

EXECUTIVE SUMMARY



Yale SCHOOL OF MANAGEMENT

CEO SUMMIT

Mayors as Entrepreneurs: Transforming City Hall

New York Stock Exchange | June 2, 2015

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Yale SCHOOL OF MANAGEMENT

Chief Executive Leadership Institute



Table of Contents

Key Themes

Innovation & Bureaucracy: Mayors as Entrepreneurs

PANEL

Richard J. Berry, Mayor, Albuquerque, New Mexico
Jim Gray, Mayor, Lexington, Kentucky
Betsy Hodges, Mayor, Minneapolis, Minnesota
David R. Martin, Mayor, Stamford, Connecticut
Madeline Rogero, Mayor, Knoxville, Tennessee
Miro Weinberger, Mayor, Burlington, Vermont

FACULTY

Doug W. Rae, Yale School of Management
Jon Robinson, Kauffman Foundation

Social Justice & Public Safety: Mayors as Community Builders

PANEL

Eric L. Adams, Borough President, Brooklyn, New York
Andy Berke, Mayor, Chattanooga, Tennessee
Javier Gonzales, Mayor, Santa Fe, New Mexico
Dean M. Esserman, Chief of Police, New Haven, Connecticut
Paul Soglin, Mayor, Madison, Wisconsin

FACULTY

Zack Cooper, Yale School of Public Health
Jacob Hacker, Yale Institute for Social and Policy Studies

Economic Development & Infrastructure: Mayors as Visionaries

PANEL

Mick Cornett, Mayor, Oklahoma City, Oklahoma
William V. Bell, Mayor, Durham, North Carolina
Byron Brown, Mayor, Buffalo, New York
Tom Tait, Mayor, Anaheim, California
Beth Van Duynes, Mayor, Irving, Texas

FACULTY

Marlo McGriff, Product Manager, Social Impact, Google
Joel Szabat, Executive Director, U.S. Department of Transportation

Guangdong Provincial Leaders: Mayors as Ambassadors

PANEL

Donald L. Plusquellic, Mayor, Akron, Ohio
Mark Stodola, Mayor, Little Rock, Arkansas

FACULTY

Quinn Mills, Professor Emeritus, Harvard Business School



Mayors as Entrepreneurs: Transforming City Hall

Overview

Mayors have difficult jobs and wear many hats. They must be visionaries, articulating a compelling vision for their city and what direction they want to head in. They must be economic developers and entrepreneurs, focused on attracting businesses and capital, creating an ecosystem to support business creation, and removing the bureaucracy and barriers that makes starting a business more difficult. They must be focused on the key issues that matter in their communities, from the cost of health care, to infrastructure, basic social services, and issues of social equity.

Yet amid the current political gridlock at the federal level, mayors are getting things done. They are creating entrepreneurial cultures, taking steps to create the workforce of tomorrow, trying to streamline operations and decrease bureaucracy, attracting private investment, and implementing programs and policing practices to decrease crime and improve community relations. While people are cynical about the role of government, the actions of these mayors and their cities show that government can still make a meaningful difference in people’s lives.

Context

Richard Berry, mayor of Albuquerque, New Mexico, described his experience attending a Yale CEO Summit more than three years ago. He was struck by the world-class collection of minds talking about world-class topics. He thought that mayors don’t have enough of a chance to come to come together in intimate settings to share common challenges and best practices. In working with Professor Jeff Sonnenfeld and the Chief Executive Leadership Institute, the concept of the Yale Mayors College was born.



Richard J. Berry, Mayor, Albuquerque, New Mexico

The Yale Mayors College, held on June 2, 2015 at the New York Stock Exchange, brought together about 20 mayors from across the United States, from large, small, and mid-sized cities. Joining the mayors were several faculty members from different parts of Yale – including the Yale School of Management, the Yale School of Public Health, and the Yale Institute for Social and Policy Studies – along with Jon Robinson of the Kauffman Foundation.

Sessions and discussions focused on:

- Innovation & Bureaucracy: Mayors as Entrepreneurs
- Social Justice & Public Safety: Mayors as Community Builders
- Economic Development & Infrastructure: Mayors as Visionaries

In each discussion, participants focused on some of the most significant challenges their cities are facing and solutions for these challenges. In addition, this group of U.S. mayors met with provincial leaders from Guangdong Province, which included three mayors. This group discussed similarities and differences in the roles and responsibilities of mayors in the two countries.

