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Federal Reserve Bank of Boston

Interesting Period in the Economy

- Strong growth
- Then 2nd quarter things seem to come to a halt
- With hindsight, “soft patch” wasn’t as soft as it seemed
- Big question remains: Is this period of growth self-sustaining?

Interesting Period in the Economy

- Answer so far is yes
- Big questions
- Big big questions

Trust in a Time of Change

Baseline Trends

- Technology, banking structure changes, decline of paper payments: smaller more specialized Reserve Banks
- Competing on competencies: staff abilities at a premium and retention is key
- Demographics challenge succession planning
- Financial service and payments markets will change rapidly
- Threats to physical and information security

Vision 2004 – 2008

Where do we want to be in 5 years?

- A workforce with more sophisticated, cutting-edge skills
- Bank areas that work together to leverage, reinforce and “cross-pollinate”
- Masters in some things; users of expertise elsewhere
- A “thought” force in supervision, regulation, credit and risk analysis

Vision 2004 – 2008

Where do we want to be in 5 years?

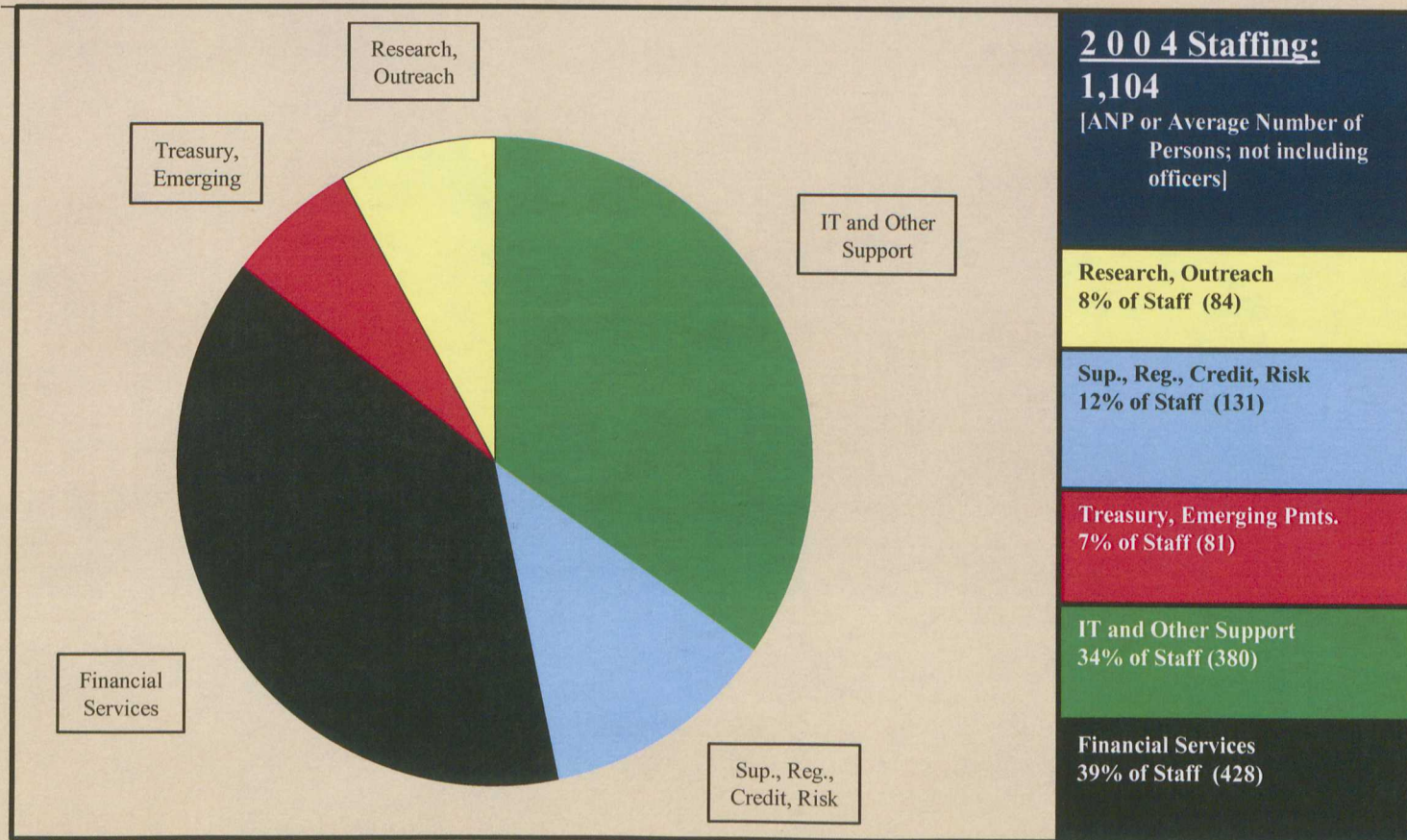
- In monetary policy, leaders in analyzing emerging trends
- Our regional presence and regard at its highest level, especially in economic and financial education
- In financial services, bold in our encouragement of electronics, “right-sizing”
- A partner to the U.S. Treasury especially in emerging payments

Vision 2004 – 2008

Where do we want to be in 5 years?

