

Milwaukee 7 CEO Call Program: Financial Activities Sector

Prepared for:
Milwaukee 7



Prepared by:
Sammis B. White
Brad Lenz
University of Wisconsin – Milwaukee

CEO Call Program: Financial Activities

SCOPE: The CEO Call Program for Financial Activities (the slightly more encompassing definition of financial services) was undertaken in the summer and fall of 2008. CEOs were asked a series of questions about their businesses and the region. Some calls on the CEOs preceded and others followed the global financial meltdown. Originally, about 170 firms were identified as being in this sector in the Milwaukee 7 region. That list was pared down in an effort to focus on firms more likely to bring income into the region, including money management, investment analysis, information technology solutions for financial services, insurance, and investment banking, to name a few. Attempts were made to talk with some 50 CEOs; 32 interviews were completed (64% completion rate).

The 32 firms that responded collectively employ more than 8,200 persons in the region and 36,700 globally. Some 77% of these firms are headquartered in the region. Nearly 90% of the firms generate one-half or more of their revenue from customers located outside the region.

TALENT DRIVES FIRM SUCCESS: The needs and challenges of the firms visited vary widely, although all depend on talent for success. Some of the firms can only succeed if they are able to attract top talent from national and international markets. Others can succeed largely with regional talent. Regardless, talent is the single factor that most often influenced responses.

Financial services firms that compete globally, for example, in money management or investment analysis from the Milwaukee 7 region have to work very hard to succeed, given their location away from large financial centers. Talent attraction is a huge issue, as is credibility as a Milwaukee-based firm. Whether it is money management or investment analysis, other larger cities are often thought of first and often by both talent and those seeking financial services.

One strategy that some firms have used to attract world-class talent is to allow that talent to live wherever in the world it wishes. Advanced communication technologies make this strategy possible by eliminating geographic distance as a barrier to getting things done. Work that was once done in a centralized location can now be done in disparate locations across the globe, held together by electronic communication. This strategy keeps these firms competitive and viable. The gain for the region is a more successful firm, but the region does not reap the benefits that accompany the presence of more high-wage professional talent.

HISTORICAL TIES: The vast majority of the financial services firms we visited are located in the region because they were founded here many years ago or they were spun-off from local firms. In many instances, firm management enjoys the region and does not want to move. In others, local ties are so strong that they cannot move. But hearing of their struggles gave the impression that some believe doing business

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would be easier in a more traditional financial services stronghold.

GROWING OUR OWN: Several respondents mentioned that the only way to grow the financial services sector in the region is to encourage new firms to start here, usually via spin-offs from existing firms. Attraction is just too difficult. Attention should be given to making spin-outs, new firms, and firm growth easier to accomplish.

ONEROUS TAX CLIMATE FOR HIGH-INCOME PROFESSIONALS: Talent attraction is made all the more difficult by burdensome personal taxes, said one-third of the respondents. When asked to rate the state tax climate on a five-point scale (1 = Poor, 5 = Excellent), the average response was 1.7. The state income tax was noted repeatedly as the major culprit. This is a substantial barrier to attracting top-tier, well-paid talent, and often requires firms to pay salaries above market rates to offset the tax hit.

TRAVEL DIFFICULTY: Air travel to and from Milwaukee is an increasingly difficult proposition for Financial Activities professionals, many of whom fly extensively. Firms that cannot get their people to key business destinations respond by putting more personnel in satellite offices in other locales. Improved train travel, however, could make Milwaukee more viable because of easier access to workers and to markets.

BENEFITS OF A REGIONAL LOCATION: Respondents identified several positives of

being located in the region, including high quality of life (workers who come here often stay), strong work ethic, quality higher education, and our proximity to Chicago. When asked directly, however, more than half could not identify any regional characteristic that contributed to their profitability.

BOTTOM LINE: Financial Activities is not a sector on which the Milwaukee 7 should concentrate particular attention for growth. Many of the firms already here will likely continue to succeed here. But the region is a challenging place from which to compete. There are positives for being here, but talent attraction, the modest scale of the sector here, the reputation challenge of being a global contender in a New York- and London-centric sector, all make this a long-shot for dynamic growth.

Efforts should, however, be made to help local firms grow and new firms to start. Individual firms in unique niches can also flourish. We should not, however, expect large payoffs from explicit sector growth efforts by the region, given the hurdles that many of these firms face operating here.

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Contacts

Mr. Sammis White
Professor
School of Architecture & Urban Planning
University of Wisconsin-Milwaukee
2131 E. Hartford Ave.
Milwaukee, WI 53211
(414) 227-3203

Mr. Jim Paetsch
Vice President
Milwaukee Development Corporation
756 N. Milwaukee St., 4th Floor
Milwaukee, WI 53202
(414) 287-4171

Introduction

Financial Activities (the slightly more encompassing definition of financial services) includes a rather broad range of industries. These include commercial banks, mortgage banks, savings banks, credit unions, investment banks, mutual fund firms, private money management firms, private equity firms, trust management, insurance companies, venture capital firms, electronic financial transaction processing firms, firms that sell securities and other non-security financial products, and so forth. Some firms offer their services only to businesses, some deal only with institutions that may not be businesses (pension funds, non-profit organizations, institutional investors, to name a few); others largely serve individuals; still others serve a mix of many types of clients. Several financial firms have very specific niche markets that they serve. In recent decades several new products and markets have developed, and Milwaukee 7 firms are involved in many of these.

The Milwaukee 7 region is well populated with companies in the Financial Activities sector. Employment in Financial Activities in 2006 was reported to be over 62,500 persons or 6.3% of total regional employment. That employment is not close to the largest employment sector in the Milwaukee 7 region. Manufacturing employment is almost three times as large, and retail trade, education, health care and hospitals, and local government employment are all larger. But the Financial Activities sector is an important part of the economy not only for its jobs but more importantly for the income it generates from other parts of the U.S. It is also a sector that is talked of, especially these days, as one that has

potential for growth, despite the overall financial meltdown and the problems in the industry.

Several of the Milwaukee 7 region's firms are industry leaders. Some have stories of growth that are part of the local lore of successful entrepreneurship in this region. Several individual firms are commonly cited as examples of what can be done, when education and interest combine. A few of these firms have grown to be publicly traded and nationally recognized. Others are smaller but are still well regarded in their respective industries.

The region has been populated by these Financial Activities firms initially because of the needs identified in the local economy. Banks that serve companies, non-profit organizations, and individuals in the region are here because banking is a fundamental service that is required in our economy. Other Financial Activities firms have grown here because of more sophisticated needs, be those investment banking, money management, back-office software for the industry, front-office software for financial services, insurance on individuals, services, products, and so forth. The list goes on. Several firms that began by serving the local market have grown to serve the national market, and more than a few now serve the international market.

The Milwaukee 7 region has been assisted by the presence of entrepreneurs who have seen growing needs and developed products and services to meet those needs. Examples include firms like Strong Funds (now Wells Fargo) and Heartland Funds. Other firms have spun out of companies that preceded them;

Artisan Funds was started by an alumnus of Strong Funds, for example. The region has also had business leaders who have promoted the development of new ideas, be they financial products or services, that they saw would help their firm and have a greater market appeal. Some local companies, such as Fiserv and Metavante, have spun-out as independent companies. A secret to growth of the sector here has been having healthy firms that developed the talent and ideas to start a new generation of firms in the industry.

There has been innovation. That innovation has been assisted by public investment in higher education, such as the money management program at UW-Madison and the expansion of both graduate and undergraduate business education at both UW-Madison and UW-Milwaukee. Marquette University has also stepped up to further provide education aimed explicitly at the financial services sector. These combined efforts have helped bring success to the Financial Activities sector in the Milwaukee 7 region.