Some of the key takeaways from the discussions of the U.S. mayors and the discussion between the U.S. mayors and the Guangdong delegation are summarized below.

Session 1 – Innovation & Bureaucracy: Mayors as Entrepreneurs

All mayors want to make their cities more entrepreneurial. They want to increase the number of businesses formed and the number of jobs. The mayors discussed barriers in their cities that are hindering entrepreneurialism. These included slow, bureaucratic processes in areas such as permitting and licensing, lack of adequately educated and prepared talent, lack of social structures and services to assist with and support business formation, lack of infrastructure to support entrepreneurial activities, and lack of public and private capital.

Research by the Kauffman Foundation has found that many cities have a fragmentation of service providers and lack good mechanisms for collective impact. There is also lack of philanthropic engagements in supporting entrepreneurial activities. While there may be incubators or accelerators, these tend to be either just office space with no real incubation benefits or angel funding, where the funders are focused on their rate of return. These efforts do not equate to social structures that help support business formation, which has cascading benefits to communities. The Kauffman Foundation has created a “Mayor’s Prize” and is working with cities to create learning environments. The Mayor’s Prize is a form of venture philanthropy that makes grants to non-profits that support business formation.

In beginning to interact with a handful of cities, the Kauffman Foundation sees mayors playing leadership roles in creating an entrepreneurial spirit, creating an entrepreneurial ecosystem, and bringing capital into this ecosystem.

“Mayors are essential leaders in bringing funding into the ecosystem.”

—Jon Robinson, Kauffman Foundation



Jon Robinson, Kauffman Foundation



In addition to working with the Kauffman Foundation, mayors are spearheading efforts to make their cities more innovative and entrepreneurial, and less bureaucratic:

- **Empowering people to start businesses.** Albuquerque wants to support organizations to fund and grow businesses, which is why the city is working with the Kauffman Foundation to help create a culture and environment of entrepreneurship.
- **Getting the basics right.** The mayor of Burlington, Vermont, has focused on getting the basics of city government right, to provide greater stability. People were holding back in making investments because they didn't perceive stability. Creating an environment for entrepreneurial activity starts with getting basic meat and potato issues of city government right to instill confidence. Burlington's mayor issued an accountability report about performance against all key campaign issues.
- **Making it easier to start a business.** Entrepreneurs in Minneapolis were frustrated by government bureaucracy, silos, and inconsistent inspections. Minneapolis developed a set of recommendations to eliminate roadblocks for entrepreneurs and make it simpler to start a business.

“We want to make it easy to start a business.”

—Betsy Hodges, Mayor of Minneapolis, Minnesota



Betsy Hodges, Mayor, Minneapolis, Minnesota

- **Helping small companies develop.** In Lexington, Kentucky, which is a college town, a jobs fund has been created to fund existing businesses and student startups.
- **Creating a wired city.** Chattanooga wants to be viewed as a place for innovation and the mayor has made it a priority to have fast Internet service for the entire city.

Session 2 – Social Justice & Public Safety: Mayors as Community Builders

A host of issues were discussed in this session. Jacob Hacker of the Yale Institute for Policy Studies asserted that Americans are suffering from amnesia in that the public has forgotten the roots of prosperity and how government can improve people's lives. While in recent years the government has had successes like the Clean Air Act and anti-tobacco efforts, which are responsible for 50% of increases in

life expectancy since the 1970s, he said that America's fall from grace includes declines versus other nations in various measures of health, educational attainment, R&D spending, and infrastructure spending.

Hacker explained that 50 years ago government was seen as a key part of a well-functioning capitalistic society; government and business worked together. This is no longer the case. There has been a weakening of the middle class, with a greater concentration of wealth and power. Institutions have lost their sway and special interests have gained power. And previously, the elites in society behaved differently, with greater levels of civic engagement; today the elites have even greater wealth and are pulling away. Despite the changes that have occurred in the role of government, Hacker expressed optimism about the potential of government to positively impact people's lives, especially at the level of cities. This view was shared by Harvard professor Quinn Mills who sees the federal government in a state of decay, but sees positives at the local level.

