

CEO
PERSPECTIVES®

**The Future of Cities
Event Summary**

Wednesday, October 17, 2018



**Co-hosted by
McDonald's Corporation**

About the Event

On October 17th, 2018, CEO Perspectives held an event bringing Fellows together to focus on the fast-changing nature of global cities across multiple dimensions. The event centered on how businesses and their leaders can think about and partner with urban centers worldwide to create economic, social, and environmental value for a broad range of stakeholders — from customers and employees to local students and governments.

The McDonald's Corporation co-hosted the event in its new headquarters (as of June 2018), located in Chicago's West Loop. The facility itself exemplifies the "urban migration" of many large, established businesses in search of more dynamic, culture-rich settings and larger, more innovation-focused talent pools.

Fellows first enjoyed a tour of the McDonald's Headquarters, which features cement floors, glass and metal accents, the most modern technologies, and a magnificent view of the Chicago skyline from the 9th-floor City View Room and Terrace.

After the tour, Sheila Penrose (Co-Founder, Corporate Leadership Center) provided welcome remarks.

The subsequent program included two main sections:

- Ken Porrello (Executive Director, CEO Perspectives) introduced Christian Beaudoin (Director of Research and Strategy, Jones Lang LaSalle), who presented insights from JLL's cutting-edge research on the shifting global urban landscape.
- Cheryl Francis (Co-Founder, Corporate Leadership Center), introduced a panel including moderator Daniel Diermeier (Provost, University of Chicago), Christian Beaudoin (Director of Research and Strategy, Jones Lang LaSalle), David Fairhurst (EVP, Chief People Officer, McDonald's Corporation), and Anne Pramaggiore (Senior EVP & CEO, Exelon Utilities). Panelists spoke on how they saw their business's roles in shaping and benefiting from the future of cities, and answered questions from the audience.

We are grateful to all presenters and participants for sharing their insights.



Key Insights Summary

New drivers of competitiveness. What makes a successful global business city has changed, with increasing emphasis on drivers including technology, infrastructure, talent, and business friendliness. Cities worldwide are trying to maximize these drivers, creating large opportunities for business across sectors.

They've got personality. When analyzing city locations, consider their overall personality profile (based on typological categories) and align these with your needs. The Big 7 (e.g., London, New York) have size and resources; the Contenders (e.g., Shanghai, Chicago) are gaining critical mass; New World cities (e.g., Amsterdam, Seattle) offer innovation and influence; Emerging World cities include Enterprisers like India's Hyderabad.

Make the move. Cities offer critical resources and reach that other settings simply can't. An urban move can lead to greater opportunities related to talent, innovation, and culture. Consider what's best for your business in this context and take action.

Smooth the transition. Urban migration takes strategy and care. For long-term success, take the time and thought needed to understand impact on employees, and to design facilities and plans that will reinforce your culture and values.

Take responsibility. It's not just about maximizing shareholder value. Working closely with cities offers large opportunities for economic, social, and environmental impact, as related to education, employment, green initiatives, and many others. Think broadly about your responsibility and how to fulfill it.

Promote the right partnerships. Cities offer businesses unprecedented partnership opportunities, creating shared value for an ever-widening set of stakeholders at the level of government (public-private partnerships) and others. Find the right partners and seek shared wins for both company and community.



The Fast-Changing Global Urban Landscape

The global urban landscape has changed quickly in recent decades. Christian Beaudoin, Director of Research and Strategy at Jones Lang LaSalle, presented insights on the evolution of cities based on JLL's extensive research and analysis, with an eye toward how executive leaders can think about location-based opportunities and challenges. The firm analyzed data for 300+ cities worldwide, comparing them on 186 metrics — from real estate dynamics to risk — to develop the following takeaways:



New drivers of competitiveness. As cities jockey to attract businesses on a very public stage, what makes a successful city has changed, with increasing emphasis on drivers including technology, infrastructure, talent, and business friendliness. Cities that want to maximize value need all of these, and must invest strategically in them, as evidenced by more cities providing financial incentives for businesses and residents. The most successful cities cultivate innovation pathways, nurture and attract talent, and build infrastructure platforms.

