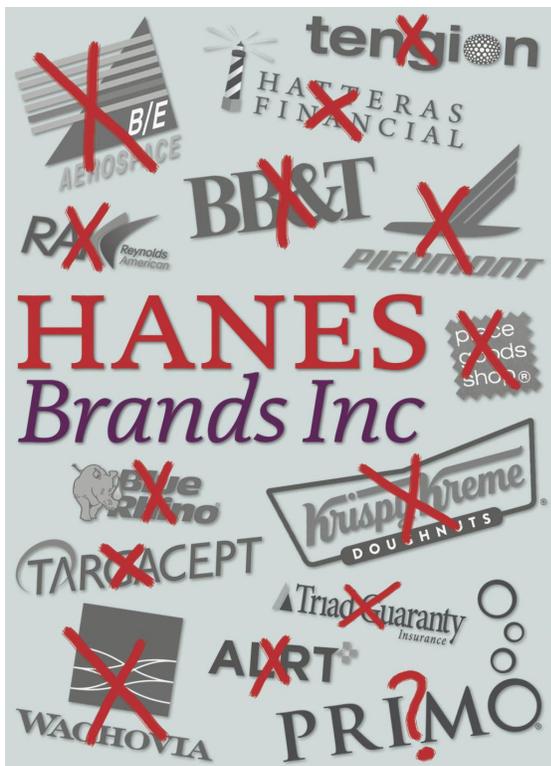


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Soon down to one: Corporate headquarter departures rock Winston-Salem



By Richard Craver Winston-Salem Journal - January 18, 2020

Winston-Salem has experienced the loss of numerous corporate headquarters in the past two decades. Hanesbrands Inc. will be the only publicly-traded company based here if the proposed sale of Primo Water Corp. is completed.

Winston-Salem, home to as many as 10 publicly traded corporate headquarters in the latter part of the 2000s, is preparing to be down to just one by the spring.

Monday's announcement of the proposed \$775 million sale of Primo Water Corp. to a Canadian company — set to close in March pending regulatory and shareholder approval — would leave the city with only Hanesbrands Inc. based here.

Winston-Salem has experienced the loss of numerous corporate headquarters in the past two decades. Hanesbrands Inc. will be the only publicly-traded company remaining if the proposed sale of Primo Water Corp. is completed.

In the past 20 years, Winston-Salem has experienced the departure of at least 14 corporate headquarters for reasons that include:

- **Bought by a larger corporation:** Reynolds American Inc. (by British American Tobacco Plc); Krispy Kreme Doughnuts Inc. (by privately held JAB Holdings Inc.); Wachovia Corp. (First Union Corp.); Southern Community Financial Corp. (Capital Bank Financial Corp.); Blue Rhino Corp. (Ferrellgas LP); and Hatteras Financial Corp. (Annaly Capital Management Inc.);

B/E Aerospace Inc. (sold to Rockwell Collins Inc.) could arguably be included in the list, given that day-to-day corporate decisions were made here affecting its largest U.S. workforce, about 1,500 people. The company was based nominally in Wellington, Fla.

- **Went out of business or moved from Winston-Salem:** ALR Technologies; Frisby Technologies; Pilot Therapeutics; Targacept Inc.; Tengion Inc.; and Triad Guaranty Inc.
- **Moved because of corporate acquisition:** BB&T Corp. to Charlotte after spending \$30.4 billion to buy SunTrust Banks Inc. to form Truist Financial Corp.

The list does not include the ending of corporate anchors from the 20th century, such as Piedmont Aviation Inc., Piece Goods Shops and Southern National Corp., the latter of which brought BB&T to town in 1995.

Although in many instances thousands of employees remained in Winston-Salem, such as with BB&T, B/E, Reynolds and Wachovia, it's clear that having a subsidiary or a hub doesn't carry the same socioeconomic weight as having the corporation based here.

Or, in other words, to the buyer goes the headquarters spoils.

"Having fewer publicly traded companies, especially of the Fortune 500 variety, in an area brings several deleterious effects that are not always so readily apparent," said Zagros Madjd-Sadjadi, an economics professor at Winston-Salem State University.

"There will likely be less corporate involvement in lobbying efforts in Washington and Raleigh. We will likely see fewer carve-out positions on legislation that would normally help us as an area.