- Leaner, better support services
- A new Bank “culture”

2004 Staffing



2008 Staffing Projection

2008 Staffing Projection:

997

[ANP or Average Number of Persons; not including officers]

Research, Outreach

9% of Staff (87)
[including new work / ANP]

Sup., Reg., Credit, Risk:

14% of Staff (138)
[including new work / ANP]

Treasury, Emerging Pmts.

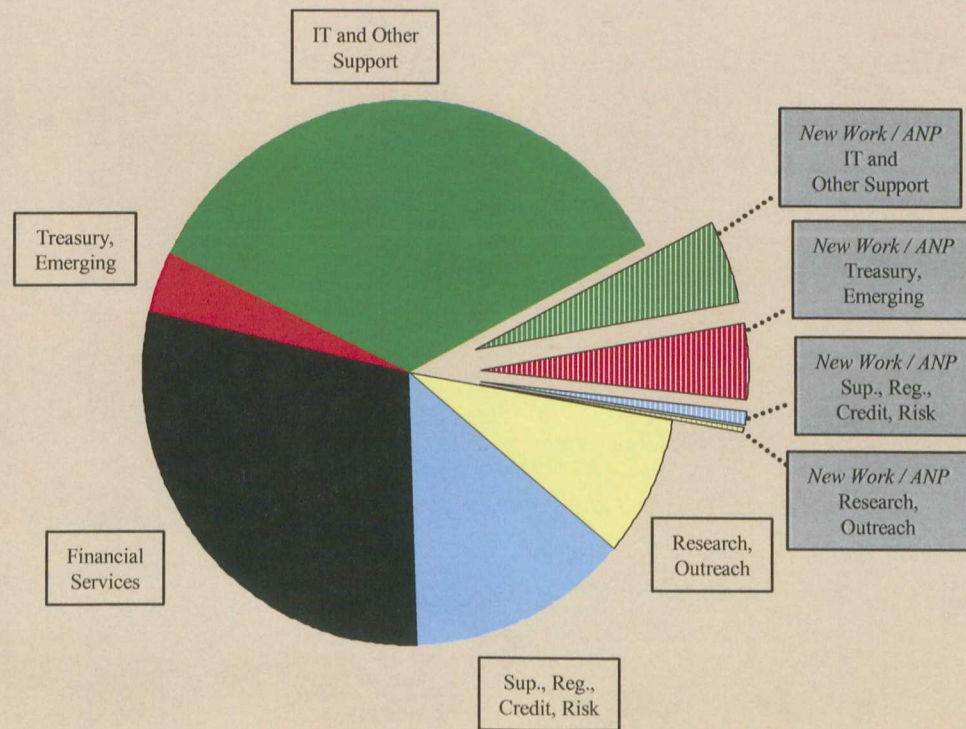
8% of Staff (80)
[including new work / ANP]

IT and Other Support

40% of Staff (400)
[including new work / ANP]

Financial Services

29% of Staff (292)



How Do We Achieve This Vision?

Barriers – Staff Morale and Culture

- Morale
 - Significant downsizing over several years in the wake of check volume, loss of other services
 - Bank reorganization
 - Early retirement program makes everyone's work harder

How Do We Achieve This Vision?

- Concern over skills for the future
 - Other changes – cost of health care, 40 hour work week, market-based pay
 - “Glass Half Empty” perspective; understandable but hard to deal with
-
- Culture
 - “Job for Life” to a market-conscious meritocracy

Trust Survey

- Why?
 - To support long-range planning
 - To assess the climate, given so much change
- The Survey
 - Designed in collaboration with Dr. Robert Galford, Center for Executive Leadership
 - All senior staff, managers and officers (395) surveyed; 82% response rate, 3600 written comments

Trust Survey Results

- Strengths
 - Bank's officers understand challenges ahead and can lead Bank
 - Areas of the Bank work well together
 - Both good and bad news is communicated

Trust Survey Results

- Weaknesses
 - We lack sufficient skilled resources
 - Morale is low
 - Questions about whether we accept mediocre performance
 - Can the Bank's officers be trusted to help employees meet challenges of the future?

Follow up

- Be open
 - All results communicated, and each Department holds meeting
- Show the Bank's Vision
 - Bank-wide assembly plus dissemination of written material
- Be honest with staff
 - New performance discussion process

Follow up

- Increase face-to-face dialogue
 - Department Roundtables
- Develop needed skills inventory and align leadership training
 - In process

- What do you recommend?