The current challenge for the region is to determine how this group of quite disparate industries within the Financial Activities sector can be grown in order to add more jobs, income, and luster to the region. To get a better sense of what is needed for that growth to occur, the Milwaukee 7 undertook a systematic survey of the CEOs in the industry to learn how they are doing, what factors are contributing to their successes, what factors are creating challenges, and what ideas they have for steps that are needed to help them succeed at a higher level.

Methodology

An attempt to identify all of the Financial Activities firms in the region was the first step. Basic sources of regional-firm lists were used for this activity. The number of different firms noted was close to 170. There are far more individual establishments, since many of the companies in this sector have multiple locations within the region. The complete list focused on the headquarters or the largest element of the firm in the region. Thus, a bank that is headquartered elsewhere but which has multiple branches in the region was counted as one and its regional office was identified as the establishment of greatest interest to this study. For firms known to be headquartered here, contact was made with the CEO at the headquarters. For firms not headquartered here, contact was made with the senior person overseeing Milwaukee-area operations.

Once the list had been completed, the second step was to identify the regional income generators, those firms most likely to be bringing money into the region. Thus, a mutual fund company that attracts investors from all over the U.S. would be included, as would a financial services firm that provides services both nationally and internationally. But firms like credit unions, community banks, and other organizations that exclusively serve the regional market were excluded. Editing the list in this fashion reduced the list from close to 170 to 50 firms.¹ These 50 were targeted and then assigned to a large group of volunteers to attempt to gain the firms' participation. The volunteers made contact and, where possible, proceeded to send a pre-meeting survey containing factual questions on the business to

the respective CEOs. That was followed by an in-person interview with more detailed questions for 32 of the firms, generating a very respectable 64% response rate. Both survey instruments are included in Appendix 1.

The interviews were conducted between the beginning of July and mid-November 2008. Some of these interviews preceded the industry financial meltdown while others followed much of that meltdown. That timing obviously affected some of the responses given. The final stage was to create a common database of all responses, analyze the many responses, and write this report. The effort was a challenge, given the diversity of firms within the larger Financial Activities sector.

Basic Description of the Respondents

To give a better sense of what it is respondents do within the rubric of financial services, the first description is precisely that: a table of what corporate functions the firms provide and how many of the firms provide these functions. These appear in Table 1.

What is immediately obvious is that many of these functions relate to money management. The details also show the distinctions that respondents made in describing what it is they do. What is not shown explicitly is the presence of multiple, specific functions at several sites, given that the 31 respondents collectively reported 121 activities at their facilities, an average of 3.9 per firm. The message remains, though, that Financial Activities in the region vary across the sector's sub-industries.

Table 1: Corporate Functions at Facility Visited

<i>Function</i>	<i># of firms</i>
Financial portfolio management/individuals	15
Financial portfolio management/institutions	14
Stock or bond trading desk	11
Mutual fund sales and administration	8
Trust management	8
Mutual fund strategy and management	7
Financial transaction processing	7
Electronic financial transaction processing	7
Sale of securities	7
Sale of insurance products	7
Insurance administration	6
Investment banking	5
Venture capital services	5
Sale of financial products (not securities)	4
Customer call center	4
Futures trading and advisory services	1
Other	5
Total responses	121

n=31

Other useful facts help to further describe the firms. They were founded between 1854 and 2008 and have a median birth date of 1983. Some 77% of these firms are headquartered in the Milwaukee 7 region. About 30% have all of their operations at the headquarter site here, about 50% have additional operations inside and outside the region, and just over one-fifth have additional operations only outside the region.

The firms range in size from 6 to 3,000 employees in the region (Table 2). These firms tend, however, to be larger. They are successful and have grown to average 256

employees each within the region, almost 1,100 employees in the U.S., and more than 1,200 employees in the world. What these figures mean is that the 32 firms employ an estimated 8,200 individuals in the region, some 35,170 persons in the U.S., and a total of 36,700 in the entire world. These are significant firms.

Table 2: Total Employment of Respondents

<i>Location</i>	<i>Avg.</i>	<i>Min.</i>	<i>Max.</i>	<i>Range</i>
Site	244	6	3,000	2,994
Region	256	6	3,000	2,994
Wisconsin	276	6	3,000	2,994
U.S.	1,099	13	21,250	21,237
World	1,209	13	24,400	24,387

n=30

The firms generate income for the region. Their average revenue from regional operations was \$118 million last year while their companywide gross revenue averaged \$537 million. These revenues were gained largely outside the region. In only three of the firms did more than 50% of the revenue come from within the region. For half the firms less than 10% of gross revenue came from within the region. They are true regional income generators.

Another advantage of these firms is that they make a majority of their supplier expenditures in Wisconsin. In fact, 68% of their dollars are spent in the state, including the 49% of all expenditures made in the Milwaukee 7 region. They share the wealth with the region.

Another way they share the revenues they generate is in their payments to workers. This is

a high-wage industry (see Table 3). About three-quarters of the workers are managerial, marketing/sales, professional, or technical.

Table 3: Distribution of Employees by Occupation and Average Wage

<i>Occupational Category</i>	<i>Average</i>	
	<i>Percent</i>	<i>Wage</i>
Technical	19%	\$35.17
Professional	30%	\$44.52
Managerial and supervisory	14%	\$53.04
Marketing/sales	10%	\$37.43
Clerical and admin. support	25%	\$19.14
Unskilled	1%	\$14.87

n=24 n=11-13

The last description to be covered in this section is how the firms have been doing in terms of employment and profitability growth. Firms were asked several questions regarding their past and future. A summary of the distribution of their responses appears in Table 4. A brief assessment reveals that they have been doing well, and despite the cloud that was beginning to spread over their industries, they were somewhat optimistic about the future.

When asked whether they had added employment over the last 12 months, over half indicated that they had. Some 11% had increased employment significantly while 43% indicated an increase. Only 13% spoke of decreases. The next 12 months are not as bright, but still 37% indicated that they expected to increase employment. Since most of these interviews occurred before October, it is likely that the expressed optimism is not shared by as

Table 4: Respondents' Assessment of Past and Future Employment and Profit

<i>Trend</i>	<u>Employment</u>		<u>Profit</u>	
	<i>Last</i>	<i>Next</i>	<i>Last</i>	<i>Next</i>
	<i>1 yr.</i>	<i>1 yr.</i>	<i>3 yrs.</i>	<i>3 yrs.</i>
Significantly increased	11%	0%	21%	24%
Increased	43%	37%	48%	66%
Same	36%	50%	10%	10%
Decreased	11%	10%	17%	0%
Significantly decreased	0%	3%	3%	0%
Total	100%	100%	99%	100%
	<i>n=28</i>	<i>n=30</i>	<i>n=29</i>	<i>n=29</i>

many firms today.

When asked about their profitability at the time of the interview versus three years prior, the response was quite positive: 69% of respondents said that their profits were higher or significantly larger than three years prior. At the same time about 21% said profits were lower or significantly lower. This view may have had more to do with the date of the interview than with the product or service offered. On the plus side, the group was very optimistic about their futures. An impressive 90% indicated that they thought they would be more profitable in three years than they were at the time of the interview, and no one thought that they would be less profitable. That bodes well for the industry.

Assessment of Competitive Advantages, Challenges, and Business Climate

Conversations with CEOs began with two key questions: what are their firm's competitive advantages and top business challenges. There was variety to the response to both. First, we review the many elements of competitive advantage possessed by these firms. Their abbreviated assessments appear in categories in Table 5. The text below the table reveals their responses in greater detail.

