

# Levers of Prosperity:

Talent, Trust, Transparency



China-U.S. Financial Services Forum  
Shanghai-Boston-New York

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# Five topics

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- **Mega-Regions and IFCs: Levers of Prosperity**
- **Shanghai-Boston-New York Forum: Objectives**
- **Boston and its Financial Services Sector**
- **The U.S. Today: A Macro Summary**
- **Today's Agenda: Issues for Discussion**

# The Case for Globalization

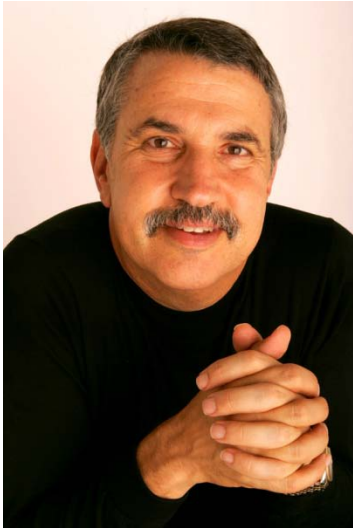
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**“... the spread of Chinese capital should bring benefits to its recipients, and to the world as a whole. To reject China’s (international investments) would ... be a deeply pessimistic statement about capitalism’s confidence in itself.”**

Lead editorial from the Economist, November 13, 2010

# We're All Connected-- But Proximity Still Matters

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Tom Friedman:  
The world is flat.  
We are all connected.

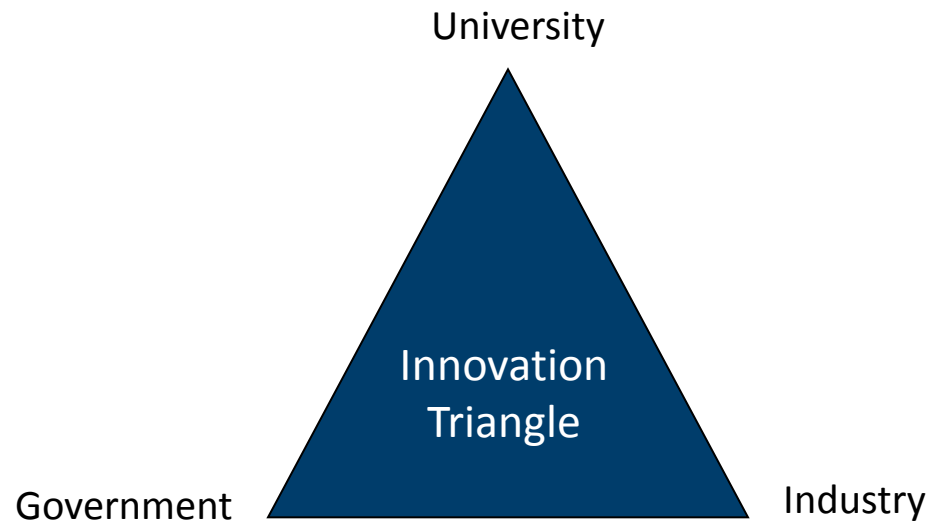


Richard Florida:  
The world is spiky.  
Mega-regions will win.

# University-Industry-Government Partnerships

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Strategic alliances are the key to leadership and economic growth



# Levers of Prosperity

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## Talent, Trust, Transparency

International finance centers are **innovation gateways** – integrating worldwide **clusters of Talent** built on **Trust** and **Transparency**.

Comparative advantage--for the region and its firms--is gained through:

- Free flow of people, ideas and money to support global connections
- A level and predictable playing field for regulation and costs
- Reliable and secure infrastructure, especially IT for finance
- Quality of life, cultural “buzz” and education to attract young professionals

These regions are **global talent leaders**...with **world class education and training programs** to recruit and develop talent for their firms.

# Shanghai-Boston-New York: Three leading international finance centers

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Mass Insight Global Partnerships organizes financial services leadership networks between the U.S. and China focused on mutual challenges and common interests.

## Partners:

**Shanghai Municipal Government Financial Services Office**  
**Shanghai Advanced Institute for Finance**  
**Boston Financial Services Leadership Council**



**STATE STREET.**



# The Shanghai-Boston-New York Financial Services Forum

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## Building Talent and Trust

**Organized by corporate partners:** An intentional cross-national organizational strategy

**To create and sustain executive networks:** CEOs/senior executives engage “rising” executives

**Supported by forums:** Working together on common challenges to build talent and trust

**And in 2011, a web-based corporate community:** Webinars and facilitated e-conversations connect executives across firms and the three finance capitals

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**Boston Financial Services:  
A Complete Portfolio –  
Managing Assets and Fostering Innovation**

