

DISCUSSION DRAFT

Challenges, Opportunities, and Vision for **Financial Services**



Assets of high-net-worth individuals are expected to double to \$77 trillion by 2020, disproportionately benefiting Massachusetts asset management companies.

Global Massachusetts 2024 is an initiative of Mass Insight Global Partnerships that convenes leaders from major business groups, industry, and higher education to build consensus for a comprehensive 10-year economic agenda that will position Massachusetts to win the competition for talent and innovation – the key to securing prosperity for all citizens.

Building on the success of the 2006-2008 Global Massachusetts initiative, this new effort will outline how the Commonwealth can grow in the next 10 years, where the

opportunities lie, and how government can target limited resources to realize the opportunities.

By consulting leaders in key growth sectors, the broader infrastructure community, and international business and government representatives, Global Massachusetts 2024 is establishing a 10-year vision for the Commonwealth on how government and industry leaders can partner and structure talent and technology resources to grow. This report is a *discussion draft* focused on the **financial services** sector.

Global Massachusetts 2024
Winning the Competition for Talent and Innovation

A partnership
launched and supported by
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The vision for 2024: Boston rises as a Fintech capital, where global financial services firms locate their tech R&D to gain from the talent and tech innovation in risk management and cybersecurity. Boston also becomes a growing center for Fintech startups, which are drawn to the talent pipeline generated by the Massachusetts' Big Data and cybersecurity Research Centers of Excellence. Local universities play a significant role in incubating ideas and also providing tailored programs for mid-career professionals. Boston's financial services sector grows a significant number of jobs in Big Data analytics, risk analytics, cybersecurity and compliance.

The state of the sector today:

The Massachusetts financial services industry may seem calm on the surface, but behind the scenes it is rapidly changing, adopting new technologies as companies of all sizes increasingly depend on IT innovation to drive growth and efficiencies. More than ever, financial services firms resemble tech companies, and if Massachusetts is to grow as a financial capital it needs a strategy to cultivate top technology talent and innovation.

Financial technology – Fintech – soon will be almost synonymous with financial services. A vision for a more prosperous Massachusetts' financial services industry should include a deliberate strategy to build collaborative exchanges between the sector's major companies, the burgeoning Fintech local startup community, and research universities. Massachusetts has the assets, both literally and figuratively, to propel itself forward as a financial services center by 2024.

Already the sector is showing the strain of needing more Fintech talent. Data analysts, risk analysts, and cybersecurity positions have become increasingly difficult to fill. Financial services companies are wanting for talent in other areas, including compliance, a talent gap that is predicted to worsen as the worldwide growth in asset management disproportionately benefits Massachusetts.

The potential for financial services disintermediation by startups and entrants from other industries looms as a wildcard for the sector: Walmart is a bank, Google is moving into car insurance, and an assortment of startups offer personal and business lending through sophisticated web platforms. Tech innovation in financial service includes driving efficiencies, transparency, and improving the customer experience. Massachusetts has the technical innovation, the educational institutions, and a critical mass of motivated incumbent financial services companies to become a leading Fintech center. The confluence of technological change and the already broad base of money management in Boston argue for a strategy to elevate the local industry as an innovator that is focused on developing the next-generation pipeline of talent and products.

Global Massachusetts **2024**

Winning the Competition for Talent and Innovation

Challenges:

Approximately 30,000 people will need to be replaced as a result of attrition and retirement.

There's a high demand already for certain skill sets, particularly around advanced analytics, Fintech and risk and compliance. As it stands now, talent replacement will create a major challenge.

Technology trends are creating a need for new skills sets in financial services. Digital changes to previously manual processes has permeated financial services, from the front end in marketing to the service processes on the back end, placing a premium on technical competence.

Traditional training grounds for entry-level employees too often are behind the curve. This creates a lengthy and costly onboarding process. Banks currently find it difficult to place undergraduate majors with unrelated degrees and no internship experience.

Negative perceptions linger about the financial services industry. Boston's high cost of living and shortcomings in public infrastructure add additional hurdles to attracting and retaining talent.

Recommendations/Potential Initiatives:

Create a financial services "Fellows Program." This connects top performers at Boston's leading financial services firms to academic thought leaders and startup innovators. The sharing of ideas would benefit the individuals, the companies and the sector as a whole.

Make the case for the Boston area financial services industry. The facts about the industry – its contribution to the economy and the potential for the region to win in the changing financial services landscape – need to be marshalled and presented. The annual Mass Insight/PwC sector impact report provides the data.

Fund Research Centers of Excellence in Big Data and cybersecurity to help fill a pipeline. The strong demand for a

Big Data and cybersecurity talent pipeline presents a great opportunity for collaboration between state government, industry and universities to create Research Centers of Excellence. Big data analytics and cyber security represent the kind of cross-disciplinary skill sets that the Baker Administration may be willing to invest in. Global domination in cyber security is up for grabs – and there's a clear case for establishing a cybersecurity center of excellence, building on the Advanced Cyber Security Center.

Create pre-competitive collaborations between higher education and industry focusing on professional development programs for young professionals in critical talent shortage areas. Big Data analytics, risk analysts, cybersecurity and compliance are

good targets for joint staff development programs and new undergraduate and graduate degrees.

Better shape ongoing academic programs on the graduate and undergraduate level. Enforce curriculum changes focusing on developing key skills that more closely correlate to industry needs.

Promote more university-industry financial services connections through internships. Massachusetts needs a clearing house of financial services internship opportunities similar to the ones that are being created in technology and life sciences.

Global Massachusetts

Winning the Competition for Talent and Innovation

2024

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