

BLOOMBERG THE CEO MAYOR

How New York's Mike Bloomberg is creating a new model for public service that places pragmatism before politics

BY TOM LOWRY

The American businessman-politician has a long and storied history. From Alexander Hamilton (industrialist) to Herbert Hoover (mining consultant) to New Jersey Governor Jon Corzine (CEO, Goldman, Sachs (GS)), wealthy and connected executives have, for better or worse, tried to bring corner-office management to the public arena. With the arrival of George W. Bush, MBA, we began to hear a lot about the so-called CEO President who was supposed to muster a greater degree of executive decisiveness and accountability. But four years of war and the Katrina debacle have blunted that talk.

Which brings us to New York City Mayor Michael R. Bloomberg. This forthright and prosaic 65-year-old billionaire just may have the right combination of managerial, risk-taking, and political skills to create a new model for public service—possibly even at the national level should Bloomberg run for President.

Applying lessons from an early career on Wall Street and from two decades building his eponymous financial-information and media empire, the mayor is using technology, marketing, data analysis, and results-driven incentives to manage what is often seen as an unmanageable city of 8 million.

Bloomberg sees New York City as a corporation, its citizens as customers, its sanitation workers, police officers, clerks, and deputy commissioners as talent. He is the chief executive. Call him a technocrat all you want; he's O.K. with that. "I hear a disparaging tone, like there's something wrong with accountability and results," he says. "What was I hired for?"

Yes, Bloomberg has endured setbacks. His failed attempt to build a football stadium in Manhattan gobbled up time and energy for much of his first term. And while his takeover of city schools five years ago from the state has led to dramatically improved test scores, there is a long way to go before the mayor can declare victory. Plus, some of his ideas—including his suggestion to pay kids for good grades—grate on educators.

Yet his checklist-obsessed operating style has resonated with New York's famously cynical citizenry—70% approval ratings attest to that—and well beyond Gotham. "People see that this can be done in a place like New York, effectively managing something so large and complex," says Time Warner CEO

Richard D. Parsons, a Bloomberg friend and someone mentioned as a possible mayoral candidate himself. "And they think, 'Hey, this can be done elsewhere.'"

THE CITY IS A BRAND

Put yourself in Bloomberg's size 9½ loafers on Jan. 1, 2002, the day he was sworn in as New York's 108th mayor. The city was grappling with the psychological and financial impact of the terrorist attacks. It faced a budget gap of nearly \$6 billion. On Wall Street, there was talk of abandoning Manhattan for the safer precincts of New Jersey or Connecticut.

Bloomberg had three options: cut services, raise taxes, or both. He did what no mayor had dared to do in more than a decade: He jacked up property taxes. And he didn't agonize over the decision a bit. "It [was] easy to make that choice," he recalls.

Some of his aides tried to talk him out of it, fearing the move amounted to political suicide. And by the following summer, Bloomberg's approval ratings had plunged, to 31%. But the novice mayor was undeterred. Where most politicians would have seen only a fiscal solution to the budget gap, he spotted a marketing opportunity. He was protecting the New York City "brand." Bloomberg saw a low crime rate, good public transportation, and clean streets as indispensable to selling New York. Cutting back on services, he felt, would send the wrong message to the business community and the outside world.

At the same time, Bloomberg boosted New York's promotional efforts. First, he consolidated three existing operations under a not-for-profit entity called NYC & Co. He tripled the city's contribution to the annual marketing budget, to \$22 million. Then he went out and hired as CEO a veteran ad man, George Fertitta, whose branding and marketing firm had handled the likes of Coca-Cola (KO), Perry Ellis (PERY), and Walt Disney. All cities have marketing arms. But Fertitta's operation is essentially an advertising agency with an in-house creative services unit that uses various media, from bus shelters to the city's cable channel, to help sell the Big Apple.