Table 5: Responding Firms' Competitive Advantages

<i>Advantage</i>	<i># of firms</i>
High quality talent/workforce	9
Product/services offered	9
Reputation/brand	7
Quality customer service	5
Strong financial position	5
Unique investment philosophy	4
Intellectual property	4
Other	1
Total responses	44
<i>n=31</i>	

Two topics, talent and the firm's product/service, were the most commonly mentioned advantage these firms have. Some 58% of the 31 firms that responded to this question gave one of these two answers. Nine respondents talked of the world-class financial talent that is needed for success in their industries. They made statements such as "high-end money

management, investment analysis, etc. is about one thing, people. There are relatively few people who are good...” Another noted that if you have these good people, you do well. Other respondents in related industries talked of their diligent, highly qualified workforce or their great people or their human capital. Collectively, they made a very strong case for the need for talent to succeed and their success in attracting that talent. This talent theme will reemerge several times in what follows.

That assertion on behalf of talent was counterbalanced by a similar number of respondents who thought that their greatest competitive advantage was their product/service. They talked about their specific niches that they served well. These included special financial products/services and software. Others mentioned specific types of clients they served with special services or unique financial instruments. A couple mentioned their distribution channels.

Other competitive advantages include a very strong brand, reputation and track record, high levels of customer service, unique investment philosophies that almost always touted the long-term approach to investing (sometimes referred to as the Midwest mindset), resources that they have to withstand market vicissitudes, and intellectual property that they have developed. The last point referred to specific technology, specific software they employ, or industry knowledge. Each made a strong case for what it is that makes them competitive.

The respondents had even more to say about the most pressing challenges they currently

face. The 32 respondents gave some 74 factors or conditions that are making their business more difficult (Table 6). Not surprisingly, at the top of the list are current market conditions (17 respondents). Responses such as economic conditions, the market environment, market volatility, asset declines, negative psychology, media misreporting, deal evaporation, and the like were common. It is clear that many firms are being challenged by these abnormal conditions.

Table 6: Most Pressing Business Challenges

<i>Challenge</i>	<i># of firms</i>
Current market conditions	17
Talent attraction – high-end	12
Talent attraction (other than top talent)	12
Internal issues	9
Marketing	7
Firm growth	7
Competition	6
Local market conditions	3
No unique challenges here	1
Total responses	74
<i>n=32</i>	

Talent issues actually generated more responses, but these responses were even split between attracting top talent and attracting other than the top talent. Each had 12 mentions. Attracting top talent was described by one respondent as “impossible to bring top talent to Milwaukee.” Others were not quite that strongly stated, preferring to comment on the difficulty of hiring high-performers to Milwaukee or attracting and retaining talent. There was some

discussion of Milwaukee not having the same thickness of job opportunities here, which makes Milwaukee a hard sell. Also Milwaukee does not have the thickness of stars in the investment business with whom to interact socially and professionally. A few firms indicated that they have developed an alternative: they hire such persons and let them live wherever they want, as long as they perform at high levels.

The other set of talent responses covered a full range of employees. Several talked about finding talent that can reliably meet customer needs. Another talked of the need for finding good people with basic skills, such as professional writing skills. Others mentioned the difficulty of finding good management or hiring young talent. One mentioned the challenge of finding diverse talent or recruiting diverse talent to Milwaukee.

Several firms revealed that they are challenged by internal issues. These varied widely. They include such topics as creating economies within the company, successful integration of a recent acquisition, reorganizing an information technology department or further automating, finding their way as a standalone company, keeping pace with market changes, and doing strategic planning well. There was little overlap among these issues.

Next most common are issues of marketing and gaining the recognition they need in very competitive fields. Seven firms named various issues that largely dealt with getting their story out or communicating on a timely basis with their stakeholders. The implication is that communication in this sector is a key ingredient

to success, and several firms think that they are not where they should be in this regard.

Related to this is the general topic of competition. Several (six) made statements such as, "It is a never ending battle for survival." The competition is keen. One noted that they have been successful in their niche, but they are small in the industry. That leads to a secondary challenge, growth. These firms are seeking to grow. But the competition and other factors mentioned make this difficult to achieve, as seven respondents noted.

One topic that was mentioned in response to this question and which came up in response to some other questions was the issue of air travel. One firm strongly made the case that it is very difficult to travel from Milwaukee. The respondent mentioned the extra days of travel needed for international flights, but what was more common and bothersome was the limited number of direct flights within the U.S. The cutbacks to Midwest Airlines were cited as very damaging to their West coast operations. Others agreed, but they were not quite as adamant in their assessments.

Business Climate

To get a sense of their assessment of the business climate in the region, respondents were asked a number of questions. One was a simple question asking them to rate the overall business climate on a five-point scale. Two others asked more specifically to compare today with three years ago and three years hence. And one asked them to rate both the conditions today and the importance of each of 15

elements that often are part of the assessment of the business climate.

When asked the simple question of how they rated the regional business climate at this time, the average response was a little above the midpoint or 3.09 (5 = Excellent, 1 = Poor). That is not as high as some of the other industries that have been interviewed by the Milwaukee 7 over the last three years, but it is modestly positive. When their responses to the 15 parts of the business climate are combined and averaged, that compound rating is a bit shy of the middle of the scale between poor and excellent. The collective response was 2.92 on a five point scale. The overall score indicates that the region is not regarded as having a particular appeal as a place for financial services companies. But more detail is available.

The 15 questions get at many different elements (Table 7). The highest-rated elements in the region (third column) are the university/college education available (4.1), the quality of the financial talent (3.6), access to university resources – research, expertise, and programming (3.5), the quality of management talent (3.4), business and professional networks that support financial services (3.4), and available financial talent (3.3). The scores that are close to three reflect assessments that are not overly positive.

Perhaps of greater consequence is the *importance* given to these many factors. If a factor is well regarded but not very important, that is not nearly as important as an important element that is not well regarded. When we look

Table 7: Rating of Quality and Importance of Elements of the Business Climate

<i>Element</i>	<i>Average</i>		<i>Rating</i>
	<i>Impt.*</i>	<i>Rating**</i>	<i>Rank</i>
Quality financial talent	4.6	3.6	2
Available financial talent	4.3	3.3	6
Quality managerial talent	4.2	3.4	5
Air service	4.1	3.0	7
University education	4.0	4.1	1
Available managerial talent	4.0	2.9	9
Health care expense	4.0	2.0	13
State taxes	4.0	1.7	15
Regulatory climate	3.8	2.7	11
Local taxes	3.7	2.0	13
Supportive environment	3.6	3.0	7
Image	3.3	2.6	12
Business networks	3.1	3.4	4
University resources	2.9	3.5	3
Local transportation	2.9	2.9	10
Grand average	3.78	2.92	

* 5=Very imp;t; 1=Not at all imp;t.
 ** 5=Excellent; 1=Poor
 n=31

at the second column and note the importance, we see eight factors that have scores of four or higher. Fortunately, several of the more highly ranked elements have better ratings (between 3.3 and 4.1). But two of the most important elements, state taxes and health care costs, have the lowest two ratings, 1.7 and 2.0 respectively. And two others, available managerial talent and air service, are at or near three. These scores point out some of the challenges that were mentioned above and will be mentioned again below.

