a strong influence on the employees' willingness to relocate. As opposite to long distance relocations where the distance between the locations usually demands the employees to relocate also their home (which could be considered to be a rather dominant factor), the impacts of short distance relocations tend to derive more either from the relocation process or the workplace change while the location change from the employee's perspective affects usually mainly the commuting. Hence, as short distance relocations' nature differs arguably from the long distance ones, they necessitate to be addressed as a distinct group.

This paper focuses on contributing to the knowledge of the relocation phenomenon. The aim is twofold: first, we examine the distance of companies' HQ relocations in order to shed light on what role short distance relocations play in the whole relocation phenomenon and secondly, we examine briefly how often companies go through relocations. The study is done by descriptively analyzing the relocation distances, portion of within and between municipalities relocations and the amounts of relocated companies in order to formulate an understanding of how far and how often companies have relocated. The study uses quantitative data of address changes of Finnish limited liability companies between years 2006 – 2011.

2. Study design, methodology and data

Given that corporate relocation as a phenomenon is complex and includes various drivers, aims impacts and stakeholders case-by-case, this research is descriptive by nature and employs a mixed-model research design (Johnson and Onwuegbuzie, 2004: p. 21, Figure 1): We use quantitative data which is analyzed using a spreadsheet software. While the data is quantitative, the research employs a descriptive qualitative analysis and is thus concentrated on the descriptive statistics and the parameters of distribution, such as the mean, median and percentile threshold values. The aim is not to analyze or identify any correlations between different variables, investigate causal relationships or conduct statistical analysis, but merely to form an

understanding of the scale of the relocation phenomenon regarding the short distance relocations. Further, this study is limited to the within country relocations of Finnish limited liability companies. Although there appears to be no universal definition of short distance relocation in terms of kilometres or miles, e.g. a distance of 5 miles has been used in a study by Gregory *et al.* (2005). In this study, we used a distance of 10 kilometres to consider the relocation a short distance one.

The dataset used in this study contains address changes of Finnish enterprises between 1.1.2006 and 12.7.2011. If the same enterprise has changed address multiple times during this period, only the last change is included in the data. The data is based on the information in Finnish Business Information System and was acquired for research purposes from a private company. The dataset contained in total 134993 rows of address changes. The dataset included the following details: Company ID, Company Name, New address, New post code, Old address, Old Postcode, Category of revenue, Description of the Category of revenue, Category of Headcount number, Description of the Headcount Category, Code for Field of Business, Description of Field of Business, Date of Registration, Date of Address Change, Code of Company Form and Description of Company Form.

3. Research process

The research was conducted using a dataset of address changes of Finnish limited liability companies. The initial dataset included altogether 134993 address changes. Before the analysis the raw dataset was edited with the following exclusions: 204 rows were removed due to missing address data, 3813 rows due to that the change was *de facto* only a correction of an address, 15193 rows were removed due to that the new address was C/O-address (thus no surety of the actual address could be obtained) and 26 190 rows were removed since headcount, revenue and/or field of business details were inadequate. In addition, as the scope of study was set to the limited liability companies, 40 043 rows were removed as they contained other juridical forms of business. After these exclusions, the dataset contained 49540 address changes.

After the initial exclusions, the address data was geocoded using GIS software ArcGIS™ and corresponding coordinates for the new and old addresses were obtained. After the transformation of the coordinates, the distances between the new and old address were calculated for each address change. The transformation process yielded 10 845 records where the coordinates could not be obtained for some reason, or the distance was zero meters indicating that only the address had changed, not the location. All of these cases were removed from the data.

The analysis of data was conducted in three phases. First, the data analysis included the calculation of the mean and median distances of the relocated companies. In addition, the percentiles for the distance thresholds of 10, 25, 50 and 100 kilometers were calculated. These calculations were done for each headcount category separately. Tables 1 and 2 recapitulate these figures. Further, an additional category was included: one that excluded companies within the headcount category of 0-4 people. This separation was done based on a hypothesis that the smallest category can be considered to contain companies which *de facto* do not operate in proper premises or are just holding company-type enterprises (i.e. the ones with 0 employees), thus their “relocation” distance might differ from the other categories. The results of these calculations are included in Table 1 noted by “5+”.

In addition to the descriptive statistics and distributional parameters, the short distance relocation was addressed from within and between municipality (1) perspective by comparing the text strings of the old municipality and new municipality information. If these two matched, the relocation (i.e. the address change) was considered as a within municipality relocation. The outcome of this analysis is illustrated in Table 2 in more detail.

Finally, In order to form an understanding of the frequency of relocations, the amount of address changes was proportioned by the total number of companies. In 2011, there was a total of 322 232 enterprises in Finland, of which 129 656 were limited liability companies (OSF 2014).

4. Findings

The mean (i.e. average) distance that the companies relocated was *ca.* 29.2 kilometres and the median only *ca.* 4.65 kilometres. The minimum relocation distance was *ca.* 10 meters and maximum *ca.* 1076.5 kilometres. Table 1 illustrates per headcount category the median and mean distances.

