

## ICI VIEWPOINTS

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## GMM Policy Forum: Michael Bloomberg and the Focus on Value

By Todd Bernhardt

Businesses and people can both prosper if they focus on providing a service that is unique and that has real value, said Michael R. Bloomberg at ICI's 58th Annual [General Membership Meeting](#) (GMM) today. The noted entrepreneur, philanthropist, and three-term mayor of New York City covered a wide range of topics in a lively back-and-forth with ICI President and CEO Paul Schott Stevens during the meeting's opening Policy Forum, attended by about 1,500 fund industry leaders.

### Listening vs. Hearing

Stevens kicked off the questioning with a query about the origins of Bloomberg Terminal, which enables users to monitor and analyze financial market data and place trades in real time. Bloomberg replied that the idea came from his time as a trader at Salomon Brothers, where information was key but everything was paper-based—and, thus, slow. When he got an opportunity to start his own company, he realized there was a need that perhaps the customer couldn't articulate but that he could fill by creating a first-of-its-type service.

"You should listen to your customer—but it's more important to *hear* them, and to anticipate their needs," he said. "It's important to lead, because then you have a chance to go someplace. Few people do that because it requires taking risks." By the time the company had developed the terminal and gained its first customers, "we had enormous first-mover advantage" over the competition.

Since then, the terminal has become a fixture throughout the financial services industry, with a reputation for reliability and premium pricing. With a smile, Stevens noted, "The product has a great reputation—and a premium. The saying is, it doesn't go down, but neither does the price!" Bloomberg responded that "our strategy is to keep adding value to the product, so while it may be expensive in terms of number, it's not expensive in terms of value added."

He then emphasized an important part of his business philosophy—that it's best to focus on providing a unique set of products and services, to fill specific needs. "You can't be all things to all people," he noted. "If you have what everyone else has, you have no pricing power." To be really successful, he said, focus all your efforts on your audience and their needs, and keep creating the best solutions. "If we can't do it better than anyone else, we avoid it," he explained.

### Value for People

The need for value also ran through Bloomberg's answers to Stevens's questions about the economy. When asked why the rate of growth in the U.S. economy has been weak since the financial crisis when compared to previous recoveries, Bloomberg replied that we're in the midst of a transition. Productivity has gone up but wages have remained stagnant, he said, because technology is increasingly taking over tasks where a high level of skill is not required. Just as companies must offer a unique product or service to demand a premium price, people must have something unique to offer—they must be able to add value—if they're going to exercise any pricing power, he said.

He pointed out that "for the first time in our history, more jobs are being done with minds than with muscle." We are living in a "knowledge society," he said, and unlike the past, we need to do more than learn processes. To be really successful, workers must be able to reason and create. This makes the need for effective education essential, because it's currently impossible to translate many of the skills required in areas where jobs are being lost, such as in coal mining, to areas where they are being gained, such as in technology. Education must focus on outcomes—on adding real value for students—rather than on protecting the old system.

Bloomberg believes that charter schools and vocational schools could help transform society and the lives of the millions of students who might not want to attend college. He'd seen this happen in New York City, he said, and is continuing to fund efforts through his foundation to expand innovative educational opportunities. But ultimately, "it's up to the government to use taxpayer money and scale this up," he insisted. Teacher unions and other entrenched interests in politics need to start focusing on the beneficiaries of their efforts, he said, rather than the providers.

## Solvable Problems

There are real risks to not confronting the issues before us, Bloomberg warned—risks that are already being felt. Because of the disruptions in the economy and the automation of low-skill jobs, he said, and because of the seeming inability of policymakers to look beyond their own interests to focus on the population and to agree on solutions, problems in society are burgeoning. Suicide rates and drug use are rising in the middle class, and values are changing at an unsettling pace, he said.

As a result, he explained, people who are alarmed by the pace of change and who feel out of control are being drawn to populist political platforms that promise "equal results" rather than "equal opportunity." These pressures are not just being felt in the United States—they're being felt around the world, he cautioned. Immigration is prompting political shifts in the European Union, low interest rates are creating economic ramifications for individuals and nations alike, environmental degradation is affecting China and India—the list goes on.

But, he reminded the audience, we must remember that we've made great progress, especially with reducing poverty around the world. The challenge for us now, he said, is to work together, to make tough decisions, and to create solutions—even if these solutions are not always palatable to everyone. When asked by Stevens about his "presidential platform," for example, Bloomberg replied that he would actively defend the big banks. "We need them—to finance the future, take risks, generate money, and buy mortgages," he insisted. "But no one wants to say we need them."

"We have solvable problems," he continued. Because "most are political," he said that Congress needs to work together to create "rational fiscal and tax policies," and pointed out that though personal tax rates in the United States are low compared to the developed world, the country's corporate taxes are high—which is not good for job creation. With "intelligent fiscal policies," a "rational immigration policy," and expanded educational opportunities, he said, "we can move forward."

The key, he said, is to add value—to make the solutions unique and relevant to everyday people. For example, instead of talking about climate change as a huge, unsolvable problem that most individuals can't relate to, talk instead about simple changes that individuals can make to reduce their energy bill. "Make the solution relevant to the person *today*, in the here and now, and they will be more likely do something about it," he insisted. "You're not going to get everyone to do it, but enough people will, if you keep at it."

## The Value of Hard Work

In wrapping up the session, Stevens—who has a long history of involvement in the Boy Scouts of America, and whose four sons are all Eagle Scouts—asked Bloomberg about how he was able to fulfill all the requirements of Eagle Scout by the tender age of 12 (which at the time was too early for the Scouts to officially accept him into that rank). Bloomberg said he loved every minute of his time as a Scout, saying it fit perfectly into the other values instilled by his parents that had influenced his life: hard work, honesty, charity, and community.

When asked about his famous work ethic and how it related to his success, Bloomberg described this simple value in simple terms. "I'm not the smartest guy in the room. Someone will always be smarter. But I can make sure you don't outwork me....If you want to be successful, that's how you get there."

Todd Bernhardt was senior director of public communications at ICI.