“It is clear that the U.S. has good governance at the local level.”

—Quinn Mills, Professor Emeritus, Harvard Business School

Yale School of Public Health professor Zack Cooper focused on challenges related to rising health care costs. Industry consolidation is driving up health care prices and costs of insurance. Those without insurance who need care are charged the highest prices, furthering societal inequities. However, there is no correlation between high costs and good quality care. From the perspective of government, spending on health care – which now represents almost 20% of GDP – is crowding out spending in other areas, such as education and infrastructure. For municipal governments, high margins call into question the tax advantages enjoyed by many non-profit hospitals.

Several mayors expressed significant concern at the high and growing levels of inequity in their cities, which some cited as the greatest problem they are facing. Other societal challenges mentioned include high dropout rates, low minimum wages, unemployment and underemployment, and high rates of crime and violence. There are also tensions in some cities between citizens and the police. Mayors also expressed frustration as increasing responsibilities for the social safety net are being shifted from the federal and state governments to city government.

With these as some of the societal challenges faced, mayors are taking or are considering the following actions:

- **Having a personal presence in neighborhoods.** In Anaheim, California, after the ninth police shooting in one year, the mayor went into a neighborhood unescorted to help calm the situation. Minneapolis' mayor is also spending time building personal relationships in minority neighborhoods.
- **Working to create greater economic diversity.** When cities are more economically heterogeneous, they are economically healthier. A core issue for economic diversity is having affordable housing.
- **Creating greater bipartisan cooperation.** While there is partisanship and gridlock at the national level, and in many states, cities tend to be much more nonpartisan and cooperative, especially when focused on social issues. This provides a greater ability to agree on policies and get things done.



- **Raising minimum wages.** Some cities, such as Santa Fe, New Mexico, are taking the initiative to decrease poverty and reduce inequality by mandating a higher minimum wage. A participant commented that this may be possible in a city like Santa Fe, which has service industries that are not exposed to international competition and are more difficult to outsource, but may be more difficult elsewhere.
- **Working to make kids more workforce ready.** Across the country, local leaders understand the importance of strengthening educational systems to equip students with better hard skills and soft skills. In some cities, such as Buffalo, city government is intervening by taking over the school board in the short term to improve the city’s educational system. Equipping kids with skills also involves programs outside of schools.
- **Implementing programs to decrease violence.** In Chattanooga, programs focused on decreasing violence have decreased shootings by 26%. This has included initiatives to get kids jobs. In New Haven, Connecticut, the chief of police described efforts to target gang members by sitting down with individuals and their families. Policy officers inform gang members and their families that they are likely to be shot or to be the shooter, show pictures, and impose group accountability so that individuals help others stay out of trouble. Also, a few mayors described purchasing body cameras for police. This will increase both the level of accountability and transparency.



Javier Gonzales, Mayor, Santa Fe, New Mexico and Andy Berke, Mayor, Chattanooga, Tennessee

- **Moving to self-insurance.** In discussing high health care and insurance costs, several mayors mentioned how their cities now self-insure themselves, saving millions of dollars per year.

Session 3 – Economic Development & Infrastructure: Mayors as Visionaries

Along with all of the day-to-day responsibilities of mayors, a critical role of mayors is acting as a visionary. Lexington, Kentucky’s mayor sees mayors as having the freedom to create a local platform. While this local platform is often related to national or state issues – like job creation – in large measure, mayors have blank canvasses.

Albuquerque’s mayor sees mayors as playing three roles:

- **Overseeing the cities’ day-to-day operations.** This includes fixing the roads and potholes, making sure the garbage gets picked up, and all of the other daily details of government.

- **Setting big goals.** This might include major infrastructure initiatives or a major undertaking like building a new convention center.
- **Changing the city’s overall direction.** Beyond just a major initiative, mayors have the opportunity to affect a city’s overall direction.

“A mayor steers the ships, turns the rudder, and affects the overall direction.”