Table 1 Relocation distance per headcount category

Headcount	N	Median distance (km)	Mean distance (km)	Percentile			
				< 10 km	< 25 km	< 50 km	< 100 km
0 - 4	30228	5,12	31,21	65,9 %	81,3 %	87,4 %	91,3 %
5 - 9	4107	3,19	19,69	75,4 %	87,9 %	92,2 %	94,5 %
10 - 19	3563	3,36	21,18	74,9 %	87,7 %	91,8 %	93,9 %
50 - 249	559	3,46	40,19	69,6 %	80,3 %	84,1 %	87,8 %
250 -	130	5,83	35,47	70,0 %	86,2 %	87,7 %	91,5 %
N/A	76	4,76	37,80	67,1 %	78,9 %	82,9 %	85,5 %
5 +	8359	3,32	21,94	74,7 %	87,3 %	91,4 %	93,8 %
Total Dataset:	38663	4,65	29,22	67,8 %	82,5 %	87,9 %	91,8 %

After calculating the mean and median distances and standard deviations per headcount category, the percentiles were calculated for distance thresholds of 10, 25, 50 and 100 kilometres. These threshold values are indicated in Table 1. *Ca.* 67.8 percent of the total relocations were less than 10 km in distance and *ca.* 82.5 percent were less than 25 kilometers in distance. When the smallest headcount category of 0-4 employees was excluded, the figures were *ca.* 74.7 percent and *ca.* 87.3 percent respectively.

Figure 1 illustrated visually the distribution of the relocation distance of the total data sample. The dataset is sorted from smallest to largest by the distance and y-axis describes the relocation distance. The minimum, maximum and median distances are included in the graph.

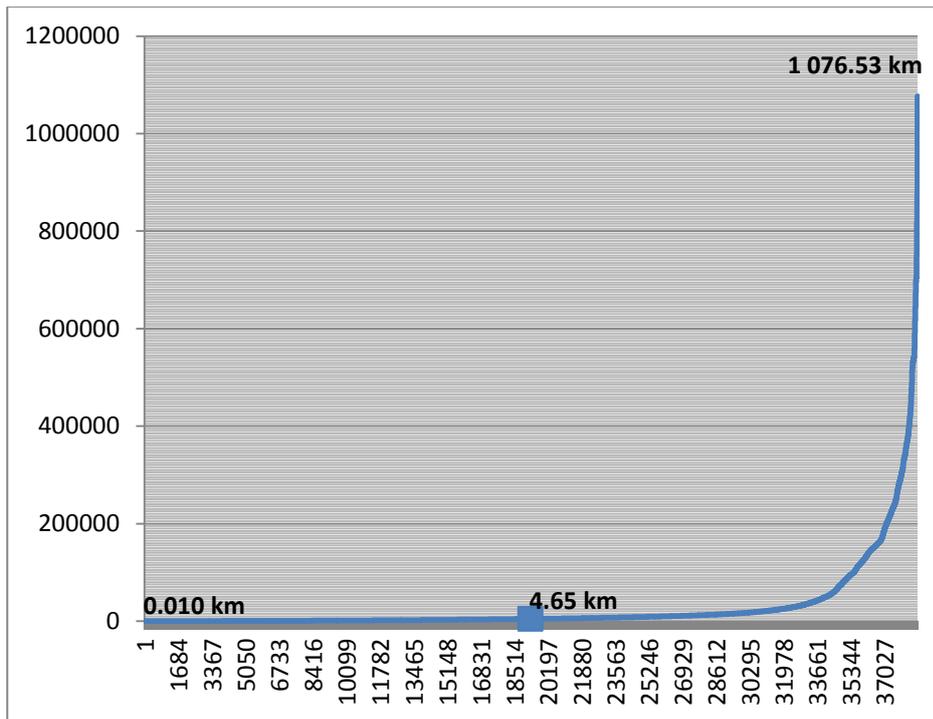


Figure 1 Relocation distance

Further, while analyzing the relocations on municipality basis. *ca.* 60.6 percent of all of the address changes were done within the same municipality. Table 2 illustrates the results of the municipality analysis. The percentage varied from 51.5 percent to 67.9 percent in different headcount categories.

Table 2 Within and between cities relocations

Headcount	N	Within the same municipality	Between municipalities	Within city %
0 – 4	30228	17831	12397	59.0 %
5 – 9	4107	2768	1339	67.4 %
10 – 19	2272	1507	765	66.3 %
20 – 49	1291	876	415	67.9 %
50 – 99	384	233	151	60.7 %
100 - 249	175	115	60	65.7 %
250 - 499	68	35	33	51.5 %
500 - 999	31	19	12	61.3 %
1 000 -	31	18	13	58.1 %
N/A	76	46	30	60.5 %
Total	38695	23448	15247	60.6 %
5+	8435	5617	2818	66.6 %

Finally, a relocation frequency analysis was conducted, in which the amount of moves in the final dataset was divided by the total number of limited liability companies, resulting in a figure of *ca.* 29.8 %. This represents the portion of companies that had relocated *at least once* during the five and half year time period of the dataset. In addition, another figure was calculated for the last year of the dataset using a filter in the date of address change (i.e. for relocations between 13.7.2010 – 12.7.2011): *ca.* 6.3 percent of the total companies had relocated during the

last year in the dataset. However, as the data only included the last relocation (in case of multiple relocations during the time period) and as there was certain amount of rows excluded due to partially missing information, these figures should be considered highly indicative by nature and no larger generalization of relocation frequency should be drawn from these.

