

Omaha World-Herald

With or without ConAgra, Omaha's Fortune 500 club shows that 'we can support big companies'



KENT SIEVERS/THE WORLD-HERALD

Chef Boyardee is smiling now, and Omaha is happy to have him and the corporation that owns his brand. But ConAgra CEO Sean Connolly is cooking up a survival plan, to be revealed Friday, and the chef could lose his place on the edge of the Old Market.

September 29, 2015 By Steve Jordon and Russell Hubbard / World-Herald staff writers

ConAgra Foods is a member of an exclusive club that brings fame and, yes, fortune to Omaha.

It's the Fortune 500, the business magazine list of the 500 American companies that bring in the most cash each year.

Now ConAgra, No. 173 on the 2015 list, is talking about a reorganization that could move its head office away from Omaha, leaving the city with four: Berkshire Hathaway Inc., Union Pacific Corp., Peter Kiewit Sons' Inc. and Mutual of Omaha.

For cities, Fortune 500 companies are precious commodities, said Tony Hendrickson, dean of the Heider College of Business at Creighton University.

“Because Fortune 500 firms are large, visible and of a limited number, they become key targets for communities to acquire and maintain,” Hendrickson said.

Scott DeCarlo, list editor for Fortune magazine, said making the Fortune 500 list is a big deal not only for a company but also for its home city and state.

“It’s sort of like a prestige thing,” he said. “It’s an emblem they can wear on their chest. Omaha’s smaller in comparison, but these big companies can operate there.”

A World-Herald analysis in 2013 showed that Omaha had the most Fortune 500 companies, per capita, of any major metro area in the country.

Omaha’s five Fortune 500 companies give Nebraska more than other states with similar populations: Idaho has three. Hawaii has one. West Virginia and Maine have none.

New York has the most — 55 — followed by Texas with 54, California with 53, Illinois with 34 and Ohio with 23.

Omaha business recruiters feature the city’s five Fortune 500 companies prominently.

“Would we like to have more? Sure,” said David Brown, president and chief executive of the Greater Omaha Chamber of Commerce. “But corporate headquarters don’t move very often. It’s an expensive proposition to move a corporate headquarters,” both in the cost and the disruptions that occur when people have to change jobs and uproot their families.

Brown said he didn’t know what ConAgra would do. ConAgra CEO Sean Connolly said Friday that he would announce this week possible job cuts and any changes to where offices are located. He has indicated that everything is on the table during a top-to-bottom review of the company, including the designation of Omaha as the headquarters.

Omaha last gained a Fortune 500 headquarters in 1999, when Union Pacific moved its corporate offices to the city after 30 years in New York City; Bethlehem, Pennsylvania; and Dallas. The railroad itself has been based in Omaha since the late 1800s, but its parent company had hopped around.

“You really want to grow your own, which is what Omaha has done really well over the years,” Brown said. All of Omaha’s Fortune 500 companies have grown up in the city, starting as much smaller operations.

Bubbling underneath the five Fortune 500 companies in Nebraska are five Omaha members of the Fortune 1000, the next tier of companies, as ranked by gross revenue.

They are ethanol producer Green Plains Inc., online brokerage TD Ameritrade, equipment manufacturer Valmont Industries, communications company West Corp. and trucking company Werner Enterprises.

To make the 2015 Fortune 500, it took about \$5.2 billion of revenue, meaning that Omaha’s sixth-biggest company in the ranking, Green Plains, would have to increase sales by almost two-thirds to be counted among the 500 largest companies.

The success of the large businesses reflects Omaha’s ability to provide opportunities to grow and supply the people who make businesses advance, Brown said.

Hendrickson, the Creighton business dean, said Fortune 500 headquarters have an impact beyond local jobs. They house the head honchos who make the final decisions and are magnets for those who make pilgrimages to influence them, he said.

“Key decision-makers for suppliers and major customers also tend to travel to headquarters locales to engage those headquarters personnel,” Hendrickson said. “A headquarters can become a magnet for attracting other key business leaders who have an opportunity to see your city firsthand.”

There is also the matter of community involvement.

“Those executives often serve on community boards and foundations, like the chamber of commerce and United Way,” Hendrickson said. “Charitable giving is often spearheaded in the host community. They tend to enrich the fabric of the host community.”

Louis Pol, dean of the College of Business Administration at the University of Nebraska at Omaha, said the city’s Fortune 500 companies help attract and keep faculty and students in business and other disciplines, such as information technology.

“ConAgra’s very important to us,” Pol said. The company hires UNO graduates, has an active internship program and uses students and faculty to work on projects for the company.

“It helps us to be able to say that we have five, not four, and that ConAgra is one of them,” Pol said.

If ConAgra moves, he said, people have to realize that within organizations there is “constant change. ... That’s the nature of business.”

John Boyd Jr., principal with the corporate site selection firm Boyd Cos. Inc. of Princeton, New Jersey, said having several Fortune 500 companies in Omaha suggests a highly developed business infrastructure to support head offices.

Site selection experts would tell their clients that a ConAgra departure doesn’t mean Omaha itself has changed, said Boyd, whose clients have included Hewlett-Packard, Dell, JPMorgan Chase and Time Inc.