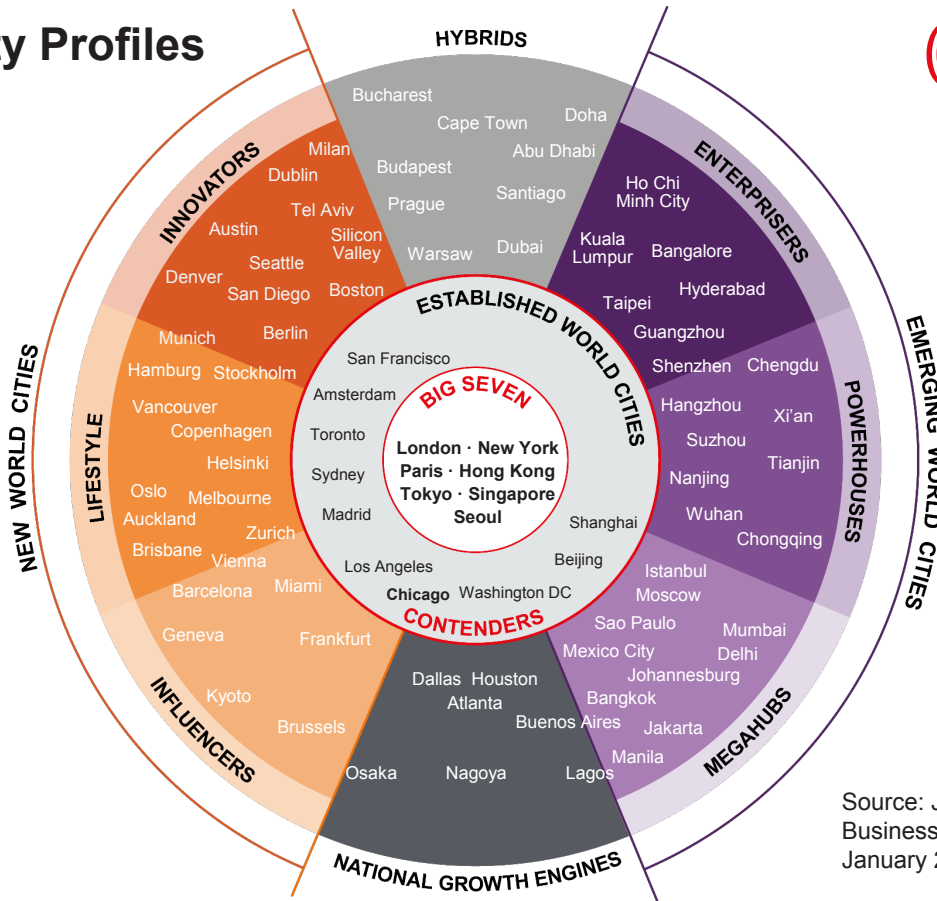
They've got personality. The best way to understand global cities is by their individual personality profiles, rather than using simple comparisons on a handful of criteria. From this approach emerge multiple typological categories of cities, including:

- *The Big 7* (e.g., London, New York, Hong Kong) have longstanding appeal based on size and available resources, but face increasing geopolitical tensions and competition.
- *The Contenders* (e.g., Shanghai and Chicago) are gaining critical mass in competing for business but present large-scale challenges such as air pollution and crime.
- *New World* cities (e.g., Amsterdam and Seattle) may have less capital than the Big 7, but offer an appealing mix of innovation, influence, and lifestyle, such as the 3 W's: wealth, walkability, weather.
- *Emerging World* cities include Enterprisers like India's Hyderabad, which has quickly become known as a specialized service hub, and industrial powerhouses like Chengdu.

The Fast-Changing Global Urban Landscape



10 City Profiles



Source: JLL and The Business of Cities, January 2018

Rising Asia. JLL's City Momentum Index — based on population growth and other measures — shows that the top 30 cities are predominantly Asian, including Top 3 finishers Hyderabad, Bangalore, and Ho Chi Minh City.

In search of innovation. Businesses are moving to where the best innovation and market opportunities are, whether trading suburb for city (as McDonald's has) or transitioning to a new country altogether. The US has no monopoly on innovation, and is lagging others on infrastructure investment. A thoughtful strategy should include serious consideration of relocating key operations to high-potential cities, including overseas Enterprisers that have promising profiles for your business. Look at multiple metrics to make the right choice.

Sweet home Chicago. Against the global backdrop, Chicago continues to have strong branding on the world stage. According to JLL, 92 companies moved from the Chicagoland suburbs to the city in recent years, in search of talent, access to customers, enhanced branding, easy commutes for employees, and global connectivity. This is a growing trend toward urban migration that is not expected to change any time soon.

The Future of Cities: A Cross-Sector View

Panelists offered insights on how their businesses, which represent the food, real estate, and utilities sectors, are thinking about the growing opportunities and challenges associated with the fast-shifting urban landscape.

“Cities are back” is a gross understatement. Historically the hubs of trade, manufacturing, science, and culture, urban centers are enjoying an exciting, resurgent life and new era. For the first time ever, the majority of the global population resides in cities. Urban centers are now responsible for 90% of the world’s total Gross Domestic Product. Cities represent dynamic growth and opportunity but also large-scale threats related to sustainability, the environment, and poverty, among others.

