

# New paper highlights the importance of locational strategy in business

October 20 2022

---



Credit: CC0 Public Domain

A new paper published in *Global Strategy Journal* argues that business leaders should make a greater effort to understand locational strategy, a framework used for understanding how an organization's geographical decisions fit into the broader corporate strategy. According to the study authors, this knowledge could give businesses an edge over their

competition, as locational decisions can affect everything from branding to human resources to research and development.

"This is a big subject, like understanding your markets, understanding your competition, understanding your talent or human capital base and how to manage your employees, how to choose and manage and grow locations," says study author Richard Florida, a professor at the University of Toronto. "The location decision is one of the most important decisions a company can make—and it's hard to undo."

Florida and co-author Patrick Adler, an assistant professor at the University of Hong Kong, define locational strategy by drawing on key concepts from management theory, corporate strategy, and [economic geography](#). They refined their approach to the topic by way of their course on The City and Business in the MBA program at the University of Toronto's Rotman School, after finding that management training typically fails to include geographic considerations. They argue that the strategy is particularly relevant in the study of sprawling modern organizations, the movement of talent, and the high levels of competition in regional economic policy.

To underscore the importance of the topic, the paper is broken into sections that include recent contributions from economic geography and corporate strategy broadly, foundational definitions of modern locational strategy, and a set of reflections that may guide future research on corporate location. The paper also touches on the reality of work in a post-pandemic world.

"This concept is even more important now with remote work," Florida says. "You have all these tech companies saying they're going to give up their leases, but how do you organize your people? How do you create a corporate culture? How do you bring them together and off-site? Be more thoughtful about it: What does it mean to pull up roots and

abandon a place?"

The goal of the paper, according to Florida, was to merge corporate strategy with the traditional approach of economic geography in location decisions. The authors found that locational strategy was often an afterthought at many organizations. They point to a few key factors for its relevance, including the growing shift toward a knowledge-based economy; increasing competition in dynamic efficiency; the rise of corporate locational tournaments, such as Amazon's HQ2 and Tesla's Giga-factory; and the increased use of large taxpayer incentives to underwrite corporate location decisions. They suggest that locational strategy be included in both MBA training and management training more broadly.

"For something so important—where you're going to locate—it needs to be given much more forethought," Florida says.

**More information:** Richard Florida et al, Locational strategy: Understanding location in economic geography and corporate strategy, *Global Strategy Journal* (2022). [DOI: 10.1002/gsj.1456](https://doi.org/10.1002/gsj.1456)

Provided by Strategic Management Society

Citation: New paper highlights the importance of locational strategy in business (2022, October 20) retrieved 20 April 2024 from <https://phys.org/news/2022-10-paper-highlights-importance-strategy-business.html>

This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.