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CORPORATE FINAL NODAL DESTINATION CHOICES IN THE EXODUS FROM JOHANNESBURG CENTRAL BUSINESS DISTRICT

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The opening up of the invisible barriers after the fall of apartheid in South Africa led to massive internal migrations and relocations to bigger cities. Johannesburg as the biggest economic hub not only in South Africa but in Africa, pulled the majority of the new opportunity seekers from across the Africa continent. This uncontrolled influx led to overcrowding, increased crime and grime in the city center of Johannesburg. The loss of value of property in this part of the city led to a lot of corporate organizations relocating to budding economic nodes in and around Johannesburg. The study seeks to understand the processes that were applied in deciding the suitable new Headquarters for these blue chip companies. The new nodes that accommodated the new relocators have over time assumed identities of their own in terms of the type of companies that are mostly found in these areas. Although these identity nuances are not pronounced at first glance, they are accentuated with greater scrutiny. The study sought to see if there is a fit between the independent observation of the characteristics of these locations and the perceived attractors to the blue chip firms. This was achieved by interviewing the executives of these companies and sending emails to some in order to understand the processes and triggers affecting their decisions. It was generally observed that prestige and locational characteristics that complemented the company's ethos were the overriding triggers in deciding on the final nodal destination.

Keywords: Nodes, Locational characteristics, Relocation, Blue chip, Triggers.

1 INTRODUCTION

Johannesburg is the largest city in South Africa located in the province of Gauteng. It was established as a small village controlled by a Health Committee in 1886 with the discovery of an outcrop of a gold reef on the farm Langlaagte. Today, it is a center for learning and entertainment for all of Africa. Johannesburg is probably the only metropolis in the world whose location was not dictated by the presence of navigable water. From when it was founded in 1886 to service the needs of the mines on the Witwatersrand, within fourteen years it had become the largest city in southern Africa as well as the country's foremost center for industry, commerce and finance. Indeed, its growth was so phenomenal that it rapidly transformed from a tented camp in 1886, to a settlement of shimmering but impermanent corrugated iron structures, to a fully-fledged town of permanent brick-and-mortar multi-story buildings in 1890. The population of the city grew rapidly, becoming a municipality in 1897. In 1928, it became a city making Johannesburg the largest city in South Africa. In 2002, it joined ten other municipalities to form the City of Johannesburg Metropolitan Municipality (SAHistory 2011).

Within ten years of the discovery of gold in Johannesburg, 100,000 people flocked to this part of the Zuid-Afrikaansche Republic in search of riches. Colonials, escaping the boredom of small-town life, joined Indians trekking from the sugar cane fields of Natal. Cape Coloureds and Chinese shopkeepers mixed with Africans, eager to experience the fast pace of urban life. Artisans and miners from the gold and silver fields of the Americas and Australia, from coal and tin mines of Europe, joined the wagon loads of men who had learnt their craft in the pits of Kimberley. Jews in search of freedom and employment, headed south to Africa from Eastern Europe and Russia. Mine managers and businessmen, solicitors and engineers, men with skills, education and contacts, confident of their expertise and frequently arrogant in their manner, took up positions in the burgeoning city of Johannesburg and in the new mines along the reef (SAHistory 2011). By 1951, the economic base of the Witwatersrand had shifted dramatically from mining as secondary and tertiary services started to boom (Beavon 2001). The current central business district (CBD) has been the center of town from the start, careful planning led to it to be chosen as the best location for residential and commercial development, especially during the economically prosperous 1960s and 1970s. The Johannesburg CBD is the densest collection of skyscrapers in Africa, however due to white-owned business flight and urban blight; many of the buildings are unoccupied as tenants have left for more secure locations in the Northern Suburbs, in particular Sandton and Rosebank. The study will try to focus on the processes and attractions for the companies that moved out of Johannesburg CBD.

2 BACKGROUND

The composite nature of real estate can be best described as consisting of three concepts: legal, physical and financial concepts (Appraisal Istitute 2008). These concepts influence the way real estate investments are viewed and perceived and they also influence the manner in which investors behave towards real estate issues. These concepts are identified even when grouping people into three groupings according to the way they make decisions; the academics make decisions based on facts and figures while the emotives are subjective as they approach issues on a belief based approach (Gallimore *et al.* 2000). "Emotions," wrote Aristotle (384–322 B.C.) "Are all those feelings that so change men as to affect their judgements, and that are also attended by pain or pleasure. Such are anger, pity, fear and the like, with their opposites." (Encyclopedia Britannica 2015). The third characteristic could be said to be that found in people who tend to mix the intuitional with the factual and otherwise. To the extent that the above facets come into play in people's daily life, their behaviors and the decisions they make will be affected by these philosophical inclinations.