# Financial Services: a Key Regional Driver

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- Boston Financial Services Leadership Council firms alone represent over **\$5 trillion in assets under management, more than \$30 trillion in assets under custody, and serve more than 60 million client accounts**
- **170,000 jobs--over 5% of direct state employment and 10% of the state's total output, delivering high productivity**
- **Average income of \$110,000 per year, more than double the state average**
- Many jobs are **middle class, middle income positions** at \$50-100,000 per year

# Boston: a National/Global Leader

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- Boston is home to **3 of the top 10 retirement money managers**, making it the number one cluster
- Founder of the mutual fund in 1924, **Boston/Massachusetts remain a national player**
- NY, Connecticut and Massachusetts **dominate the U.S. in hedge funds**
- Massachusetts hosts **top 10 insurers in each of the property & casualty, life, and health sectors**

# Supporting Innovation and Wealth Management

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- Innovation throughout New England is driven by **venture capital and private equity**
- Massachusetts is a **wealth-management leader** across local banks and asset managers
- Massachusetts has a **competitive banking sector** with two of the nation's largest banks in the region, and is an industry leader in “savings banks”

# Driven by Talent from the #1 U.S. Cluster of Business Schools

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Massachusetts **graduate business schools** include:

- Babson College
- Bentley University
- Boston College
- Boston University
- Brandeis University
- Harvard University
- Massachusetts Institute of Technology/Sloan School
- Northeastern University
- University of Massachusetts
- Worcester Polytechnic Institute

# The U.S. Context: Macro Trends

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## Continuing Strengths

- Educated population/higher education/immigrants
- Innovation culture, flexible labor markets
- The Millennials: A mission-driven generation

## Challenges

- Long term: Debt/living standards, retirement/benefit promises
- Socio-political impact: 8-10% unemployment, top 5% wealth
- Continuing uncertainty: Consumer confidence, small business concerns on healthcare/taxes, financial services and healthcare restructuring

# The U.S. Context: Markets and Regulation

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3/6/3 banking died 40 years ago..policies didn't catch up.

- **Money moves from banks to non-banks in the '70s:** Outside traditional regulatory systems
- **Money moves out of public exchanges in the '00s:** Dark pools/private exchanges
- **Traders and quants dominate Wall Street:** From relationship banking to counterparties
- **Institutional investors dominate the markets:** From 10% to over 60% of the markets (GMO, June 2010)

# How the Markets Look Today

## Post-Election Reality: 2011/2012

- Attractive
- Neutral
- Unattractive

	U.S.	Europe	BRIC
<b>Economy</b>			
• GDP	<span style="color: yellow;">●</span>	<span style="color: red;">●</span>	<span style="color: green;">●</span>
• Unemployment	<span style="color: red;">●</span>	<span style="color: red;">●</span>	<span style="color: green;">●</span>
<b>Interest Rates</b>	<span style="color: green;">●</span>	<span style="color: yellow;">●</span>	<span style="color: yellow;">●</span>
<b>Credit</b>	<span style="color: green;">●</span>	<span style="color: green;">●</span>	<span style="color: green;">●</span>
<b>Currency</b>	<span style="color: green;">●</span>	<span style="color: yellow;">●</span>	<span style="color: green;">●</span>
<b>Corporate Balance Sheets</b>	<span style="color: green;">●</span>	<span style="color: green;">●</span>	<span style="color: green;">●</span>
<b>P/E Ratio</b>	<span style="color: green;">●</span>	<span style="color: yellow;">●</span>	<span style="color: green;">●</span>

# Issue: The Competition for Talent

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## Are we developing next-generation global executives?

The primary challenge for a global company CEO is to recruit and develop the top 500 people, who should be able to operate easily across different countries. --Al Zeien, Gillette CEO, 1990s

- **Global firms internationalize their executive team.** Multi-national teams are a key indicator of competitiveness
- **Decentralized “in-country” hiring creates a need for global leadership training.** Rising executives need opportunities for cross-national development

**Collaboration:** Joint leadership programs for next-generation executives to develop cross-national knowledge and experience.

# Issue: Secure and Aligned IT Systems

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Asset management firms are data operations and require international alignment of systems

- **Major budget and talent investments:** IT operating budgets exceed \$1 billion annually at major companies
- **Global supply chains:** State Street with close to 1,000 IT developers in Hangzhou linked to Zhejiang University

**Collaboration:** Build talent, trust and transparency to develop and align IT systems for global networks

# Issue: The Retirement Challenge

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## Retirement challenges in the U.S., Europe and Asia will fuel the growth of asset management

The U.S. has gone from 15 workers supporting one retiree after World War II to less than a 3-1 ratio.



- 76 million Baby Boomers began retiring in 2006.

**Collaboration:** New public policies, products and services to channel savings and support retired workers

# China-U.S. Partnerships: Levers of Prosperity

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## Talent, Trust, Transparency