"There will likely be a decrease in charitable giving in the area," Madjd-Sadjadi said. "We will likely lose out on some corporate relocations due to a lack of proximity to similar corporate entities."

The silver lining, according to Madjd-Sadjadi, is local civic, economic and elected officials can "pay more attention to small- and medium-sized businesses."

"There could be more interest in broad-based local tax policies, rather than ones that carve out special provisions or incentives for favored large corporations."

Loss of jobs

With the loss of each headquarters, well-paying jobs transition to the acquiring company.

Case in point: the loss of 1,300 local jobs, along with significant community and charitable contributions, following First Union Corp.'s purchase of Wachovia Corp. in 2001. All but the wealth management and Carolinas units shifted to Charlotte.

The impact was the loss of 30% of Wachovia's local workforce. Wells Fargo & Co., which acquired a collapsing Wachovia in December 2008, has kept about 2,900 local jobs and about 3,600 in a 32-county region it calls Triad West.

Truist has pledged to keep its community banking/retail hub in Winston-Salem, but has not indicated what the local and Triad workforce will be.

BB&T had 2,134 employees in Forsyth County, according to a 2018 workforce report to Forsyth commissioners. It also had 1,700 employees at its Triad Corporate Center complex near Piedmont Triad International Airport in Greensboro.

Meanwhile, Truist is projected to move several hundred Winston-Salem corporate jobs to Charlotte, where it plans at least 2,000 employees at its new headquarters.

"Jobs at corporate, divisional and regional headquarters fit the bill for quality, high-paying in a major way," said Andrew Brod, a senior research fellow for the Center for Business and Economic Research at UNC Greensboro.

"They are also creative-class jobs. They attract other headquarters operations, as well as the creative activities that often surround headquarters: research, design, etc.

"So the fact that the Triad is relatively headquarters-poor is a real problem," Brod said. "The more our occupational mix is dominated by low-skill jobs, the harder it will be to break out of that situation and attract higher-quality jobs."

Legacy 2030 plan

Madjd-Sadjadi said the departure of BB&T's and Krispy Kreme's top corporate jobs to Charlotte, the sale of Reynolds and the pending sale of Primo should encourage local officials to revisit the Legacy 2030 growth plan last updated in 2018.

The primary update, conducted in 2012, recommends managing growth and development to reduce sprawl, creating a more compact and balanced urban development pattern and preserving open space and rural character.

This includes more concentrated development with the highest densities at city/town centers, already developed areas such as the Hanes Mall Boulevard area and in growth areas of the county.

The plan also recommended recruiting business/industry clusters based on Forsyth's strengths: advanced manufacturing, biomedical research/production, regenerative medicine, corporate/regional headquarters, design, financial services, insurance and investment companies, logistics/distribution, medical services and travel/tourism.

"The overall impact of this (corporate headquarters) realignment is decidedly mixed," Madjd-Sadjadi said. "Obviously, our current strategy is not working in this regard, which suggests a revision to either that (Legacy) goal or a revision to the plans to support that goal might be something to consider."

Hanesbrands Inc.

Although Winston-Salem is not likely to lose Hanesbrands in the foreseeable future, the city's hold on the company may not be guaranteed.

A Hanesbrands official suggested in September that the corporation's "ability to remain U.S.-headquartered" — and other companies' abilities as well — may depend on getting clarity and potential relief from the U.S. Treasury on a federal corporate-tax program.

The program primarily affects U.S. companies with significant international operations, particularly as the tax relates to intellectual property.

Hanesbrands has about 2,300 employees in Forsyth County, representing 28.8% of its 8,000 domestic workforce and 3.4% of its global workforce of 68,000, both as of Dec. 31, 2018.

Hanesbrands' concern was expressed in a letter submitted Sept. 3 by Bryant Purvis, its vice president of global tax, to Treasury Secretary Steven Mnuchin.

Although the Hanesbrands request was made more than four months ago, it surfaced publicly in a lengthy New York Times article in December. The article discusses how hundreds of corporations continue to lobby the Trump administration for additional tax cuts on top of those they received in the controversial December 2017 legislation that dropped the tax rate for most companies from 35% to 21%.

Congress approved new taxes, such as the one cited by Hanesbrands, that are designed to help offset the revenue loss. The Times reported that corporations began lobbying Treasury for "high-tax" exemptions shortly after that law went into effect.