Ever the metric junkie, Bloomberg set a goal for NYC & Co.: lure 50 million visitors a year by 2015. And knowing that foreign tourists spend three times as much as U.S. visitors, he ordered Fertitta to open more branch offices around the world. Today,

NYC & Co. has a presence in 14 cities, with new offices set to open in Seoul, Tokyo, and Shanghai in coming months. Since 2003, New York says it has added 151,100 new private sector jobs, boosting the economy and fueling a construction boom. And last year, partly owing to a weak U.S. dollar, the city reports attracting 44 million visitors, up from 35 million in 2002. As for that 18.5% property tax hike, it got a whole lot easier to swallow when the average value of a single family home surged by 55%. Now, with the city in surplus, Bloomberg plans to hand out \$1.3 billion in tax cuts not only to homeowners but also to businesses and shoppers.

THE VOTERS ARE CUSTOMERS

Bloomberg the executive was obsessive about catering to his customers, establishing 24-hour call lines, collecting data to help develop new products, and sending his executives out into the field to solicit feedback directly from clients. "Good companies listen to their customers, No.1," he says. "Then they try to satisfy their needs, No.2. But don't let [them] drive the internal decisions of the company."

As daunting as it may sound in a city never shy about complaining, Bloomberg decided New York needed its own 24-hour customer-service line. Yes, other cities had deployed 311 numbers, but never on such a grand scale. The benefit, beyond giving the public a new outlet to vent, would be making city government more efficient.

One month after being sworn in, Bloomberg proposed a 311 line that would allow New Yorkers to report everything from noise pollution to downed power lines. More important, 311 would give the mayor unprecedented access to what was on his constituents' minds. Bloomberg sees the weekly reports and gets a sense of the citizenry's angst—and whether problems are getting solved and how quickly.

Since it launched in March, 2003, at a startup cost of \$25 million, 311 has received 49 million calls. The service employs 370 round-the-clock call takers. And New York has done an impressive job of data-mining the calls and quickly responding, says Stephen Goldsmith, the former mayor of Indianapolis and now a professor at Harvard's Kennedy School of Government. "Something special is going on in New York," he says. As far as the mayor is concerned, the numbers tell the story. Emergency 911 traffic is down by 1 million calls since 311's inception, meaning first responders are being called to fewer non-emergencies. The Buildings Dept. uses 311 to streamline the permit process and the review of plans by inspectors. The average wait time for an appointment with a building inspector has dropped from 40 days to less than a week. Two years after

311 launched, inspections for excessive noise were up 94%; rodent exterminations, 36%.

Heather Schwartz, a 30-year-old graduate student, is a regular user of the 311 line and says she became a big fan last year when she called about graffiti in a northern Manhattan subway station. Within days, the walls were painted over. Each time the graffiti artists returned, the city would paint over their handiwork. Finally the vandals gave up. Now Schwartz calls 311 for everything from elevator inspections to trash in the streets. "I am thrilled with it," she says. "It professionalizes the city."

THE MORE LIGHT, THE BETTER

Earlier this year, during a morning meeting with top staffers, Bloomberg noticed the large doors to the ornate conference room in City Hall. They were wooden. How could that be? Bloomberg thought he'd made City Hall "see-through." All meeting rooms had glass windows, so you could look inside. His desk and those of his staff were clustered in a room without walls to facilitate better and faster communication. By week's end the room had glass doors.

Bloomberg has tried to make the government and its agencies more open, too. In a task that previously fell to city budget directors, Bloomberg himself each year makes three budget presentations in the same day: one to city council, another for other elected officials, and one to the press. He uses easy-to-follow charts and tables, much like a CEO's Power Point presentation to analysts. His hope is that, by explaining the forces shaping the city's economy, a better understanding of his tax and spending priorities will emerge. The approach has not only helped him in budget negotiations with city council but also fostered a smoother relationship with civic and advocacy groups, says Mitchell Moss, an urban policy and planning professor at New York University.