In their study, Roberts and Henneberry (2007) argue that there is an inadequate amount of knowledge on the investment decision-making processes. The authors further assert that this process is mainly concerned with the rules and techniques instead of presenting the reality of the investors' behavior in the market. According to Hennebury and Roberts (2008) "the interplay between the behavior of property investors and the geography of property investment has received relatively little academic attention". They further assert that there is biasness when it comes to real estate investment decision-making and no research has explored this issue. Apparently, there is a dearth of documentation and analyses of actual decision-making processes in property. However, Gallimore *et al*. (2000) study postulate that the behavioral theory suggests that the decision-making process is subject to biasness and is not fully rational. Balsic (2013) suggests that the decision-making process constantly changes with the shifts in the global market, hence results from studies today will differ from studies that were conducted years ago. Yeh *et al.* (2010) claim that understanding people's behavior in a decision-making process will enhance

the decision-making process. It is the purpose of this study to explore the decision-making process and contribute to the body of knowledge to enhance the quality of the investment behaviors.

3 METHODOLOGY

The research was mostly descriptive research. According to Leedy and Ormrod (2005) the term descriptive research involves identifying the distinctiveness of an observable fact or delving into possible parallels in the midst of two or more phenomena. Glass and Hopkins (1984) state that descriptive research does not fit neatly into the definition of either quantitative or qualitative research methodologies but instead it can utilize elements of both, often within the same study. The research comprised of a convenience sample of 20 respondents comprising blue chip executives who are in charge of investment decisions and the relocation moves from the Johannesburg CBD. Snow balling was used to identify potential respondents in companies who were then used to refer researchers on to the relevant contacts (Atkinson and Flint 2001). Atkinson and Flint (2001) further state that although the use of snow balling violates the principles of sampling it provides a means of accessing vulnerable and more impenetrable social groupings. In this case, it was the only way of knowing exactly who was intimately involved in the decision-making to move away from Johannesburg CBD by contacting any executive in the company who would then direct the researchers to people with intimate knowledge on this matter. For those who were available for interviews open-ended questions were used to give a full understanding of the respondents' impression or experience, also allowing for a degree of flexibility and probing of new issues that may unveil new insights (Knight and Ruddock 2008). For those who could not be interviewed questionnaires were sent to them and these were analyzed using the SPSS software. The Thematic Analysis method was used to identify, analyze and report on patterns (themes) within data from interviews (Braun and Clarke 2006).

4 FINDINGS DISCUSSIONS

Although the migration from city centers has been a global trend Johannesburg experienced it comparatively late, the major difference is that in this city great strides have been made by the authorities in recent years to woo the investors back. The main reason with Johannesburg is that the value of their properties was depreciating due to crime, grime and escalating urban blight. Once the move was made the trend never stopped. The companies moved to the nodes shown in Figure 1 below. However how they came to their decisions can be surmised from the responses given by the interviewees.

4.1 Financial Considerations

Although there were other considerations factored into the decision-making, financial considerations were overriding components of the decision-making process. Because of the cost of the rentals and buying land, Sandton which is now the richest square mile in Africa could be afforded by only a few established multinationals and they are the ones who relocated to this prime area. The others had to look elsewhere and still they maintain that they were still circumspect.

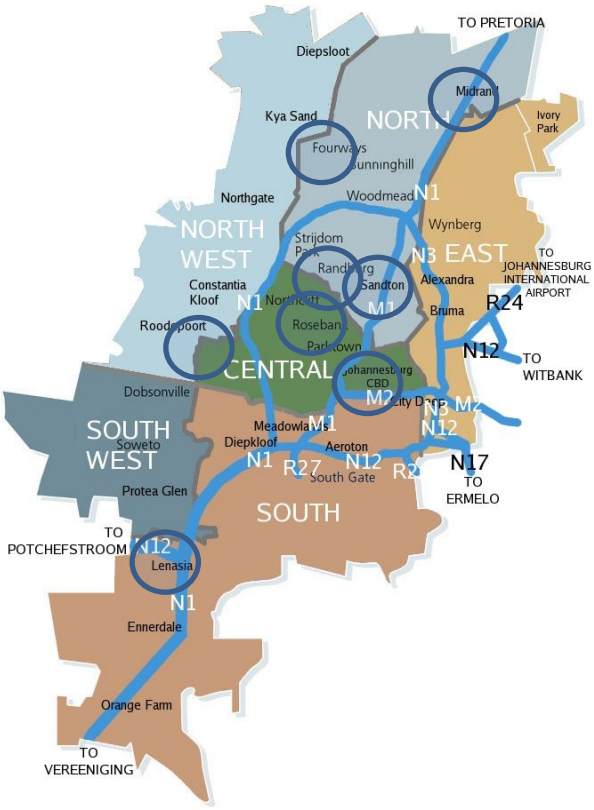

Figure 1. Johannesburg economic nodes.