On the other hand, re-emphasizing the important role of talent, the quality of financial talent receives a 4.6 rating. This indicates that many respondents gave it a 5, a most-important rating. The challenge for the region is that this critical element receives only a 3.6 rating for the availability of such talent. While this is the second-highest rating of any factor, it is not at a level indicating such talent is readily available. That is part of the sector's challenge here.

Location Advantages and Disadvantages

Why Are Interviewed Firms Here?

The Milwaukee 7 region does have a number of Financial Activities companies. That immediately raises three questions: were they born here, are there particular reasons why they were born here, and why did others move here? The first question is much easier to answer. Out of the 32 firms interviewed 30 were founded in the Milwaukee 7 region. One was founded on the East coast and moved here in 1933. A second is a subsidiary of a firm headquartered elsewhere in the state; the subsidiary was moved here because of the larger market. The most common response by far was simply "history;" the firms were founded here. Some are spin-outs of other regional firms; others were formed independently to meet identified needs. The basic theme is that financial firms can and have started here and are succeeding here.

Most thought that being founded here was sufficient explanation as to why they are in the region. But eight respondents indicated that the firms are here because management likes living

and doing business in the region. Several noted they have had opportunities to be elsewhere. But the decision in most cases is to remain here.

That is not to say that firms have not expanded elsewhere. As the national and global employment figures suggest, several of these firms have locations elsewhere. A couple of firms have moved their headquarters to Chicago for what they see as location advantages. But several talked of the "embedded assets" here, the talent that is here, and the desire of management to stay.

Regional Location Advantages

To gain more insights into why firms are located in the region, respondents were asked explicitly to note the advantages of being located in the Milwaukee 7 region. Some 31 of the 32 firms had answers. Three firms said that there were no advantages to being located here, but the remaining 28 firms came up with 48 advantages. For ease of comprehension these were then categorized into ten types of responses. The summary appears in Table 8. The key point is that the region does provide many different advantages to firms in this sector.

The one that was most commonly mentioned (11 times), workforce, contains several compliments for the workforce. Comments such as "better employees," "dedicated workforce," "a pool of talented people," "great work ethic," "loyal workers and a stable workforce" (not a lot of competitors to steal workers) are examples of the responses. One noted, unlike many others, that the location is helpful in the recruitment of associates and professionals. However, the fact that almost two-thirds did not mention workforce

Table 8: Regional Location Advantages

<i>Advantage</i>	<i># of firms</i>
Workforce	11
Quality of life	7
Cluster of companies	6
Higher education	6
Market conditions	4
Lower costs	3
Central location	3
Close to Chicago	2
Name brand	2
Other	4
No advantage	3
Total responses	51

n=31

indicates that there are not only different points of view but possibly different talent needs across the many different industries in the sector.

The second most common response (7) for an advantage is the quality of life found in the region. One respondent was eloquent: “We have a quality of life here that is extraordinary.” He noted the rich array of cultural and recreational amenities, the clean and safe downtown, the easy commute, the reasonable cost of living, and the many residential choices. That respondent went on to say that when they can convince people to come here, they love it; but the respondent admitted the trick is getting them here. Other respondents echoed the theme of once you can convince people to come, they stay. They liked the ease of access both socially and spatially.

Contrary to what many implied, one respondent stated that they have a relatively easy time attracting young talent. They largely recruit from the top Midwestern schools, but that they also are able to attract Ivy League talent. They find it easier to recruit to Milwaukee than Chicago, since Chicago has more competition that is always attempting to poach talent. This fact of life yields both frustration and higher turnover in Chicago. This firm also repeated the line that once here many are hooked for the long term.

The third most common response (6) was a tie between having a cluster of firms here and the benefits of being near very-good-quality higher education. The cluster effect yields easy access to knowledgeable service providers, friendly competition, good trade associations, and other resources, such as a successful talent pool. One firm mentioned the synergy created because of the opportunity to interact with competitors and service providers at both business and social functions.

Several compliments were paid to the higher education options available in the region. Some comments were more generic – “good universities and colleges.” But others were more explicit: “UW System is great,” and “proximity to UW-Madison and Marquette investment program grads is a plus.” Several spoke positively about the Applied Investment Management (AIM) program at Marquette and the Applied Securities Analysis Program (ASAP) at UW-Madison. One noted the opportunity to have interns locally. There are advantages to being here.

The region also provides access to firms with which the Financial Activities companies work. The advantage of being in a growth market, being near the region’s industrial base, and serving the base of Midwest clients were all mentioned. Mentioned a few times were the lower costs for running a firm and for paying workers, when compared to Chicago and New York. A few mentioned the central location in the U.S. is an advantage for marketing, for travel to the rest of the country, and for being away from the fads and fancies of Wall Street. Others mentioned the advantage of being located in downtown Milwaukee, the good air service available, the good healthcare system in place, the culture, and the Midwestern feel. One respondent explicitly noted that the uptick in downtown vibrancy has become a very important recruiting tool.

One other possible advantage was explored explicitly with its own question, the benefit of being located near Chicago. In the general question, two respondents mentioned the advantage of being near this larger market, one because of the many small-cap, publicly-held firms located there. But when asked explicitly about the advantages of being near Chicago, 49 responses were recorded (Table 9).

Before going overboard on the benefits, it is wise to note that six of the firms (about 20%) see no benefits from being located near Chicago. One indicated it is a detriment, since it allows Chicago to poach talent. Another contended that Chicago has less money management than Milwaukee; Chicago is, therefore, not even a good source of talent.

Table 9: Benefits to Location Near Chicago

<i>Benefit</i>	<i># of firms</i>
Recruiting employees	10
Clients/large market	7
Ease of travel	6
Company operations in Chicago	5
Airport	5
National draw/meeting spot	5
Need better connection (rail)	3
Other	2
None/little/negative	6
Total responses	49

n=32

That one firm is in the minority, as ten firms say that an advantage of proximity is that Milwaukee region firms can recruit talent from Chicago. That recruitment is easier because many of the individuals working in Chicago are familiar with Milwaukee and are easier to recruit than talent from New York. There are also many individuals working in the same industries that are represented in Milwaukee. That means there are choices among potential candidates.

Several other advantages were noted. The scale of the Chicago market is as appealing as its accessibility. This is a rather easy market to reach. A bit under 20% of the respondents have an office in Chicago, so they know there are reasons to be there. A few firms are seeing more dual-city couples, where one works in Milwaukee and the other in Chicago. Proximity allows that. Speaking of travel, proximity to O’Hare Airport is an advantage mentioned by a handful of respondents. O’Hare is great for

international travel, and is a convenient meeting spot for ease of travel from across the country.

Three respondents talked of the need for more and faster rail service to better connect the two regions. That would include high-speed rail, connections between airports and/or city centers, as well as with Madison. The respondents developed good arguments on how it would aid both recruitment of talent and access to markets.

Regional Location Disadvantages

In an attempt to get a balanced picture, respondents were also asked to note what they see as regional location disadvantages. As with benefits, there was a group of firms that did not see any disadvantages to being located in the region. Four respondents were explicit about this while three others just did not have anything negative to say. Again that is about one-fifth of the respondents. The remaining 25 firms noted a total of 42 disadvantages. A summary of their comments can be seen in Table 10.

Table 10: Regional Location Disadvantages

<i>Disadvantage</i>	<i># of firms</i>
Difficult to recruit talent	14
Negative image/reputation	9
Taxes	6
Transportation	5
Government/regulation	5
Weather	4
Other	6
Total responses	49

n=29

The most common issue for respondents is talent attraction. Several different points were made on what it is that makes it hard to attract talent to the Milwaukee 7 region. Most commonly mentioned were a series of negative views of the city of Milwaukee: the majority of these were general statements, but they also included negative perceptions of safety and difficulty traveling from Milwaukee. Firms noted that you might be able to get New York talent to come to Chicago, but Milwaukee is not on their list. After acknowledging the difficulty, a few did note (again) that once the firm has attracted talented individuals, they tend to stay – it is the image/reputation that is the issue.

