



Why Honeywell picked Atlanta

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Multinational conglomerate **Honeywell International** has put Atlanta at the core of its transition from a hardware to a software business with its decision to pick the city for its first North American software development center.

Morris Plains, N.J.-based Honeywell (NYSE: HON) announced Sept. 12 it will invest \$20 million in the first-of-its-kind software development center and relocate the headquarters of its nearly \$10 billion Home and Building Technologies division from suburban Minneapolis. The expansion will create more than 800 jobs. Georgia competed for the project, codenamed Blizzard, with several states including California, North Carolina and Texas.

“We need a location with great infrastructure, great talent and an ecosystem around software and technology growth,” Home and Building Technologies’ CEO **Terrence Hahn** told Atlanta Business Chronicle Sept. 12.

Honeywell joins a wave of Fortune 500 companies bringing technology centers to Atlanta to tap into the rich vein of talent and research that is **Georgia Tech**.

GE Digital picked Midtown for its North American IT headquarters — a project that could bring more than 400 jobs. **General Motors** planted a technology development center in Roswell, Ga that employs more than 1,000. This summer, **Keysight Technologies** announced a 250-job software development center at Tech Square. Others such as **NCR Corp.**, **Southern Co.** and **The Home Depot Inc.** have opened innovation centers.

“This determined plan that we have to create a genuine stickiness in our technology core is working,” Atlanta Mayor **Kasim Reed** said. “We have a steady-at-it approach and it’s bearing fruit.”

The influx of large-scale tech centers is turning Atlanta into the Bangalore of U.S. technology. Abundant skilled talent, favorable taxes and low living costs have made metro Atlanta a magnet for IT hubs, similar to the Indian city of Bangalore that reinvented itself into an Asian R&D tiger on the shoulders of American offshoring.

Atlanta is suited for IT operations that are cost-sensitive and don’t require the elite research talent typically found in Silicon Valley or Boston, said **John Boyd Jr.**, a Princeton, N.J.-based corporate site consultant. “Atlanta is regarded as a premier labor market for IT skill sets,” Boyd said.

Atlanta has become a magnet for software talent in the last few years, “especially the next-generation software talent,” said **Krishna Mikkilineni**, a Honeywell senior vice president. “As some of the other markets really become overheated, we will probably in Atlanta continue to get a lot more people.”

Atlanta’s infrastructure, talent and industry ecosystem is making it irresistible to companies bulking up their technology operations. Honeywell picked Atlanta “because we thought the diversity, the technological innovations and the ecosystem...(makes it) clearly the place for us to grow,” Mikkilineni said.

Opening massive IT centers in Silicon Valley is not optimal because a tight labor market has driven up employee-cost and churn in those markets.

“A lot of these traditionally old-school companies are coming to Atlanta because the labor market is less cutthroat,” said **Mario Montag**, CEO of **Predikto**, an Atlanta-based software firm that allows manufacturers to predict product failures.

Atlanta is in a sweet spot as it relates to the manufacturing sector’s large and growing presence in the Southeast. “Manufacturing — led by companies like NCR and GE — are incorporating more and more software into their processes,” Boyd said. “So, from a regional manufacturing standpoint, Atlanta making its mark in the IT sector makes perfect sense.”

A legion of industrial conglomerates who produced aircraft engines, thermostats, ATMs and industrial controls are embracing software as these devices get plugged into the Internet.

Like GE and NCR, Honeywell has hitched its growth-wagon to the Internet of Things — an emerging technology transforming locks, light bulbs and refrigerators into “smart devices” that are able to transmit data to mobile devices and amongst themselves, improving productivity, convenience, security and cost savings.

Honeywell has traditionally been the expert in the “things,” Hahn said. “We have, over the last series of years, been expanding our software capabilities,” he said.

Honeywell is a software business, Hahn insisted, noting half the company’s engineers are in software. “So now, for us it’s...how do we further strengthen our software skills, capabilities?” Hahn said.

Industrial conglomerates traditionally focused on cutting costs and shipped IT and technical work overseas. While that model saved money, it didn’t result in innovation, Montag said.

Corporate America must now compete on innovation, as much as on cost.

Having a good turbine is not good enough; it needs to be a “smart” turbine that can turn data into insights that improve its productivity and efficiency, while reducing downtime. Analyzing the data so that it is actionable is driving the shift to greater innovation on in software.

The Atlanta software development center will be a growth-driver for the 110-year-old Honeywell.

Honeywell will “create next-generation software offerings that will be sitting at the center of our connected products,” Mikkilineni said. “The investments we make in this place, in terms of the capabilities, the facilities and the challenge, will be the first of its kind in the United States.”

The Home and Building Technologies (HBT) division, which accounts for about a quarter of Honeywell’s nearly \$40 billion revenue, was recently spun off from a realignment of the company’s Automation and Controls Solution business. For 2015, HBT would have had estimated revenues of \$9.4 billion, Honeywell noted.

Hiring for the software development center will begin immediately. Honeywell will initially take temporary space, with plans to open a permanent office by year-end.

Honeywell scouted Midtown and Buckhead for up to 100,000 square feet of office space, real estate sources said. As of Sept. 14, the company had narrowed site selection to two Midtown buildings — the iconic Bank of America Plaza, and 715 Peachtree, a 1970s-era office building reinvented for 21st-century tenants. An announcement could come as early as Sept. 16.

The 55-story Bank of America building is designated as an Opportunity Zone, making tenants eligible for a maximum tax credit of \$3,500 per new job brought to Georgia, per year for five years. Based on the projected workforce, that location could net Honeywell about \$10 million in tax benefits.

The 318,000-square-foot 715 Peachtree is the dark horse and likely to land the deal, Atlanta Business Chronicle has learned. The former J.C. Penney Co. regional headquarters located near the Fox Theater is being renovated and marketed to the tech racehorses galloping into millennial-rich Midtown.

Even as Honeywell expands in the city of Atlanta, the company is said to be considering an expansion of its Process Solutions and Industrial Cyber Security operation in Duluth. Honeywell employs about 1,000 across 11 offices in Georgia.