“It doesn’t necessarily create a black eye for Omaha,” he said. “It’s specific to the dynamics of what’s going on with ConAgra.”

But companies often look for new locations by themselves, without the help of a site-selection firm, and may not get an explanation of why another company’s headquarters moves, he said. “A headline that Omaha loses the head office of ConAgra, that is a negative brand impact for companies that don’t look beyond that.”

Omaha wouldn’t be the first city, or the last, to lose a Fortune 500 headquarters.

New Jersey recently lost Mercedes’ U.S. headquarters to Atlanta and Hertz’s headquarters to Fort Myers, Florida. Rubbermaid moved from northern Illinois to Atlanta, and Cadillac moved from Detroit to New York City. Boeing’s 2001 move from Seattle to Chicago triggered a wave of such moves, he said.

“Corporate headquarters are more mobile now than ever before,” Boyd said. “Given the intense global competition, our clients are placing everything on the table, including the head office. Omaha is not facing a local trend. It’s part of a national trend of headquarters mobility.”

Chicago, which has been mentioned as a destination for ConAgra, has gained companies because of its airline service, a factor that also has drawn companies to Atlanta and Dallas, he said.

Chicago also is three hours or less from any domestic location, which means a person can travel to a city for business and return the same day. Omaha’s nonstop service is more limited and, in some cases, seasonal, meaning that it can take two flights — and at least two days — to carry out most business trips. (That is, for employees who aren’t taking a corporate jet.)

Boyd said Omahans may think that the four other Fortune 500 companies are secure in the city.

But Union Pacific’s headquarters was in New York City for decades and, in the late 1980s and early 1990s, in Pennsylvania, close to then-CEO Drew Lewis’ home.

Companies that aren't publicly traded, like Omaha's Peter Kiewit Sons' Inc., are less likely to move than publicly traded businesses, Boyd said. And Mutual of Omaha's brand is tied tightly to its hometown.

Berkshire Hathaway Inc. is in Omaha because CEO Warren Buffett, 85, resides here. His board members have been charged with preserving the company's "culture" after he no longer heads the company. Berkshire board members have said the Omaha headquarters is a vital part of that culture.

But Boyd warned: "Never say never. Seattle will attest to that. You may think they're attached at the hip, but you can't assume that in this global economy. The bottom line rules." Boeing had been based in Seattle until decamping for Chicago in 2011.

Brown, the Omaha chamber executive, said business recruiters don't consider Fortune 500 departures as negative reflections on the losing cities because the decisions are based on business factors, such as cutting costs or moving closer to markets, not local city factors.

"We can support big companies," Brown said, and attract people who want careers in business with good opportunities.

If ConAgra leaves, Brown said, "we would tout the fact that we've got four Fortune 500 companies. Even that's a high number for the community's size, and we're proud of the ones we've got.

"But we're still the proud home of five Fortune 500 companies right now."

Omaha's Fortune 500 companies

Berkshire Hathaway

No. 4 on the Fortune 500

What it does: Warren Buffett's mega conglomerate that owns Geico, BNSF Railway and The World-Herald

How long in Omaha: Started as investment pool in mid-1950s

Revenue: \$195 billion

Same Fortune 500 rank as 2014

Union Pacific

No. 123

What it does: U.S.'s largest rail network, serving 23 Western states

How long in Omaha: First track laid out of Omaha in 1865

Revenue: \$24 billion

Up from No. 135 in 2014

ConAgra Foods

No. 173

What it does: Packaged food giant that makes Peter Pan peanut butter, Pam spray and other staples

How long in Omaha: Since 1922

Revenue: \$17.8 billion

Up from No. 184 in 2014

Peter Kiewit Sons' Inc.

No. 286

What it does: Construction, engineering and mining; one of world's largest employee-owned companies

How long in Omaha: Since 1884

Revenue: \$10.4 billion

Down from No. 236 in 2014

Mutual of Omaha

No. 391

What it does: Insurance and financial services company known for "Wild Kingdom" TV show

How long in Omaha: Since 1909

Revenue: \$6.9 billion

Up from No. 392 in 2014

Fortune 500 across the U.S.

States with the highest number:

New York: 55

J.P. Morgan, Citigroup, Goldman Sachs

Texas: 54

Marathon Oil, Halliburton, Kinder Morgan

California: 53

Apple, Google, Qualcomm

Illinois: 34

Archer Daniels Midland, US Foods, Mondelez International

Ohio: 23

Procter & Gamble, AK Steel, Sherwin-Williams

Source: Fortune

Nebraska's Five

Nebraska has more Fortune 500 firms than Iowa or other states with similar populations

Nebraska

Population: 1.8 million

Fortune 500 companies: 5*

Iowa

Population: 3.1 million

Fortune 500 companies: 2

West Virginia

Population: 1.8 million

Fortune 500 companies: 0

Idaho

Population: 1.5 million

Fortune 500 companies: 3

Hawaii

Population: 1.4 million

Fortune 500 companies: 2

Maine

Population: 1.3 million

Fortune 500 companies: 0

*includes ConAgra

Source: Fortune

Omaha companies in the Fortune 1000

Green Plains Inc.

Commodity processors, No. 712

TD Ameritrade

Online brokerage, No. 727

Valmont Industries

Infrastructure and irrigation manufacturing, No. 729