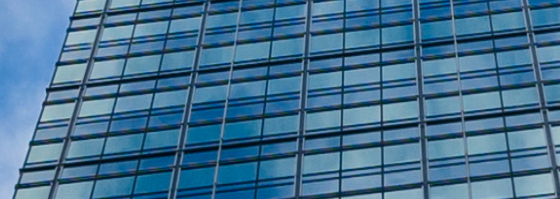
“Evolution” is the key theme — as in evolution of cities and in cities. Businesses and their leaders must match this evolution with their own growth, including infrastructure, talent, and opportunity creation for a broad set of stakeholders.

In this context, panelists offered actionable insights including the following:

Make the move. Cities offer critical resources and reach that other settings simply can’t. McDonald’s moved its headquarters to Chicago from Oakbrook for two reasons: talent and culture. Within two miles of the new HQ are approximately 1.2 million “professionals of interest” to the business, a figure over three times that of the former location. After moving, McDonald’s received over 22,000 employment applications in one month — more than it normally would in one year. It’s not just about finding talent but engaging with the urban setting in meaningful, culture-focused ways, as McDonald’s has by sponsoring Chicago’s Taste of Randolph food festival, for example. And the business lives the “customer-obsessed” facet of its culture by having leaders and others interact with customers in a restaurant, located on the ground floor of their headquarters building.



The Future of Cities: A Cross-Sector View

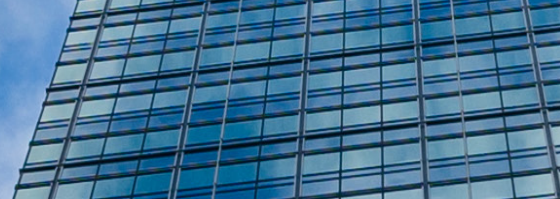


Smooth the transition. Transitioning to an urban setting requires care and thoughtfulness, as McDonald's discovered firsthand. Leaders spent time creating processes to help employees transition from Oakbrook, including figuring optimal commuting routes and providing updates through social media. Overall turnover was unchanged by the move. The business also created a taskforce to optimize interactions in the new headquarters — the group chose to discard 175 of the 650 people-related policies from the old location, to modernize thinking and focus it around people (such as reducing meeting-room reservations from 60 minutes to 45 minutes, to prevent the stress associated with the changeover).

Take responsibility. Obligations for large corporations run deeper than maximizing shareholder value today. Exelon sees itself as “in the game” on key fronts including economic development, infrastructure, and the environment, as noted earlier. The business also sponsors jobs and employment programs such as those promoting access to STEM jobs, the fastest-growing category. Exelon's Icebox Derby, for example, brings together girls from across Chicago to transform recycled refrigerators into racecars with the mentorship of ComEd engineers, providing hands-on experience. Similarly, McDonald's is investing in programs to provide opportunities for 2 million disadvantaged young people in Chicagoland, including a \$1 million investment in a new apprenticeship initiative that can lead to larger training and education opportunities.



The Future of Cities: A Cross-Sector View



Promote the right partnerships. Cities offer businesses unprecedented partnership opportunities creating shared value for an ever-widening set of stakeholders. Business leaders that don't seek to partner with urban centers on key dimensions risk losing out. Utilities firm Exelon, for example, sees itself as a universal service provider — that can partner with Chicago and the other five cities in which it operates — around infrastructure, services, and social impact. The business seeks to promote cleaner, more sustainable, connected communities, including 100% renewable and decarbonization standards and joint efforts to reduce inequality.

See smaller as bigger. Urban growth and renewal has led to hyperlocal interests, especially in neighborhood-based cities like Chicago. In this context, businesses can think local to capture opportunity and goodwill. For example, Exelon is building a microgrid in Bronzeville that can run on and store solar power but can also be isolated from the larger power grid if needed. The company is creating additional social capital through Chicago-based projects focused on electric mobility, smart lighting, and programs enabling people to donate proceeds from their energy savings to local schools or other organizations. Exelon expects to roll such programs out more broadly in the future.

Think 3P. Public-private partnerships offer mounting opportunities, including at the city level. JLL points out the value of this vehicle for infusing more capital into cities and businesses, especially around transit solutions (such as the potential ORD Connector). Exelon is seeking to influence legislation to broaden the scope of their infrastructure investments. Other public-private opportunity spaces include education. In Chicago, for example, only a handful of public high schools offer the highest-quality education. Businesses can forge a better connection between education and employment, benefiting underserved populations while developing young people into promising potential employees with relevant technical and communication capabilities.





Thank you to our event speakers.

In order (L-R): Christian Beaudoin (Jones Lang LaSalle), Anne Pramaggiore (Exelon), Ken Porrello (CEO Perspectives), Sheila Penrose (Corporate Leadership Center), Daniel Diermeier (University of Chicago), Cheryl Francis (Corporate Leadership Center) and David Fairhurst (McDonald's).



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