—Richard J. Berry, Mayor, Albuquerque, New Mexico

In cities such as Oklahoma City (Oklahoma), Knoxville (Tennessee), and Little Rock (Arkansas), mayors have led major transformation initiatives.

- **In Oklahoma City,** citizens approved the MAPS Plans, a multi-year municipal capital improvement, consisting of a number of projects funded with a temporary sales tax.



Mick Cornett, Mayor, Oklahoma City, Oklahoma

- **In Knoxville,** public investment of \$17 million (used strategically for infrastructure projects such as roads and sidewalks) primed the pump and served as a catalyst to attract investment of around \$250 million in private capital.

“Our role [in city government] is to prime the pump. We are strategic about public sector investments to attract private sector investments.”

—Madeline Rogero, Mayor, Knoxville, Tennessee



Madeline Rogero, Mayor, Knoxville, Tennessee



- In Little Rock, the mayor has a vision of redeveloping the downtown area, and has been resourceful in securing various federal tax credits and funds from sources such as the EPA. As important as local leadership and investment is, Little Rock's mayor acknowledged, "Without federal money, we wouldn't have gotten this project off the ground."

Stamford's mayor echoed similar sentiments about the importance of federal government support, especially for major infrastructure undertakings like transportation and highway projects that affect multiple cities and states.

Madison, Wisconsin's mayor expressed delight in a major employer deciding to create several hundred good jobs in Madison. However, he emphasized that economic development still doesn't address issues of inequity.

Session 4 – Guangdong Provincial Leaders: Mayors as Ambassadors

Representatives from Guangdong Province provided an overview of Guangdong. This prominent province, with a history of more than 2,000 years, is home to 170 million people. Many of China's major strategies and reforms started there. As one individual said, "To understand China, you have to understand Guangdong." About 25% of China's trade originates in Guangdong and this province accounts for just under 10% of China's GDP. Over the past 30 years, GDP has grown about 13% per year on average.

Yet, while Guangdong's accomplishments are many, so are its challenges. The most significant challenges are around economic balance—as there are both prosperity and high levels of poverty, educational and health care systems that have not kept pace with the economic growth, lack of sustainability, and limited natural resources.

The delegation from Guangdong, which included three mayors—of cities ranging from one million to three million—described seven key parts of a Chinese mayor's job:

1. Financial management. This includes overseeing the budget and managing revenues, fees, and infrastructure.
2. Civil affairs, including housing, education, security, social, and cultural affairs.
3. Urban planning, including buildings and facilities, and management of them.
4. Reforms to transform government and have markets play more of a role.
5. Social stability and safety.
6. Development to deal with areas where the country is lacking, to achieve more balance, to transform to an innovation-driven economy, and to cultivate new industries.
7. Building the party by fulfilling the duties of the role, promoting discipline, and overseeing local party functions.

"We have more jobs than U.S. mayors."

—Member of the delegation from Guangdong Province



Chinese Delegation

In addition to those items listed, mayors in China also manage regional economic growth, safeguard the environment, and help people in poverty. Other important distinctions are that they are selected in a different way (via appointment as opposed to an election) and they are accountable to the party, not the public.

The U.S. mayors had backgrounds as lawyers, business people, public advocates, and entrepreneurs, and were all elected to their positions. Some serve as mayor on a part-time basis and they lead cities of 100,000 to than 500,000 people, which are much smaller than those of their Chinese counterparts. These U.S. mayors replied that many of the responsibilities are similar, with oversight of the budget and public safety, especially police and fire departments. U.S. mayors are focused on economic development and infrastructure projects, as well as social needs, such as homelessness. Mayors are also focused on education, transportation initiatives, tourism, arts and culture, and social issues. Unlike China, and different from the U.S. federal government, many mayor positions are nonpartisan.

A common theme throughout all sessions was the idea of leadership. Leaders have a vision and are able to articulate it to rally support. They develop plans, listen carefully to key stakeholders, and adjust those plans accordingly. In leading cities, mayors know they will be under public scrutiny and will receive complaints, and know that their support and any consensus will be short lived. Leaders challenge themselves, have the courage to take criticism, and hang in there when things are tough. Despite the challenges and the criticism, the mayors participating in this Mayors College believe in the power of local government to effect positive change for their communities and citizens. They are leading the way.