

Chicago takes on the World

How does Chicago stack up? City seeks to show global corporations it's an evolved place to do business. Are they buying the pitch?

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Not long ago, Torsten Gessner, a top executive at a German manufacturing giant, had to decide where to locate the company's new North American headquarters. Consultants offered up a short list with some obvious candidates: San Francisco and Boston because of their tech talent pools, New York because it remains the world's economic epicenter.

The city at the top of the list puzzled him. Chicago? "I was surprised," said Gessner, CEO of ThyssenKrupp's North American subsidiary. Still, in late 2011, the German maker of elevators and auto parts with \$68 billion in sales chose Chicago, in part because of the city's proximity to ThyssenKrupp's client base and its status as a major transportation hub. "I think it's a marketing issue," Gessner added. "People don't know how good this place really is."

Long ago Chicago morphed from a lumbering industrial behemoth into a global city competing on the world stage, a hub for corporate powerhouses tethered to Asia, Europe and Latin America. Chicago didn't go the way of Cleveland and Detroit — it evolved and innovated.

But it is less clear whether the rest of the world sees Chicago as a competitor with Shanghai and Singapore, London and Hong Kong. The rest of the globe still knows little about Chicago and to some extent still perceives it through the prism of Al Capone and rampant crime.

Think tanks like the Chicago Council on Global Affairs simultaneously praise the city and argue that it is nowhere close to where it should be. Foreign tourists choose New York, Las Vegas, San Francisco or even Orlando, Fla., before they visit Chicago. Cities like Bogota, Colombia, Frankfurt, Germany, and Toronto rake in twice as much in foreign investment as Chicago, according to a 2012 council report.

In today's arena of globally competitive cities, standing pat can send a metropolitan region into a period of economic stagnancy. Think tanks and consulting firms routinely rank the world's most

globally competitive cities, and the places clawing upward in the rankings have found new ways to attract outside investors, nurtured their startup communities and reinforced their status as transportation hubs.

Simply put, cities that don't think globally become backwaters.

"It's not just Chicago versus other cities in the Midwest these days — it's Chicago versus cities all over the world," said Michael Moskow, vice chairman of the Chicago Council on Global Affairs and a former president of the Federal Reserve Bank of Chicago. "If you want to improve the standard of living for people here, this is the landscape you're competing in. ... If cities don't look to the future, they're going to shrink. Chicago won't go out of business, but it will be a much better place to live and work if we compete on a global basis."

Global cities share some traits: They thrive in an economic landscape unconstrained by regional or national boundaries. They are international financial hubs. They serve as their region's gateway to the globe. They are magnets for the world's investment community. And they are wellsprings for innovation, buoyed by world-class universities and research institutions.

New York and London top virtually every ranking of leading global cities. Behind them, however, a variety of metropolitan regions vie for a place in the rankings' upper tier, and Chicago is consistently a contender. PricewaterhouseCoopers' 2012 Cities of Opportunity report put Chicago ninth among leading global cities, behind New York, London and Toronto but ahead of Tokyo (10th) and Los Angeles (13th).

Another ranking put out the same year by Chicago-based consultants A.T. Kearney and the Chicago Council on Global Affairs listed Chicago as the seventh-leading global city, a notch below Los Angeles but four places ahead of financial powerhouse Singapore.

Several traits explain Chicago's consistently strong showing. O'Hare is the country's second-busiest airport, handling more than 61.5 million passengers from January to November 2013 and serving as a way station for the world's economic ebb and flow. Chicago also has more highways entering its region than any U.S. city and moves more rail freight than any other American city, according to data compiled by the Global Cities Initiative. Its robust business talent pool is fed by top-shelf universities, like the University of Chicago and Northwestern University.

City leaders say they recognize the importance of staying globally competitive. A push to think beyond the Midwest began with Mayor Richard M. Daley, who stewarded the revival of the city's downtown and enticed corporations to begin seeing Chicago as a venue for their headquarters. His successor, Mayor Rahm Emanuel, has trumpeted the need to ramp up the city's international profile, flying to China in December and Mexico in November to nurture stronger economic ties with both countries. He also beefed up the size and influence of World Business Chicago, the public-private partnership that City Hall relies on to foster foreign investment.

In the last two years, World Business Chicago has lured at least 149 companies to the region, compared with 84 in 2010 and 2011, said Jeff Malehorn, the group's CEO. Those companies came from a wide array of countries, including Germany, Belgium, China and Finland.

