

How will the Collins Aerospace HQ be chosen?

Six site selectors explain how companies make headquarters decisions



The Rockwell Collins headquarters in Cedar Rapids is shown on Tuesday, Sept. 5, 2017. (Liz Martin/The Gazette)



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As United Technologies Corp. seeks to finish its acquisition of Rockwell Collins this year, Cedar Rapids is left unsure about whether it will remain the home base for the Collins name.

The acquisition, if completed, means Cedar Rapids-based Rockwell will combine with Charlotte, N.C.-based UTC Aerospace Systems, a division of the larger company. Rockwell and UTC Aerospace will together form Collins Aerospace Systems, a subset of

UTC with 70,000 employees.

Where future Collins Aerospace executives, including Rockwell Chief Executive Officer Kelly Ortberg, will be based has yet to be announced. Possibilities include Cedar Rapids, Charlotte or some other city.

“When they’re deciding where to put the headquarters of a merged company or merged very large units of companies, you basically have three choices — expand in unit A’s location, expand in unit B’s location or pick a new location C,” said Mark M. Sweeney, senior principal with site-selection service McCallum Sweeney Consulting in Greenville, S.C.

A half-dozen site selection experts interviewed by The Gazette said the decision will be driven by a number of factors. Access to customers and future talent recruitment top the list, they said.

“That is key, key, key for headquarters, that whole issue of talent,” said Bob Hess, vice chairman of global corporate services at Newmark Knight Frank in Chicago and a board member of the Site Selectors Guild.

Everything from access to air service, a state’s business climate, incentives, the preferences of executives and existing real estate also will be considered.

UTC has not publicly provided information about how it may make the Collins Aerospace headquarters decision. When asked what aspects it would consider, whether UTC will seek incentives or how many employees would

work at the division headquarters, UTC spokeswoman Maureen Fitzgerald would only say there are no new details.

A decision on the Collins Aerospace headquarters [is expected by the end of March](#).

The interviewed site selectors are not involved with the discussions and only could speculate on possibilities. Until a decision is made, they did say no city is out of the running.

“Until they make that announcement, you’re not really going to know,” said Patric Zimmer, president of Development Advisors in Charlotte, N.C.

They were also able to shed light on how UTC may make its decision. Here’s what they said:

TALENT RECRUITMENT

At first glance, Charlotte appears to have a leg up on Cedar Rapids. The Queen City is bigger, can offer a wider talent pool, boasts an international airport and already is home to a number of other corporate headquarters, such as Bank of America.

“On the surface, if you look at what drives headquarters decision, Charlotte certainly is a headquarters town,” Newmark Knight Frank’s Hess said.

Jim Renzas, principal with the RSH Group in California, said companies prefer larger metropolitan areas because it can be easier to attract talent.

“They feel like (in) a large metro area, they’re more likely to find specialized job skills in those markets. Then if they can’t find them, they have more success in recruiting them,” Renzas said.

Executive offices also need to recruit from various fields for the long-term, Sweeney said.

“That’s not just on the aerospace technology side. This is a headquarters operation so you need some of that, but you also need people with major (Securities and Exchange Commission)-level company management experience in legal, in accounting, in finance, in HR, (the) overall management team,” he said.

AIR SERVICE

Every site selector pointed to air service as a critical component for corporate headquarters. Executives need access to customers, suppliers and the company's other locations, so a large airport with direct flights is vital.

"If you look at the common denominators of successful stories in head offices, it's the same group: it's Dallas because of the airport, it's Chicago because of the airport, it's Atlanta because of the airport ...," said John Boyd, principal at the Boyd Co. in Princeton, N.J.

Charlotte Douglas International Airport boasted 44.4 million total passengers in 2016 and 165 nonstop destinations. It's also an American Airlines hub.

By comparison, Eastern Iowa Airport had under 1.1 million total passengers and 12 nonstop destinations, including Charlotte.

But while the airport's size gives an advantage to Charlotte, Sweeney reiterated that headquarters decisions aren't that simple.

"If it was that easy people would be moving headquarters left and right," he said.

WHAT ABOUT INCENTIVES?

As of early December, city staff said neither Rockwell Collins nor UTC has submitted a request for incentives for the headquarters decision.

Almost every site selector, however, said they expect incentives would be a part of the process.

"Our clients today want it all. Incentives now are the norm rather than the exception," Boyd said.