In fact, several respondents pointed to the image as a barrier to both talent and client attraction. One stated that the region suffers from being thought of as a backwater for sophisticated money. Another stated the region does not have a brand or reputation as a major hub for financial services. Another stated that when they get clients to visit, they are sold on Milwaukee, but it takes effort to bring them into town. Greater effort to succeed is needed here, but it can and has been done.

A theme that arose at least six times is the presence of high taxes. Sometimes it was in reference to the state personal income tax. Other times it was in reference to local property taxes. Others were not as specific and referred to the tax climate of the area. In an industry that does pay individuals well, it is harder to attract those individuals who see that they will lose more of what they earn, bringing into question the wisdom of the move.

Transportation is a problem for some. Most of the issue is travel into and out of Mitchell Airport. The firms worry about the potential loss of Midwest Airlines and the implication that has for direct flights. The loss of direct service to the West coast has already caused some changes for firms.

Government/regulations were mentioned as often as transportation. Several noted the drawback from a business perspective of the new Milwaukee ordinance on sick leave. Also noted were high fees in Milwaukee, an inability to focus on problem solving, and city and regional governments that do not court businesses. The impression is that a set of these respondents thinks that the city and state are out of touch with what is required for businesses to succeed here.

Four respondents mentioned our physical climate as an issue, largely with respect to recruitment. There is little to be done about the weather; they stated it more as an obstacle to overcome. Other obstacles are finding new markets, as the local is almost saturated; finding local investors; learning of new trends and ideas long before they are stale; and getting access to current information flow, when they are one of a kind in their industry here.

Firms have overcome many of these barriers through hard work and in several cases, opening and staffing offices in multiple cities. The latter allows these firms to attract talent that they cannot get to come to Milwaukee and still benefit from the rewards such individuals yield. The firms stay competitive even if Milwaukee is not thought to be.

When firms were asked a bit further into their interviews what the impact of their Milwaukee location is on recruitment, they repeated many of the same points made earlier. And when the respondents were asked what were the positive and negative impacts on profitability of their location in the Milwaukee 7 region, more than half of the respondents said the region had no impact either positively or negatively.

Those that did see positives most often mentioned the lower cost of doing business here, the greater stability of the workforce, the proximity to their clients, and short commutes. Those that expressed negatives most commonly mentioned the challenge of recruiting talent, the difficulty of finding management talent, the small and slow-growing local market, taxes and other costs of locating downtown. One stated and others implied that they do not suffer any negative impacts from the regional location because they do not let it hamper their success.

In short, there is an almost even split between those who think the region helps their profitability and those who think that it does not, with about half the respondents indicating that the region has no impact on their profitability.

Workforce Assessment

It should be obvious to the reader by this point that the talent that these firms are able to attract has a good deal to do with the success of the firms in this sector. Some of these firms are highly dependent on the top end of the talent pool; they drive the business for all of the others. Other businesses are less dependent on individual stars and more dependent on the efficient working of a solid team. It is these

types of differences that contribute to the range of responses we received to a series of questions about the Financial Activities workforce in the region.

The first direct question asked respondents to identify the three most-positive attributes of the workforce. This question elicited many of the same responses that were made in an early question of the interview on what makes the firm successful here. Nevertheless, the direct question yielded many more responses, a summary of which appears below in Table 11.

Table 11: Most Positive Attributes of the Regional Workforce

<i>Attribute</i>	<i># of firms</i>
Excellent work ethic	24
Honesty/reliability/integrity	15
Loyalty/dedication	12
Ample supply	9
Intelligent/well educated	7
Other	10
Total responses	77

n=32

Thirty of the thirty-two firms interviewed identified at least one positive attribute of the regional workforce. Some 27 firms identified two attributes, and 21 identified three attributes. These responses have been combined for the analysis. But rather than just counts of times mentioned overall, the count is the number of firms that made the statement anytime in response to the question.

By far the most commonly identified attribute is the strong work ethic. Twenty-four firms mentioned this directly, mostly as either the first or second attribute mentioned. The words that sometimes accompanied the response were “hard working,” “intense,” “eager to succeed,” “conscientious,” and “productive.” Another common descriptor that often accompanies the formal definition of a “good work ethic” is that of “honesty/integrity/reliability.” These terms were used in 15 of the responses as well. The respondents included three more firms. Two other words appeared commonly as well, “loyal” and “dedicated.” These referred to the stability of the workforce, the dedication to their employer. That was mentioned ten times and involved two more firms. In total, the broad definition of a good work ethic was touted by 27 of the 30 firms.

Another attribute of the regional workforce is that there are a number of financial firms and financial workers in the region. Nine firms spoke of the professional talent or the support talent or the pool of candidates for management positions and even the ease of filling openings for administrative staff and support positions. About one-third of the respondents had good things to say about the talent supply.

Another commonly mentioned characteristic of the workforce was its intelligence. Ten respondents talked of the smart, bright, intelligent workers who are well educated. The quality of the education of the workforce was mentioned by seven firms, including one that reported 90% of their workforce has advanced degrees. These qualities are obviously a plus for these firms.

Ten firms mentioned other characteristics that were not commonly shared. Among these were characteristics such as team- rather than star-orientation, work/life balance, flexibility, and community-mindedness. These rounded out the 77 different characteristics mentioned by the 32 respondents.

For balance and insight, respondents were subsequently asked to identify what they saw as the three most negative workforce attributes in the region. Even though 78% did identify at least one negative, only 59% could come up with a second negative, and just 22% were able to list a third negative. Respondents were substantially more able to list positive than negative attributes. That said there were some very common responses about the workforce (Table 12).

Table 12: Most Negative Regional Workforce Attributes

<i>Attribute</i>	<i># of firms</i>
Scarcity of talent	11
Poor basic skills/education	11
Lack of entrepreneurship	6
Inadequate university support	4
Lack of diversity	2
Other	8
Total responses	42

n=32

Not surprisingly the most common negative has to do with a scarcity of talent. Not all agree, as was seen in their last set of responses. In fact only about one-third mentioned scarcity of talent.

But those that are hampered by this topic made statements about such scarcity in “high-end financial talent,” “senior management,” “software engineers,” “experienced workers,” and “creative talent.” The statements are not inclusive; they specify types of workers they find in short supply. There was little overlap in how the shortages were labeled, giving the impression that they reflect shortages in very specific industries within the financial services sector. These are not shortages across the board, just shortages of particular types of workers important to company success.

Interestingly, the next most common missing ingredient is talent at the other end of the skill spectrum. Again about one-third of the firms mentioned problems such as difficulty hiring Milwaukee Public Schools grads with basic skills, recruiting low-level employees, finding those with high-school degrees with sufficient communication skills, dealing with applicants short on writing and verbal skills, and the like. These problems affect about 30% of firms.

One-fifth of the respondents who gave a negative indicated a problem was the lack of entrepreneurial thinking among the pool of workers. They “lack creativity,” “do not want to take risks and learn from their mistakes,” have “difficulty accepting change,” and do not want to work as hard as others.

One other issue that deserves mention is the lack of diversity in the workforce. A few employers mentioned that it is difficult to find, recruit, and retain minorities in Milwaukee. Other negatives were often single mentions. But a few comments did reflect on the challenges of

the younger generation, probably wherever they are located. Only one mention was made of the aging of the workforce, especially in the skilled areas.

