

Leaders in Financial Services should (*not*) have all the answers

An outlook on the challenges ahead

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Increased complexities in an already turbulent landscape

In today's dynamic Financial Services sector, the start of 2024 has brought forth many questions as to what we can expect in the years ahead. Developments such as major changes in the economic, political and social landscape, high interest rates, and inflation and rapidly developing technological advances all add complexities to an already turbulent landscape. Leaders within the Financial Services sector are faced with a multitude of challenges and are expected to provide a sense of normalcy, control, and consistency amidst the chaos of today's world. How will CEOs lead us through disruption and change? And are they expected to come up with all the answers?

In navigating these turbulent times, what is keeping our CEOs awake? What is their outlook on the upcoming years and what leadership lessons are they taking with them towards the future? The Financial Services team of Odgers Berndtson in the Netherlands has conducted in-depth interviews with over 50 CEOs in the Financial Services sector against the backdrop of increasing geopolitical tensions and macro-economic turbulence and complexity. Not surprisingly, the number of challenges affecting the sector is increasing, which requires significant agility to provide

leadership, guidance, and decision-making skills amidst uncertainty.

In the multitude of topics, can leaders of today provide all the necessary answers to guide us towards the future?

Believing that leadership can make a significant difference, the Odgers Berndtson Financial Services team in the Netherlands focussed specifically on the topics of technological developments, sustainability, and DE&I strategy in their interviews.



Technology transforms

Technology is integrated in every aspect of the Financial Services sector. It provides sustainability for the business model and future profitability, supports all client interactions, and provides the basis for new products and services. However, advancing technology also brings new risks and challenges. Leaders who can envision the future may have the advantage.

As the world is moving on from the pandemic, one of the lasting legacies for many advanced economies has been greater adoption of digital technologies. One of the biggest, if not the biggest, technological advancements made in 2023 was generative artificial intelligence (GenAI). GenAI is expected to be the most influential trend affecting the entire Financial Services sector of 2024 and beyond. From reshaping the customer experience to changing the way you develop new products or services or perform risk analyses, the Financial Services sector will see sooner rather than later the lasting impact AI will have on organisations and people.

The fintech landscape is witnessing a remarkable transformation, driven by advancements in leveraging both AI and cloud computing technologies. With customers top of mind, organisations in the Financial Services sector are increasingly harnessing the power of choice and flexibility that comes with hybrid multi-cloud and are leaning into the power of data analytics to enhance customer experiences. The influence of fintech and the application of GenAI on chatbots is expected to grow, and banking technology through apps and other online services can produce new revenue streams. What GenAI offers

is opening a new world of innovations that can help personalize financial planning and investment management. Since AI can find trends in data, it helps organisations create personalized products which could lead to more accurate risk and financial assessments, catered to the specific needs of individual customers or transforming the space with analytical tools to measure performance and risk data on a real-time basis for clients, and ease costs for individuals. This is one of the key financial services trends of the upcoming year and will very likely be the driving force of change throughout the sector.

Leaders simply cannot oversee everything that will happen in the future. Especially not with all the technological developments very rapidly evolving. **However, leaders who can envision the future, based on various scenarios, and ensure technology is left, right and centre in their strategy, will have the upper hand.** A strong and well thought-out tech strategy that addresses not only the road of a digital transformation, but also an analysis of opportunities and threats arising from technological advancements such as GenAI, ChatGPT and Machine Learning is a key factor for future success.

All new things also come with threats, both real and perceived. Cybercrime and IT outages are real. Especially in a payments environment where 24/7 availability is expected, 'it just needs to work'. **With trust and confidence being the basis of the complete sector this can quickly result in reputational risks, which are difficult to manage. Robustness of systems and processes are critical, whereby for many organisations legacy issues of 'old' systems and technology are preventing making great strides towards the future.**

For some CEOs this a catch-22 situation. The cost element, especially for smaller organisations, is a key consideration. Future growth needs to pay for technological enhancements and staying ahead of the curve while growth is also depending on the ability to be at the forefront of all technological developments. Creative solutions are required in these situations.

“ Celebrate technology. And how this could contribute to your success. See technology as an instrument not a goal. You have to get the right mindset, things won't change otherwise. ”



Sustainability is not a strategy

A key trend is a greater focus by Financial Services on sustainability efforts and ESG considerations. Organisations within the financial services sector are supporting the investment in green initiatives more than ever before. Renewable resources, recycling, and reducing the carbon footprint are among the initiatives organisations are expected to prioritize. Separately, customers and investors want to know whether their money is being invested in sustainable financial products.