"We've seen pretty good uptick ...," Malehorn said. "The top two reasons that we've seen for companies wanting to locate in the Chicago area is first, the talent we have in the area — every year we mint 145,000 new college graduates — and the dual-hub nature of O'Hare with American (Airlines) and United (Airlines) based there. ... That's a real selling point."

Yet the city faces several challenges. While more companies have established headquarters or branches here, other cities have fared much better in attracting foreign investment, a key indicator of a city's global competitiveness. Chicago's average of \$570 million a year between 2003 and 2011 was outpaced by the \$1 billion a year pulled in by comparable cities like Toronto, Bogota and Frankfurt, according to the council's 2012 report.

At least one of those cities, Toronto, adopts a regional approach toward luring foreign investors. Foreign companies looking to expand or relocate abroad are channeled through a single, regional entity, the Greater Toronto Marketing Alliance — a group that strives to answer the myriad questions prospective foreign investors have about doing business in the region and guides them through the process of starting up operations once they've decided to set foot in the Toronto area.

"The organization formed because there was no single voice for the greater Toronto area," said Gerald Piszowski, business development director for the alliance. "Our first step is to get foreign companies to think about investing in the Toronto area. These firms are not thinking about municipalities within the region. Once they visit, you can ease them into the nuances of each municipality and what they have to offer."

Foreign CEOs and the consultants they hired to assess cities for possible expansions or relocations told authors of the Council on Global Affairs report that the Chicago region's patchwork of municipalities and governmental jurisdictions made doing business in the region cumbersome and delayed startup of operations.

Several organizations — including the Tri-State Alliance for Regional Development, the Metropolitan Mayors Caucus and the Metro Economic Growth Alliance of Chicago — foster economic development across the metropolitan area. But there is no entity that can serve as a single entry point for prospective foreign investors.

In its own report released in 2012, World Business Chicago recognized the need for a regional organization that provides one-stop shopping for foreign companies, as well as the need for municipalities to band together to lure foreign investment.

"What's good for the suburbs is good for the city, and what's good for the city is good for the suburbs," Malehorn said. "If a company ends up in the Chicago region, that's a good thing. It strengthens the economic vitality of the Midwest."

Equally important to Chicago's efforts to ramp up its global competitiveness is the need to reshape the world's perceptions — and misperceptions — about the city.

In its 2012 report, the Chicago Council on Global Affairs noted that most of the city's promotional budget was aimed at attracting tourists from within 500 miles of Chicago. Emanuel has tried to revamp the city's approach toward tourism, opening tourism offices in three Chinese cities — Beijing,

Shanghai and Guangzhou — as well as in Canada, Mexico, Brazil, Great Britain, Germany, Japan and the Netherlands.

"I hear people come here and say, 'What a shock — this city is so different than what I expected. It's so beautiful,'" Moskow said. "So narrowing that gap between the perception and the reality is very important."

One initiative that has helped Chicago's rebranding mission has been the push to persuade a growing number of global corporations to locate their regional or world headquarters in the city. Aircraft maker Boeing moved its headquarters to Chicago in 2001, and GE Transportation, a unit of General Electric and a leading supplier to the rail, mining and marine industries, relocated to the city from Erie, Pa., in 2012. Agriculture giant Archer Daniels Midland announced in December that it was moving its global headquarters from Decatur to Chicago.

The revamping of the city's downtown under Daley, anchored by the construction of the \$450 million Millennium Park in 2004, has also helped boost international tourism.

Nevertheless, changing world perceptions of Chicago remains a formidable task. Early last year, the world media buffeted the city with headlines like "Death turns spotlight on America's murder capital," and "The blood keeps flowing in Chicago" in the wake of a sharp rise in killings that included the January 2013 slaying of 15-year-old Hadiya Pendleton. Last year, the French government caused an uproar when news surfaced in November that it was warning its citizens against traveling to Chicago's West and South sides.

Those headlines surfaced just weeks after Gessner had settled on Chicago as the home for ThyssenKrupp's North America headquarters, a decision that was expected to bring up to 100 jobs to the city.

If Gessner had put stock in the image that Europeans have long had of Chicago, he probably would have crossed the Windy City off his list. Instead, he brushed aside stereotypes and focused on what he wanted most for his firm's new North American hub: a transportation nexus, a large, skilled workforce, proximity to ThyssenKrupp's main clients, and a city with the right cultural edges — everything from vibrant restaurants and clubs to a top-shelf arts scene.

"We feel good in this city, very safe," Gessner said.

"(Chicago's poor image) is something we are confronted by quite often in Europe. And Chicago needs to invest more to improve that situation."