But Dennis Donovan, principal at WDG Consulting in Princeton, N.J., said incentives likely won't be the driving factor in the headquarters decision as access to talent and other business reasons are more important.

"Incentives will be icing on the cake once a decision is made for business reasons," he said.

If UTC decides to move executives, incentives could be tied to those relocation costs, which can vary between \$50,000 and \$150,000 per person for top executives, Renzas and Sweeney said.

“I would think that if the states have not gotten a request for incentives yet, they’ll get one very shortly,” Sweeney said.

A MIXED RESULT

It’s possible for there to be a mixed result for Iowa and North Carolina, with a C-suite based in one, but jobs transferred to the other.

“Sometimes the bulk of headquarters operations can remain in the location that has the critical mass, but if other factors become important, such as air access and things like that, sometimes a company will move its C-suite,” Donovan said.

Sweeney said both cities may be able to brag about the decision as a “win-win.”

“All of these things are elements, they’ll have different weights, they could have different implications and the final look could include some type of jobs going in both directions,” Sweeney said.

‘THE UNDERDOG’

Rockwell’s large presence in Cedar Rapids, Ortberg being the new division’s CEO and the inclusion of the Collins name may put some points on the board for Cedar Rapids, site selectors said, but they don’t offer guarantees.

“You are the underdog in this, even though you have the precedent,” Boyd said.

Rockwell’s history in the city also isn’t a guarantee. Just ask Omaha about ConAgra. he said.

“ConAgra since the Civil War was probably in Omaha, but they went to Chicago for HR reasons, for the airport (and) a big, huge incentive the state of Illinois put together,” he said.

If Corridor leaders market Cedar Rapids together with Iowa City, it could help the area as it would appear as a larger market with more business, more people and access to a state university, said Hess of Newmark Knight Frank.

“If you go back in front of leadership, you better have all those areas working together, not just one or the other,” he added. “Otherwise I think you’re dead in the water.”

OTHER POSSIBILITIES

It’s possible UTC could pick a third, neutral-ground location that would move the C-suite of Collins Aerospace away from Charlotte or Cedar Rapids.

Likely candidates, Boyd said, could be southern Florida and Texas. Both have concentrations of aerospace companies, access to major airports and a favorable business climate.

A number of companies also have moved their headquarters to the Chicago area in recent years, including McDonald’s, Caterpillar, spirits company Beam Suntory and ConAgra.

“The town fathers in Cedar Rapids need to know that they really have to work to keep this project there — because it can happen, it can leave,” Boyd said.

Companies tend to move their headquarters to neutral ground after an acquisition if they need to meld corporate cultures.

“If introducing substantial change in the organization is not a top priority, then usually a company will pick one of the existing locations,” Donovan said.

Sweeney and Hess said they think a third location is unlikely. There are few signs, Sweeney said, UTC is looking to restart Collins’s, or its reputation, with the acquisition.

“There needs to be a really strong reason to do it and there may be, but I’m not picking up any signals that that would be the case,” Sweeney said.

UTC has a mixed history of moving the home of acquired companies. After it bought Carrier Corp. in 1979, it relocated the air-conditioning maker’s homebase from Syracuse, N.Y., to Farmington, Conn., where UTC is based.

It did the same when it acquired Sundstrand Corp. in 1999, moving the headquarters of the technology-components maker from Illinois to Connecticut.

When UTC bought Charlotte-based Goodrich Corp. in 2012, it merged Goodrich with its Hamilton Sundstrand division to form UTC Aerospace Systems. It kept the division's headquarters in Charlotte, however.

'AMONG THE MOST COVETED PRIZES'

Cedar Rapids leaders and company executives have said it's possible Iowa will see more jobs from the acquisition, even if the city is not the home base for Collins Aerospace.

Regardless, the interviewed site selectors said it matters where that division headquarters lands.

"It's a big deal. It's among the most coveted prizes a community can win," Donovan said.

As the home base for executives, those offices see some of the most corporate activity and can attract new talent. In addition, executives are more likely to be involved in communities where they are based, Donovan said.

Having a corporate headquarters also gives cities something to boast about.

"It's a brag from a corporate standpoint to have a headquarters here," Sweeney said.

Development Advisors's Zimmer noted cities still can benefit from company locations even if they are not the top offices.

"It's not as if just because you don't have a headquarters, the community still can't thrive," he said.

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