Mayor's view

Winston-Salem Mayor Allen Joines said he views the pending sale of Primo "as a success story of a start-up company that was very successful and was purchased."

"It is my belief that Winston Salem's economic strategy will produce many other start-ups that are successful. My understanding is that (Primo) jobs will be minimally affected." Local civic, elected and economic officials say they recognized the corporate headquarters crossroads even before BB&T announced in February 2019 its plans to buy SunTrust.

It played a role in the Winston-Salem Chamber of Commerce and Winston-Salem Business Inc. agreeing to merge operations later in 2019. On Dec. 12, they announced their new name (Greater Winston-Salem Inc.) and leader (chamber president and chief executive Mark Owens).

For the past 30 years, the chamber has handled economic-development efforts for established businesses, while WSBI has been charged with business-recruitment efforts, such as those for Dell Inc., Caterpillar Inc. and Herbalife Nutrition Ltd.

Owens said the goal is for Greater Winston-Salem to begin operations by June 30, as well as unveil its logo by that time.

"We're incredibly confident in where we are going with the new group as a single point of access and having one unified voice selling Winston-Salem and Forsyth County's economic efforts," Owens said.

Jeff Lindsay, chairman of the chamber's board, said the Greater Winston-Salem brand "speaks in the language of innovative business and to the organization's broader mandate of marketing all that the area offers for companies big and small." Lindsay is chief operating officer of Novant Health Inc.

Owens said the merged group will focus on workforce development and talent recruitment, as well as collaborate with the Carolina Core group that markets economic developments efforts in the areas between Forsyth and Cumberland counties.

Owens echoed Joines' comments that the sale of Primo, and Blue Rhino before it, represents "companies (that) saw explosive growth and scale with the end goal each time being profitability."

"Selling a business for \$775 million is a success, and we hope to have many more startups attain that here in our community.

"Where a headquarters is located does not define success for our community," Owens said. "Having a business environment that fosters growth on this scale does."

'Largely psychological'

Tony Plath, a retired finance professor at UNC Charlotte, said a corporate headquarters will be harder to replace in the future.

But he stressed that would be the case for most urban areas these days.

"At one time in our history, public listing and trading signified greater size, industry stature and maturity for corporate America," Plath said.

"Upon reflection, however, I'm not sure that applies these days. The impact is largely psychological, rather than substantive."

Plath said industry consolidations have accelerated the trend that "fewer large companies are publicly held and traded today."

"The cost of a public listing, the regulatory disclosure requirements, and the availability of other ways to raise equity capital, all have diminished the value of public listing and trading over the past few years."

That said, Plath said large publicly held companies favor locating close to other large corporations, which has become a successful recruitment tool for Charlotte.

"The talent pool might be deeper in markets with more publicly held companies," Plath said.

Mobility at all-time high

John H. Boyd, a national site-selection expert based in New Jersey, said shrinking to just one corporate headquarters "is certainly not good news, nor a good narrative for the local economic development community."

"Corporate headquarters tend to cluster in markets having common denominators, such as major gateway airports, well-educated white-collar labor markets, and attractive executive lifestyle amenities" that have major spillover effects in terms of office support services, such as accountants, recruiting firms, ad agencies, travel services and high-end housing.

Boyd acknowledged, as Winston-Salem is finding out the hard way, that "corporate headquarters mobility is at an all-time high."

"Historically, the head office was off limits in major corporate reorganizations. That is not at all the case these days when the corporate headquarters is as footloose as any manufacturing plant or call center.

“Cities and states around the country recognize the philanthropic benefits and the panache and branding value of attracting corporate headquarters, and have crafted headquarters-specific incentive programs to help their cause.”

Boyd said all is not gloomy for Winston-Salem considering it continues to benefit from a positive state business climate, low operating costs by national standards, positive in-migration trends and an affordable commercial and residential real estate.

“While a national corporate headquarters might be a bridge too far, Winston-Salem certainly can make a compelling economic case for a market-oriented, regional head office or some type of free-standing, central administrative office performing a specific support function like finance, accounting, information technology, or perhaps training/enrichment,” Boyd said.

“In fact, we see this playing out in 2020 for the greater Triad area.”