To learn if the current challenges are likely to any different going forward, respondents were asked to note what they saw as the most significant workforce challenges in the next three years. Their responses are summarized in Table 13. As might be guessed, the top of the list is filled by attracting workers and retaining and developing employees.

Table 13: Most Significant Workforce Challenges in the Next Three Years

<i>Challenge</i>	<i># of firms</i>
Attracting workers	11
Retaining/developing employees	11
Retiring workers	4
Compensation	4
Worker shortage	3
Market	2
Young people	2
Flexibility	2
Other	5
Total responses	44

n=30

The common phrases used to describe the challenges were finding “good talent,” “top-level talent,” “qualified workers,” “quality talent,” and attracting “talent with technical skills, talent from elsewhere, or talent that will live in Milwaukee.” Variations on those themes stressed the attraction and retention of top talent. The

second largest challenge is that of motivating, growing, and retaining the talent they are able to recruit. A few mentioned the local competition for asset management talent. Others focused on the challenge of growing individuals to replace their aging partners. Succession planning was mentioned, and it applied at both the lower end of the ladder and near the top. Turnover in younger workers makes planning for intermediate positions challenging. A couple respondents spoke of talent burnout and management development as issues they must address.

Other challenges that received multiple mentions included retiring workers, competing against the well-paying hedge funds for talent, shortages of specific types of workers, keeping their culture as they expand to other regions, and dealing with morale as they downsize. All respondents had at least one significant workforce challenge.

Technology and Innovation

Respondents were asked a few questions about technology and intellectual property to learn about any issues they faced in these areas. Two questions were aimed directly at the role of intellectual property. First, firms were asked to rate on a scale of 1 to 5 just how important the continuous development of intellectual property (IP) is to them. With a score of 5 indicating very important and 1 indicating it is of no importance, the average score was 3.62. This indicates that IP is somewhat important to these firms.

The distribution, however, is more meaningful. Just over half of the respondents (52%) gave a response of 5 and 20% gave a response of 1

(Table 14). About one-third see IP development as not very important, but 60% gave it a score of four or higher. That indicates a full range of responses and some rather stark differences.

Table 14: Importance of Developing Intellectual Property

<i>Rating</i>	<i>Firms</i>	<i>Percent</i>
5 (very imp.)	13	52%
4	2	8%
3	2	8%
2.5	1	4%
2	2	8%
1 (not at all imp.)	5	20%
Total	25	100%

For those firms that gave a score of 5, the common response in addition to the score was that it is critical to them and to their market performance. They did note that it was expensive to develop, but that it is central. At the other end of the spectrum the emphasis was on individuals, relationships, and service.

When asked to describe their intellectual property, the responses also varied. Some spoke of economic models that analyze risk or that refine investment strategies, algorithms, data mining and so forth. Others spoke of financial products, research on portfolio composition, personal intellect of the team, or “processes.” Still others talked of custom software or their efforts to become totally Internet-based.

The second topic in this section was on the technology needs of the firms. Each respondent was asked to identify their firm’s immediate

technology needs. Almost half of the respondents said that they did not have any tech needs or the question was left blank. Many of these firms indicated that they were up-to-date or state-of-the-art already. Others indicated that they invest regularly and are current.

For those who expressed some needs, these tended to be technology that directly enables the companies to better serve their customers. They talked of “data systems” and “service platforms” or “workflow tech solutions.” They also mentioned Web-based software solutions for customer interaction. None admitted to being behind; they just mentioned those areas in which they are making major investments.

Respondents’ Suggestions for Growing Financial Activities in the Region

Respondents were told that the Milwaukee 7 would like to grow the region’s financial services sector. They were then asked, “If you were in our shoes, what would be the first action you would take to spur growth?” Few respondents could limit themselves to one action; they recognize the complexity of growing this sector in the region.

Perhaps surprising to some, about 10% of respondents were adamant about not making any special efforts to grow Financial Activities in the region. They noted that the industry was consolidating and shrinking. One thought that Financial Activities were already overrepresented in Milwaukee compared with manufacturing. Another noted that other cities are far better known for Financial Activities, so

Milwaukee needs to be known for something else. A third argued that there is not a thing Milwaukee can do to grow this sector. The respondent argued that the region's core assets do not support future expansion of this sector. Furthermore, our economic future should be alternative energy, not financial services; "Growing financial services in Milwaukee is like betting on yesterday's hot stock." These respondents were joined by four others who could offer no suggestions on how to grow the sector in the Milwaukee 7 region.

The many suggestions are summarized in Table 15. The suggestions are very briefly listed, and because of the thought given to them, these are discussed in greater detail in the text below. Since the majority of respondents implied growing the industry was a good idea, these responses will be treated as a separate segment of this response.

The remaining 80% of respondents offered suggestions for growing the sector. By far the most common response dealt with taxes. Almost two-fifths of the respondents' suggestions for sector growth involved reductions in tax rates. Some of the suggestions dealt with personal income taxes, which they think are onerous for the wealthy. Others dealt with high property taxes that scare away potential employees. Still others mentioned the taxes on financial services firms. The responses included such recommendations as reduce taxes, create a tax-free zone in the region to spur and attract investments, and repair/improve the tax climate.

Table 15: Suggestions for Growing Financial Services

<i>Suggestion</i>	<i># of firms</i>
Reduce taxes	11
Promote region; attract companies	7
Retain/build what is here	6
Improve transportation (air and rail)	5
Improve education	5
Reduce regulations	3
Provide incentives	2
Focus on quality of life	2
Other	2
Do nothing	3
Total responses	46

n=28

One respondent made a strong case for reducing taxes on the wealthy, especially wealthy retirees. The region has lost several of its sharpest executives to avoid inheritance taxes and high income taxes. This has cost the region angel finance money for new business starts, removed some excellent business mentors, and reduced donations to charities. The region loses all of this because of the tax strategies in Wisconsin.

Those who were not critical of the tax climate had some different ideas on how to best proceed. Seven of the respondents indicated that the region should promote the region's assets to potential talent. The region should capitalize on and celebrate the high quality of talent that is here. We should advertise the benefits of the region and fix our image. We should promote the success that has been

achieved here. These steps are aimed at making it easier to attract talent.

A smaller group of respondents (three) argued that the region should do promotion for attraction of financial services businesses, in strong contrast to the group that said this was a useless idea. The three proponents suggested that we need active promotion of the region's assets and successes along with some incentives to attract other financial services firms.

Six of the respondents suggested we take a different but related tact: grow our own businesses. The high-end financial services footprint in Milwaukee today started here and most of its leaders were educated here. That is what we must continue to do, or so these individuals assert. We are not going to succeed by attraction, only by organic growth. One key is growth of the AIM program at Marquette and the ASAP Program at UW-Madison. This is where much of the talent for local firms is educated today, and the programs will prepare the talent that will spin-off from existing local firms and start new financial firms locally. The region has assets, but these need to be grown.

Several different respondents talked of the role of local colleges and universities in creating the talent needed for financial services businesses to grow. Several mentioned the improvement of the curriculum to ensure that the talent is prepared for the challenges in the global money market. They most commonly mentioned the two programs noted above, as the best ways to create well-prepared individuals.

A quite different subject was mentioned by at least five of the respondents, transportation. Most commonly mentioned was the need for high-speed rail service between Milwaukee and Chicago. Three persons asserted that this would be huge. This would not only make access to talent easier (two-career couples, for example) but also increase the access to markets and firms. Two persons talked about the need for high quality and frequent air service from Milwaukee to all parts of the U.S. Both talked of the time lost, if one must travel from O'Hare instead of Mitchell. If Milwaukee were to lose any more direct service, it would crimp interest in being located in the Milwaukee 7 region.