What's more, citizens can get a closer look at their city government than ever before. The semiannual mayor's management report once exceeded 1,000 pages in three printed volumes. Today, the report—which reviews the delivery of city services—is 186 pages, available online, and includes many more features than before, including neighborhood data and five-year trends that allow New Yorkers to compare past and present. In addition, the city plans and budget, once convoluted fiscal documents with only summaries available online, are now fully accessible on the city's Web site. Before, a New Yorker could never see a specific agency's overhead costs—its pensions and legal claims, say. The costs were pooled as a single number. Now each agency breaks them out.

HIRE SMART AND DELEGATE

The first thing most politicians do upon winning office is fill top jobs with people to whom they owe their support or who have long-standing ties to the political Establishment. Bloomberg arrived at City Hall with no such debts. That's partly because he financed his own campaign. But even if he hadn't, Bloomberg says, he still would have recruited his lieutenants based on their ability to set targets and hit them.

And by and large, that is what he has done. Not surprisingly, he reached into the business community, appointing a former partner of private equity firm Oak Hill Capital Partners named Daniel Doctoroff to run New York City's economic development office. And he brought over four of his executives from Bloomberg itself. One of them was Katherine Oliver. Bloomberg had a turnaround mission in mind for her at the city's Office of Film, Theatre & Broadcasting.

Oliver was working in London, overseeing Bloomberg global radio and television operations, when she got the call. Her marching orders from the mayor were simple: build a customer-service organization. She wasn't prepared for how much the film office needed modernizing and refocusing. Toronto and Louisiana, among other places, were stealing business from New York. Production companies were required to visit the office and fill out permit applications on paper. And to Oliver's astonishment the agency had only one computer. Most staff were tapping away on electric typewriters.

Within a month of her arrival, her 22 employees had new Dell (DELL) flat-screens, and production companies were able to file for permits online. Approvals have since surged to 200 a day, up from 200 a week in 2002. Oliver also put a photo library on the Web site, letting producers scout locations from their desks. She began offering a combined 15% tax credit to film and tv productions that complete at least 75% of their stage work in the city. Oliver says the program has generated \$2.4 billion in new business and 10,000 new jobs since 2005. She offered filmmakers free advertising space on public property. And she set up a dedicated team of 33 police officers to ease shoots in the city. "We tried to look at this as B to B," says Oliver. "This is a microcosm of what Michael wanted to do for the entire city."

The movie industry isn't complaining. Veteran producer Michael Tadrross says the city's film office is much more efficient. "You get maps, diagrams, and suggestions of where to shoot during one-on-one meetings with folks in the office," says Tadrross, who just completed filming a remake of *The Omega Man*, *I Am Legend*, in New York. "I have always felt big cities should be run by businesspeople, not politicians."

BE BOLD, BE FEARLESS

"A major part of the CEO's responsibilities is to be the ultimate risk-taker and decision-maker. Truman ('The buck stops here') had it right." So wrote Bloomberg in his 1997 autobiography *Bloomberg By Bloomberg*. The mayor has embraced risk with an almost reckless disregard for political repercussions. Sometimes it has worked out: His controversial smoking ban in bars and restaurants is being replicated in other cities. Sometimes it hasn't: In a crushing defeat, he lost the 2012 Olympics bid to London.

Bloomberg recently reflected on the rare setback. "In business, you reward people for taking risks. When it doesn't work out, you promote them because they were willing to try new things. If people come back and tell me they skied all day and never fell down, I tell them to try a different mountain." He adds: "I have always joked that [the difference between] having the courage of your convictions and being pigheaded is in the results."

Bloomberg has two and a half years left in his second term, so it's a little early to talk about legacy. But the influence of this self-made billionaire will be felt by generations of politicians. One is Adrian Fenty. Washington's 36-year-old mayor has adopted the newsroom-style office, or bullpen, that Bloomberg brought from his company, and is now seeking a Bloomberg-style overhaul of his city's own chronically underperforming schools.

What has Bloomberg learned as mayor? "The real world, whether in business or government, requires that you don't jump to the endgame [or] to success right away," he says. "You do it piece by piece. Some people get immobilized when they come to a roadblock. My answer is, 'you know, it's a shame it's there, but now where else can we go? Let's just do it.'"

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