

# CRAIN'S CHICAGO BUSINESS

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## What Boeing's move says about HQ cities

To lure corporate headquarters, cities have to win over employees as much as board directors. For Chicago, that presents a challenge.



*CoStar Group*

Boeing's headquarters arrived in Chicago with great fanfare in 2001. Its departure to Arlington, Va., feels anticlimactic. The announcement yesterday was a formality that acknowledged reality. Through a combination of internal and external forces, Chicago simply ceased to matter as much to the aircraft maker.

A succession of CEOs were based in Chicago, starting with Phil Condit and ending with Dennis Muilenburg. Jim McNerney, who grew up in Winnetka, had the longest tenure at 10 years. Board member Dave Calhoun became CEO during the 737 Max crisis but never really set up shop here, a source familiar with the situation says, partly because he became CEO just before the start of the COVID-19 pandemic. Over time, fewer top executives were based in Chicago.

“We’ve shown over the last two years, Boeing’s leadership is extremely mobile and not tied to any one location,” a spokesman says. “Leaders can and do deploy to different locations as the needs of the business require.”

Boeing's Chicago departure signals a larger, potentially troubling shift, accelerated by the pandemic and remote work that gives employees and companies the chance to locate where they want. Plenty of companies hired talent where they could find it during the pandemic, loosening ties to the home office.

That doesn't bode well for Chicago, which has long boasted of being home to some three dozen Fortune 500 companies, the second-highest total behind New York City. Like New York, Chicago has a lot of big office buildings that are vulnerable to vacancy if companies allow workers to continue to work from home.

“Companies are looking for offices with less real estate,” says John Boyd, a principal at The Boyd Co., a site-selection consultant in Boca Raton, Fla. “So many of the drivers of corporate relocations are no longer as significant.

“Corporate travel is a fraction of what it was 20 years ago. O’Hare will continue to be an economic asset, but the mid-continent theme Chicago was able to leverage for so long is less important for companies who have more remote workforces,” Boyd said. “Workers who can work from anywhere are choosing to move to the Sun Belt, to smaller cities where there are lower taxes. With these new trends, it will be more difficult for Chicago to sell itself . . . to mask the cycle of taxing and spending and fiscal crises.”

Four of the 10 fastest-growing metro areas last year were in Texas, according to the U.S. Census Bureau.

Chicago downplayed the significance of Boeing’s decision.

“The status of the city is based on more than one company,” said Deputy Mayor Samir Mayekar. “We have some flagship move-ins coming, and they will be very significant.”

Boeing’s HQ move is a blow to the city’s pride more than its economy. The company employs about 400 people in Chicago, mostly in administrative roles, such as legal, finance and human resources. It’s roughly the same headcount as it always had.

The company says it will maintain a “significant presence” and that “current employees will continue to be based out of the building, though less office space will be required as telecommuting has enabled more flexible work options.”

But without the top jobs, Chicago is just an outpost, not a headquarters that burnishes the city's image.

It's no accident Boeing came to Chicago not long after merging with McDonnell Douglas in a move designed to free the executive suite from the bonds of the company's commercial jet business in Seattle and the roots of its defense business in St. Louis and Washington, D.C. Neutrality among warring tribes is hardly a concern now, given the problems the company faces.

Boeing's move isn't so much a referendum on Chicago as a look in the mirror. The company is following other defense contractors, such as Northrop Grumman, that have moved their headquarters to the nation's capital. “The U.S. government is their biggest and most important customer,” says Richard Aboulafia, managing director of AeroDynamic Advisory, an aerospace consulting firm.

Aboulafia says Boeing would have been better served returning its HQ to Seattle. “Reinforcing their Washington presence is not a pressing requirement. Reinforcing their commercial aircraft division is more important. Government lobbying is easy. Developing jetliners is hard.”

Paul O'Connor, who helped recruit Boeing as head of the city's economic-development arm, World Business Chicago, says Boeing's arrival still means more to the city than its departure.

“It gave us credibility and validated us, and we took that to bank many times,” said O'Connor. “It provided us 20 years of lift. Everybody should be grateful. It's like Oprah.”