These topics are what received the most attention. Other suggestions mentioned twice included the creation of incentives for attraction, reduced regulations, and assurance that quality of life in the region be maintained. Two others said the region needed to create a plan and then announce it with style and pizzazz.

What is clear from this review is that there are many ideas within the industry on how to proceed. One-fifth of respondents do not think that any steps should be taken to grow the industry while four-fifths offered suggestions. But even within the larger group there is no consensus as to what should be done first to grow the Financial Activities sector. Lower taxes of some sort gets the most votes, but which tax to lower is not agreed upon.

Variation in these responses is in part related to the segment of the financial sector in which respondents work. For example, those in

insurance may not be as negative about prospects as those in asset management in the region. Two local insurance companies announced substantial growth in employment during 2008. Firms dealing with large declines in assets managed may not be experiencing the same trends. It is harder to say, given that some of the interviews were conducted when there was only mild contraction in the markets while others were conducted during the most recent two months, a period of record declines.

Conclusion

Milwaukee is most fortunate to have a very active Financial Activities sector. The firms in this sector collectively employ about 62,500 persons in the seven-county region. That constitutes 6.3% of employment in the region. Compared with seven years ago, total employment in the sector has not changed. That said, the question is whether this sector can be grown to be an even more important actor in the region. The answer is difficult to determine, based on responses from participants.

On the one hand, we have examples of success, including the very recent, significant growth of employment in two insurance companies. The region is also home to several asset management firms that have enviable track records and collectively billions of dollars under management. The financial markets have been brutal recently, but the firms are still here as are the educational programs that have been feeding them some of their talent. A few of these firms have actually been able to hire some of the New York talent that has lost their jobs in the Big Apple. There are additionally financial

transactions firms in the region that are well known and well regarded nationally. These are pluses.

On the other hand, a few of the respondents indicated that they think the industry (mostly the asset management industry) will be shrinking for many years, and it is likely to be consolidating as well. Milwaukee may lose some of its headquarters, which could mean the loss of high-end jobs here as well as many other professional and support positions. On top of this, even the successful firm CEOs often mentioned the challenge of attracting the high-end talent to Milwaukee that they need to compete in the global markets. The basic description is that it is a struggle to sell Milwaukee as a player either for talent or as a source of top-quality investment advice.

Furthermore, the employment numbers in the Financial Activities sector indicate that despite state growth in these industries the Milwaukee/Racine segment (current data are not available for Kenosha and Walworth) has shown no net employment growth when October 2001 is compared to October 2008. Growth did occur between 1993 and 2001, but not since that point. It must be noted that the region's overall employment count is the same for 2001 and 2008, thus exhibiting no growth as well. But statewide employment in Financial Activities grew 9.1% since 2001. That difference suggests that conditions elsewhere in the state are seen as more conducive to growth than in the Milwaukee 7 region.

Is insurance a different story from that of high-end asset management? That is again difficult

to say going forward. We have some very recent success stories with two well known insurance companies in the region growing significantly and expanding their facilities. And the state of Wisconsin has gained 14,000 jobs (+25.5%) in insurance in the last fifteen years. Is this a trend that is likely to be the same in the Milwaukee 7 region?

Unfortunately, insurance employment in the four-county Milwaukee region (the only part of the region for which insurance employment is available) dropped 7% between 1993 and 2001 and has remained at virtually the same lower level ever since. The October 2008 employment is only 100 jobs larger as that in October 2001. And this is for a period of incredible financial growth nationally (until recently) that has had positive impacts on the insurance industry elsewhere in Wisconsin. The region's contrast with the rest of the state suggests other factors are at play in this region.

When asked how growth in the Financial Activities sector might develop, respondents had more support for growth coming from home-grown businesses, as it has to date. With basically two of the firms interviewed having moved to Milwaukee in the last eighty years, this fact strongly suggests that growing what we have and helping to create new firms from the existing firms is what makes the most sense; attracting firms from outside received very little support from industry insiders as a realistic strategy.

To grow what is here was endorsed by most, but not all, participants. The recipe for growth, however, contains many different ingredients.

Attention to various taxes (read as "decrease taxes") was the most common recommendation, but that came from only one-third of the participants. Others talked of promotion of the assets here to make talent more open to moving here, efforts to strengthen securities training at state universities so that more talent can be grown here, and improvements to transportation to more easily draw workers and clients from a larger geographic radius, to name the most commonly mentioned advice given. The basic idea is to help existing firms grow and to create the talent and climate to encourage individuals to leave their places of employment to start new firms in the region. The history of Milwaukee's financial services sector is full of such stories.

Even if this is done and steps are taken to improve all of the areas that are recommended, can the region reasonably expect to see substantial growth in this sector? No one has a crystal ball to know for sure. But it appears that at least in asset management, the downturn and consolidation of the industry, and the movement of talent to London, New York, and a few other active centers suggest that while growth in the sector may occur, as it has in the past due to entrepreneurs here offering unique products or services, the industry has too many trends leading elsewhere to bet heavily on it.

Financial Activities are important both in terms of employment and in income generated for the Milwaukee 7 region. Every effort should be made to help the sector at least maintain its contributions to the regional economy. Existing firms and new starts should both be encouraged. But given the doubts expressed by those within the industry, the minimal record of

firms in the industry moving into the region, and the stagnant employment in the industry during a period of rapid employment growth nationally, this is a sector that deserves attention but not the expectation that it will rapidly add to the region's employment base. The changing global finance picture strongly suggests that there are other, more likely growth industries for the region to emphasize.

NOTES

¹ For two of the large firms targeted, only the "money management" aspects of their respective operations were included in our analysis. Thus, the employment figures discussed on pages 3-4 reflect the money management employment for these two firms, not their total employment.

Appendix 1

Survey Questionnaire

PRE-MEETING QUESTIONNAIRE

Version 1.4 (FINANCIAL SERVICES)



Company name: _____
Survey completed by: _____
Milwaukee 7 volunteer: _____

Date: _____

Instructions: Thank you for agreeing to meet with a representative of the Milwaukee 7 to help us learn more about the challenges you face running a company in southeastern Wisconsin. The information you provide will remain confidential.

Please complete this questionnaire prior to the in-person interview and return it to our representative at the time of the interview.

Note: The term "region" is defined as the seven counties that comprise the Milwaukee 7: Kenosha, Milwaukee, Ozaukee, Racine, Waukesha, Washington and Walworth.

1. Does this site serve as the company's headquarters?

Yes No

If "no," what is the name of the parent company and where is it located?