5. Discussion

As part of the past relocation related research has made a distinction between short and long distance relocations, this study was motivated by an interest to understand better the role of short distance relocations i.e. what is their share of the total relocations in the Finnish context.

The findings of this study indicate that the vast majority of within country HQ relocations in Finland are in fact short distance relocations: two thirds of all relocations had a distance of 10 kilometres or less and the median distance was only 4.7 kilometres. When companies of 5 or more employees were analysed, three fourths of the relocations were less than 10 kilometres by distance (and the median only 3.3 kilometres). Furthermore, volume-wise most of the relocations (*ca.* 60.6 percent) are conducted within municipalities, not between municipalities. These two main observations suggest that companies tend to relocate to rather close proximity of their existing locations. A study of Dutch companies (Knoben 2011) revealed that *ca.* 52 percent of relocated companies had limited their relocation search scope to within the same municipality, which as a percentage is roughly at the same level as the findings of this paper.

In addition to the relocation distance, this paper briefly addressed the relocation frequency of companies HQ: *ca.* 30 percent of all limited liability companies had relocated (at least once) during the 5 and half time year period and *ca.* 6 percent (at least once) during the last year of the dataset. In other words, at least not all of the companies appear to relocate on a regular basis, something that e.g. Rothe *et al.* (2014) have emphasized.

Perhaps the most interesting reflection of this paper's findings from Corporate Real Estate perspective is that it highlights the importance of the relocation process management and workplace change as opposite to the influence of the relocation distance. Since majority of the within country relocations analyzed in this study are done on a relatively short distance and while at the same time there are examples of short distance relocations being failures (e.g. Greenhalgh, 2008: p. 120), one could ask a question is it often more about *how* the relocation is done and not where-to or how far it is done?

As one has to follow the utmost carefulness in making any kind of generalizations over the findings of descriptive research which this study represents, the findings do support the view that short distance relocations are dominant. The reliability of the findings is moderate as the aim of the study was not to analyze statistical correlations but merely to form an understanding of the role of short distance relocations. The validity of the data can be considered to be moderate, as the initial dataset was significantly reduced and thus it does not represent the total relocation mass during the time period.

6. Conclusions

This paper accentuates that short distance relocations are most common relocation type. Furthermore, volume-wise most of the relocations are conducted within municipalities, not between municipalities. These two main observations suggest that companies tend to relocate to rather close proximity of their existing locations. Thirdly, the paper briefly addressed the frequency of relocation concluding that organizations do not conduct headquarter relocations that often. The findings of the study give an overall image of the scale and volume of the relocations phenomenon within the private sector in Finland.

From corporate real estate management perspective, the main findings of this paper open up the discussion for the importance of relocation process as opposite to institutional location-selection focus that many of the past relocation related studies have adopted. In short distance relocations, the workplace level change and the relocation process itself arguably play a more significant role compared to long distance relocations where often major portion of the employees are not retained due to that the location change is more severe, often requiring a change of home. It can be argued that the longer the distance, the more likely it is that the employees do not follow the relocating organization. However, according to the findings of this paper, it is perhaps not all about “location, location, location” but more about the process as well.

From a more practical point-of-view, the findings of this paper reveal opportunities for the improvement of focusing relocation management services, such as tenant representation and change management: the focus should be more on the short distance relocations and the development of related business processes, as volume-wise these types of relocations appear to form the majority of all relocations and while at the same time organization often do not conduct relocations on regular basis. Therefore, the mere quest for the optimal location is by no means sufficient: it should be acknowledged that the process itself is of importance, indeed.

The limitations of this study arise mainly from the shortcomings of the data in terms of generalizability, validity and the level of conducted analysis. As the dataset only captures the headquarter address data of the enterprises, a certain body of relocations is excluded: multi-sited enterprises can conduct relocations and consolidations of other-than-HQ sites, which thus are not included in the analysis presented in this paper. Further, this study covers only the relocations of limited liability companies and therefore relocations behavior of other juridical forms of companies is not addressed. Finally, as the dataset only included the details of the last address change, the cases of multiple relocations during the time period could not be captured. Despite these limitations, the findings do give certain indications of the scale and nature of the Finnish corporate HQ within-country relocations.

Indeed, in addition to long distance relocations, the focus in future corporate real estate and relocation research should be directed more on the impacts of these types of relocations, focusing especially on the relocation process itself. Further, as this study uses mainly qualitative and descriptive analysis, the dataset could be analyzed in the future by means of quantitative analysis in order to identify possible correlations between the relocation distances and e.g. company size, headcount and field of business, which could possibly provide more knowledge on the possible differences in relocation behavior and tendency of Finnish companies.

Notes

- (1) In Finland, there is currently (from the beginning of 2013) a total of 320 municipalities (LAU-2 level)

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