4.2 Good Neighbors

It is a fact in property studies that bad neighbors devalue one's property value and neighbors in the new locations were some of the major attractors when considering relocation destinations. Areas such as Randburg were avoided as it is generally considered to be an area in transition and is currently resembling the CBD with the high migrant population and a lot of informal trading on the sidewalks.

4.3 Accessibility and General Amenities

Places which are highly accessible and serviced with modern amenities were always preferable. The completion of the Johannesburg Metro known as the Gautrain which has stations near Midrand and in Rosebank made these two areas also very desirable. People who established offices in Midrand could buy a virgin site, while relocating to Rosebank mostly meant buying property, demolishing it and replacing it with a new facility or altering it before moving in. Rosebank was also desirable because it is not far from the CBD and was as such still considered to be centrally located.

4.4 Decision-Making Process

The process of coming to the final decision itself appears to have been a mixture of academic (economic and practical) and emotional considerations. People worked mostly by feel in

deciding which area they perceive would represent their ethos and image better without any systematic way of articulating what that image is supposed to be. The meetings were generally not structured robustly in prescribing who was supposed to be included in those meetings and what skills they were expected to bring on board.

Figure 2 below summarizes the responses and it shows that although the approaches were different from company to company most companies however appear to be considering accessibility and general amenities as the biggest attractors. The financial consideration was the next issue under consideration and the type of neighbors would then be considered when this two had been given enough consideration. The decisions themselves were a mixture of academic and emotional and there was a lot of feel factored into the decision as to what could possibly work for the company. Few companies purely approached their decisions without any consideration to emotional inclinations.

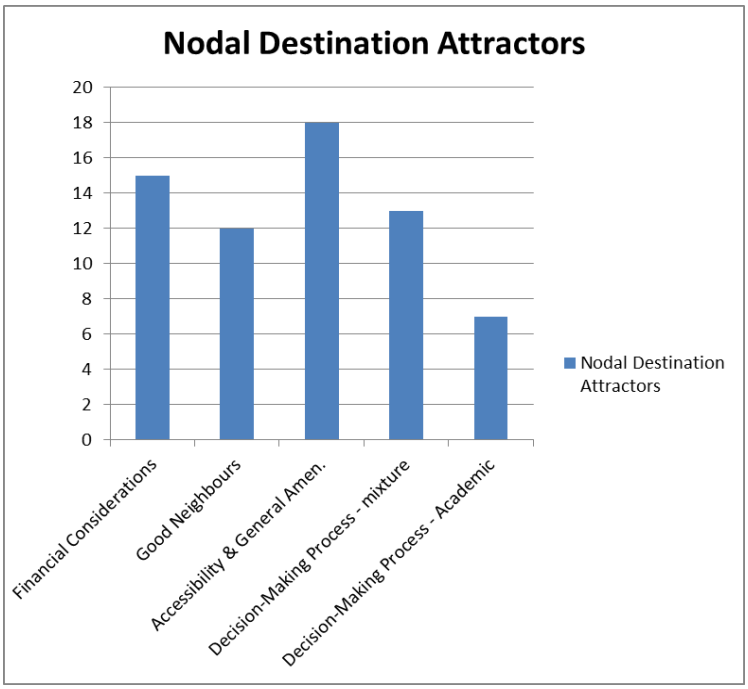

Figure 2. Nodal destinations attractors.

5 CONCLUSION

The flight of most blue chip companies from the Johannesburg CBD is a trend that never stopped once it started. The companies that left the CBD fanned out to other new economic nodes in and around Johannesburg. The traditional consideration of cost, environment and accessibility appear to have been high on the minds of the decision makers in identifying the final nodal destinations. The actual process of coming to the final decisions themselves appears to have not followed any scientific structure in actually articulating how a node would add value and perhaps accentuate the image of the company in question. This matter will demand further enquiry in future studies in order to make a robust conclusion regarding the issue of decision-making process.

It is suggested that the characteristic of the node should be first analyzed and articulated. The image of the Company should then be compared with the characteristic of the node to assess if

there is a proper fit. It is proposed for further study that affordability, accessibility, and convenience alone might not be necessarily by themselves be enough to add value. Further research should be done to find other attributes of the nodes to assist in the properly structuring the decision-making process.

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