City: _____ State: _____

2. What year was your company founded? _____

3. Where are your company's operations located (choose one)?

- All company operations are housed at this site
- The company has additional operations located inside the 7-county region
- The company has additional operations located outside the region
- The company has additional operations located inside **AND** outside the region

4. What corporate functions are housed at this facility (check all that apply)?

- | | |
|--|--|
| <input type="checkbox"/> Mutual fund strategy and management | <input type="checkbox"/> Financial transaction processing |
| <input type="checkbox"/> Mutual fund sales and administration | <input type="checkbox"/> Electronic financial transaction processing |
| <input type="checkbox"/> Financial portfolio management for institutions | <input type="checkbox"/> Stock or bond trading desk |
| <input type="checkbox"/> Financial portfolio management for individuals | <input type="checkbox"/> Investment banking |
| <input type="checkbox"/> Sale of securities | <input type="checkbox"/> Trust management |
| <input type="checkbox"/> Sale of financial products (not securities) | <input type="checkbox"/> Venture capital services |
| <input type="checkbox"/> Insurance administration | <input type="checkbox"/> Customer call center |
| <input type="checkbox"/> Sale of insurance products | <input type="checkbox"/> Other: _____ |
| <input type="checkbox"/> Futures trading and advisory services | _____ |

5. What is total employment (full-time equivalent) for your company?

This site: _____
 Region (7-county, including this site): _____
 Wisconsin (including Region): _____
 U.S. (including Wisconsin): _____
 Worldwide (including U.S.): _____

6. Please indicate the portion of your workforce at this site in each of the following job classifications **AND** the average hourly wage (minus benefits) for employees in each classification:

	<u>% of workforce</u>	<u>Avg. hourly wage</u>
Technical (analysts, compliance, IT, etc.)	%	\$
Professional (accountants, specialists, lawyers, etc.)	%	\$
Managerial and supervisory	%	\$
Marketing/sales	%	\$
Clerical and administrative support	%	\$
Unskilled workers	%	\$

100 %

7. Please characterize the change in employment at this site in the last 12 months:

- Significantly increased
- Increased
- About the same
- Declined
- Significantly declined

8. Please characterize the expected change in employment at this site for the upcoming 12 months:

- Significantly increasing
- Increasing
- Staying about the same
- Declining
- Significantly declining

9. What percent of this site's workforce do you expect to lose to retirement in the next 3 years (check one)?

- 1 – 9%
- 10 – 25%
- 26 – 50%
- 51 – 75%
- 76 – 100%

10. Please indicate the difficulty your company has experienced in the previous 12 months hiring **AND** retaining qualified employees at this site in the following job classifications:

**HIRING
DIFFICULTY**

5 = Not at all difficult,
1 = Very difficult

**RETAINING
DIFFICULTY**

5 = Not at all difficult,
1 = Very difficult

Technical (analysts, compliance, IT, etc.)		
Professional (accountants, specialists, lawyers, etc.)		
Managerial and supervisory		
Marketing/sales		
Clerical and administrative support		
Skilled workers (trades)		
Unskilled workers		

11. Please list annual gross revenue for your company. What has been the gross revenue trend over the past three years?

	<u>Gross Revenue</u>	<u>Growing/Declining/Stable</u>
Companywide	\$ _____	_____
Regional operations	\$ _____	_____

12. What percent of gross revenue from operations based in the 7-county region is generated by your top three customers?

- 1 – 9%
 10 – 25%
 26 – 50%
 51 – 75%
 76 – 100%

13. What percent of gross revenue from operations based in the 7-county region is generated by customers located within the region?

- 1 – 9%
 10 – 25%
 26 – 50%
 51 – 75%
 76 – 100%

14. With regard to your company's purchases for this site, please indicate the portion of total supplier expenditure directed to firms in the following locales:

Region (7-county)	_____ %
Wisconsin (excluding region)	_____ %
U.S. (excluding all of Wisconsin)	_____ %
International (excluding U.S.)	_____ %
Total	_____ 100 %

15. Please rate the following aspects of the regional business climate **AND** rate the importance of each factor:

	RATING (5 = Excellent, 1 = Poor)	IMPORTANCE (5 = Very important, 1 = Not important)
Quality of financial talent		
Availability of financial talent		
Quality of managerial talent		
Availability of managerial talent		
Local taxes		
State taxes		
Regulatory climate		
Health care expenses		
Supportive environment for financial services companies		
Image as a financial services center		
University/college education		
Access to university resources (research, programming, expertise)		
Local transportation network		
Air service		
Business and professional networks that support financial services		

16. What is the status of physical facility located at this site?

- Owned Leased

17. If facility is leased, what is the lease expiration date: _____ / _____ / _____ (mm/dd/yyyy)

18. How much of this facility's space are you currently using? _____%

19. Is there room for physical expansion of your business at this site?

- Yes No

MANDATORY QUESTIONS

Version 1.4 (FINANCIAL SERVICES)



Company name: _____ Date: _____
Interviewee: _____
Milwaukee 7 volunteer: _____

Instructions for interviewers: Please ask the following questions during the in-person interview with the top executive.

COMPANY INFORMATION

1. What are your company's competitive advantages? _____

2. What are the top three business challenges facing your company?
 - a. _____
 - b. _____
 - c. _____
3. Why is your company located in the Milwaukee region (e.g., history, proximity to customers, preference of top management)? _____

4. How is being located in the Milwaukee region *advantageous* for your company? _____

5. How is being located in the Milwaukee region *disadvantageous* for your company? _____

6. Are you expecting significant growth in regional operations in any of the following areas during the next 12 months (check all that apply)?

- Employment
- Capital (equipment) expenditure
- Physical space

7. Do you expect to relocate your operations in the next 1 to 3 years?

- Yes
- No

If "yes," do you expect to stay in the Milwaukee 7 region?

- Yes
- No

8. Company information notes: _____

LOCAL WORKFORCE

9. Please describe the three most positive attributes of the local workforce:

- a. _____

- b. _____

- c. _____

10. Please describe the three most critical shortcomings of the local workforce:

- a. _____

- b. _____

- c. _____

11. What are the most significant workforce challenges your company will face in the next three years? _____

12. How does being located in the Milwaukee region affect your employee recruitment and retention efforts? _____

13. Workforce notes: _____

SALES

14. Compared to three years ago, please describe the current profitability of your company:

- Significantly more profitable
- More profitable
- About the same
- Less profitable

Significantly less profitable

15. Please forecast the profitability of your company in three years:

- Significantly more profitable than today
- More profitable than today
- About the same as today
- Less profitable than today
- Significantly less profitable than today

16. How does being located in this region positively impact your profitability? _____

17. How does being located in this region negatively impact your profitability? _____

18. Sales notes: _____

TECHNOLOGY AND INNOVATION

19. What are your company's immediate technology needs? _____

20. How important is it to your company's future to continually develop intellectual property (5 = Very important, 1 = Not at all important)? _____

21. Describe the character of your company's intellectual property (e.g., processes, functions, devices, etc.): _____

22. Technology notes: _____

BUSINESS CLIMATE

23. Please rate the overall regional business climate (5 = Excellent, 1 = Poor): _____

24. Please compare the regional business climate today versus three years ago:

- Much better today
- Better today
- No change

- Worse today
- Much worse today

25. Please forecast the condition of the regional business climate three years from today:

- Much better than today
- Better than today
- No change
- Worse than today
- Much worse than today

26. The Milwaukee 7 would like to grow the region's financial services cluster. If you were in our shoes, what is the first action you would take to spur growth? _____

27. In what ways (if any) does the region's close geographic proximity to Chicago benefit your company? _____

28. Business climate notes: _____

FOLLOW-UP

The purpose of Question #29 is to determine if local government or economic development officials should contact the company to address any pressing issues (e.g., workforce training, technology deployment, municipal service delivery, relocation) identified during the interview.

29. Would you like for a local government or economic development official to follow-up with you via phone to further discuss issues that surfaced during this interview and to identify resources for assisting?

- Yes
- No

ASSESSMENT (to be completed by the interviewer)

30. Please rate local management's affinity to the community (1 = Excellent, 5 = Poor): _____

31. Please rate the risk of this site closing in the next 3 years (1 = Very high, 5 = Very low): _____

32. Please rate the risk of this site downsizing in the next 3 years (1 = Very high, 5 = Very low): _____

33. Assessment notes: _____