

# CRAIN'S

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## ConAgra move shows how corporations can see Chicago through rose-colored glasses

By Brigid Sweeney



Photo by Bloomberg News

To **dispirited locals** and the **national media**, today's Chicago is a destitute, violent, overtaxed, politically incompetent Detroit-in-the-making. To Fortune 500 company ConAgra, it's a global metropolis that will sweep the aging packaged-food company into a modern era.

It's a schizophrenic urban narrative that can be tough to reconcile. No other major city has crushing pension liabilities that rise as steadily as its gleaming office towers, weekly spasms of

shootings along with world-class restaurants, or an unprecedented property tax hike as large as the swarms of Big Ten grads who settle here.

Even as the city's fiscal crisis has worsened since 2011, 36 companies have moved from other states and the suburbs to downtown. ConAgra officially became the 37th on Oct. 1, when CEO Sean Connolly announced the company would move its headquarters to the Merchandise Mart from Omaha, Neb.

Much of corporate America, it's clear, cares more about a well-educated workforce and an abundance of direct flights than it does about pension insanity or gun violence.

"The No. 1 reason for corporate relocations (to Chicago), by a long shot, is access to talent," says Wendi Taylor Nations, chief marketing officer of World Business Chicago, a private-public partnership tasked with wooing businesses to the city.

Understandable. But smart people exist in many cities. Wouldn't a CEO be tempted to choose one in which his employees won't face ever-higher property taxes? Or one that offers a slightly less awful budget situation and slightly lower corporate taxes? (Which is to say pretty much anywhere else?)

"It's not about the city—it's about the company," says Paul O'Connor, a longtime city booster and former World Business Chicago chief who works at architecture firm Skidmore Owings & Merrill in Chicago. Companies typically have two or three things that they require for a headquarters location, but they can overlook the rest, he says.

Executives understand that all urban centers have crime, relocation experts say, and while high murder stats certainly don't burnish a city's image, they also don't materially impact a decision. Most corporate executives, for better or worse, will not be settling down on the South and West sides.

In ConAgra's case, like in those of most large companies, executives need proximity to one of the world's biggest airports to conduct business more easily across the country and internationally. "Now you can fly out in the morning and sleep in your own bed every night," O'Connor says. "That's a really important factor for doing business."

Indeed, just about every corporation that has moved here since Boeing announced its move in 2001 has cited the airports and access to markets as a major reason. When Mittal (now ArcelorMittal), the largest steelmaker in the world, decided to **move its U.S. headquarters** to the Loop in 2005, CEO Louis Schorsch specifically mentioned Chicago's international flight connections as a main motivator.

Another advantage: Chicago's long-standing dominance in consumer packaged goods. The industry here dates to the Civil War, when two Chicagoans set up a grocery store on State

Street that ultimately became Sara Lee. Kraft Heinz, which began in Chicago as a cheese delivery business in 1903, is **relocating** from Northfield to the Aon Center downtown.

“When companies cluster in a city, the labor and idea exchange that supports the sector grows to a level that you can't get in Omaha,” says Aaron Gruen, a principal at Gruen Gruen & Associates, a Deerfield-based real estate and urban economics consulting firm.

On a more philosophical level, Chicago also offers a neutral, modern site on which ConAgra can attempt to reinvent itself after a period of turmoil.

The company, which has been based in Omaha since 1922, has struggled mightily since an ill-conceived \$5 billion acquisition of St. Louis-based private-label food manufacturer Ralcorp in 2013. Since then, it has acquired a new CEO—Winnetka resident and Hillshire Brands and Sara Lee alum Connolly—and an activist investor, Jana Partners, on its board. ConAgra says it will lay off 1,500 employees worldwide and slash \$300 million in costs as it embarks on a turnaround plan.

“It's much easier to make heart-wrenching decisions if people who haven't lost their jobs aren't looking down the hall remembering people who did,” Gruen says. “It's easier to rebrand and re-energize if you don't have historical ties weighing you down.”

It may seem a bit touchy-feely for a major corporate decision, but establishing a new headquarters as a physical demonstration of a new future has worked for other companies. A main reason Boeing chose to come to town in 2001 was that it needed to remove itself, literally and figuratively, from under the wing of its airplane business in the Pacific Northwest. Chicago was physically and symbolically the middle ground between Boeing's government clients in Washington, D.C., and its commercial airplane unit in Seattle.

Ultimately, though, the same global economy that has given Chicago an advantage in headquarters relocations could come back to hurt it if the city doesn't play its cards correctly.

Companies recognize that globalization and governments' willingness to toss around tax incentives have put headquarters status perpetually in play. A migration to smaller, less costly, more manageable cities is beginning, according to Jack Boyd, founder of a namesake national business relocation firm in Princeton, N.J. Mercedes just left **Montvale, N.J.**, outside of New York—its home since 1972—for suburban Atlanta.

“Atlanta, Dallas and Chicago are the three premier head office destinations these days,” Boyd says. “But headquarters today are footloose and fancy-free. Everything is on the table.”