

## 5.4 Location

# The big picture

Location refers to the geographical position of a business; in other words, to where the business is positioned or sited. Determining the location is one of the most important decisions that a business makes.

Suppose an entrepreneur sets up a bakery in an area where no one lives or works. The bakery would have no access to customers. Or imagine a business builds a factory in an area where there are no workers available; the business would have no access to human resources. Neither of these locations would work for the businesses because they lack connections to markets and resources, both of which a business needs to produce and sell its product.



**Figure 1.** A bad location may mean that a business cannot access customers or resources.

Credit: lupengyu, Getty Images

Like all business decisions, a good location choice will depend on both internal and external factors and how they interact. For example, the cost of resources such as renting a physical building or paying workers in a particular area will be determined by external economic factors. But this will have a major impact on a business's finances, operations and human resources management.

The dynamic nature of the external environment means that a good location today may not be a good location tomorrow. A business needs to evaluate its location continuously in order to ensure that it is well positioned to meet its customers' needs and that it can access the financial, human and physical resources it requires to make its products.

In this subtopic, you will learn about some of the factors that affect the selection of a business location. You will also learn about ways that a business can access different locations without moving its core operations.