

Boston Business Journal

Mass. biz leaders call for new institute to boost financial services

Boston Business Journal - 10:25 AM EDT Friday, March 30, 2007

by [Craig M. Douglas](#)

Journal staff

Citing the threats that globalization and technology now present to Boston's once-dominant financial services industry, local business leaders are calling for the formation of a public-private institute that will identify the sector's trends and opportunities while also training prospective workers in that field.

The proposal, made at a Greater Boston Chamber of Commerce breakfast event Wednesday, is preliminary, and it remains unclear whether the resources are available to get such an effort off the ground.

"It's kind of a chicken and egg type situation," said Ron O'Hanley, a vice chairman at Mellon Financial Corp. who moderated a panel discussion during the Chamber event. He said the business community would likely financially back a Boston-area financial services institute only if "a robust system is clearly in place. Otherwise, business simply won't invest."

The idea behind the proposed institute stemmed from a recent report published by the Boston Chamber **and Mass Insight Corp.**, a research and public-policy advocate in Boston, that highlighted several trends pointing to a slow, yet steady, deterioration in the size and clout of Massachusetts' financial services sector. The report was authored by McKinsey & Co., which also worked on a similar project with Wall Street's biggest players to gauge the competitiveness of the U.S. markets.

Sandra Boss, a McKinsey consultant who worked on the Massachusetts report, said the study speaks to broader trends at play, given the ripple effect that the finance industry has in the commonwealth. "When you actually think through it, financial services as an integrated sector is the state's most important from a size and growth standpoint," Boss said.

She estimates that the state's 180,000 jobs in the financial services sector directly support another 150,000 positions in the legal, technology, consulting and accounting industries. Both Boston and Massachusetts have seen employment in financial services drop since 2000, while other states have "made considerable progress," according to the report

Boss also cited a general complacency when surveying local business leaders about the finance sector's prospects. That sentiment was very different from the responses generated in her earlier survey of New York's finance community. "For them it was all about winning," she said of the New Yorkers. "Boston's leaders can't just assume that their current products and services are going to keep winning."

Grace Fey, a panelist at Wednesday's event and a principal at money management concern Frontier Capital Management Co. in Boston, said a university-based financial services institute would be a logical step in maintaining the area's preeminence in the finance sector. The partnership would likely coordinate industry, state government and local colleges to produce a deep pool of graduates steeped in quantitative skills. She said the institute would also serve as a think tank of sorts, allowing local firms to stay on the industry's cutting edge, from a products and services standpoint.

"Collaboration is needed," Fey said. "There are fundamental changes in the way financial services are being handled and the kinds of products that are being offered."

The report's backers also called for the finance community to anoint a point person to interact with state and academic leaders to coordinate projects going forward. The need for such an official has grown in light of the area's roster of international companies with local operations. "Interface between state government and larger companies is more complicated when the CEO is not in town," said event panelist James Mahoney, Bank of America Corp.'s director of public policy. "State officials need to have a more detailed understanding of the operations that are in town."

Craig M. Douglas can be reached at cdouglas@bizjournals.com

© American City Business Journals Inc. All rights reserved.

Link to the report: "Securing Massachusetts' Leadership Position in Financial Services"
<http://www.massinsight.com/gm/SecuringMAFinancialServicesLeadership.pdf>