The hallmark of sustainable finance is the integration of environmental, social, and governance (ESG) factors in the DNA of a financial institution, from strategy to investment and credit decisions to risk management all the way to external reporting.

ESG risks cover issues ranging from a company's response to climate change, to the promotion of ethical labour practices, to the way a company grapples with questions around privacy and data management. The number of financial institutions that integrate ESG in their decision-making processes is on the rise globally, and it is expected to increase. A growing number of investors, both institutional and retail (non-institutional), and in developed and emerging markets alike, look at ESG risks as a testing ground for their portfolio companies. The ones that perform well on ESG are well-positioned for the future and have better chances of adapting their products and services to a global consumer base that is increasingly pushing for environmental protection, respect for human rights, and corporate transparency.

“For organisations to secure business, ESG should not just be considered. They need to become part of a company's DNA. Leaders will have to commit to these factors in every aspect of their lives, including their personal lives. The discourse on the topics has matured. However, there is still real work to be done.”

Addressing all ESG concerns at once is impossible even for the most forward-looking and well-intentioned companies. The starting point for any successful ESG approach in an organisation is the hard work of breaking down E, S, and G. The key to success is materiality: a good understanding of which elements of ESG are most relevant to the sector and overall operating context of an organisation. This materiality assessment will show which issues are most important to its business and to stakeholders. Although the ESG issues of organisations may vary, their influence on the bottom lines is increasingly visible. Doing too little or waiting too long to address the most material ESG issues will result in organisation having to play catch-up to their peers and investors potentially seeing the value of their assets being challenged over time.

“ESG is too big to realise at once. Therefore, small steps are the way to go. Then, and only then, will ESG become effortless and a natural part of the daily business.”

The road ahead for leadership will not be a smooth one. And the Financial Services sector will need to prepare for inevitable shocks that arise over the upcoming years. Some of the most impactful challenges include climate change adaptations, the changing role of work, and reducing inequality. For leaders, these shocks aren't mutually exclusive and the materialization of one may spur the development of others. This makes it even more urgent for leaders to prepare for all of them.

Although E, S and G should be broken down separately in the analyses, leaders should shift to a multidimensional view on ESG to examine the risks and opportunities present in all three areas to face the challenges ahead.

In discussing the topic of ESG, we discovered that an ESG strategy is moving away from primarily being driven by the CEO and becoming more and more a part of the DNA of the organisation. CEOs are aware of ESG being an essential asset in providing purpose and attracting talent.

However, CEOs in the Financial Services sector are also struggling with the topic of ESG. Some feel the nuances in the discussion is missing, with on the one side aggressive and 'opportunistic' organisations demanding radical steps to support ESG goals and on the other end clients who demand support in realising their business and investment

objectives. Also some CEOs view regulatory pressure – with, amongst others, CSRD reporting being implemented – as a force that might drive the focus away from really making a difference and therefore not the way to go.

“ Organisations struggle with the increasing number of laws and regulations on these topics. Questions arise on how to integrate ESG in annual reports and the transparency of ESG strategies. Reporting shouldn't become the goal. Do we have the self-efficacy to consider ESG in every decision we make or is this outside pressure needed for us to commit? ”



Diversity, Equity and Inclusion is more than who you hire

External pressure from customers, employees, and investors of organisations in the Financial Services sector to improve their Diversity, Equity and Inclusion (DE&I) programmes has been building over the past years. The Financial Services sector, particularly the investment segment, is grappling with an uncomfortable reality: the gender (in)balance at the top and the gender wage gap of the Financial Services sector are still a long way off being remedied. While these statistics call for increased DE&I metrics, they alone can't tell the full story or resolve the root causes.

“ Women’s salaries are still below those of their male colleagues. The extra roles and responsibilities people have in their lives, such as childcare and caregiving, are not fully considered. ”

While many CEOs will be able to point to initiatives like broadened hiring practices, organisations in the Financial Services sector still have a way to go. The goal of improved DE&I can be easily overlooked in an environment where generating revenue is often the priority. With such a strong focus on growth, management often sees short-term revenue targets as more important than DE&I objectives. As a result, DE&I programmes are typically met with a certain cynicism when ‘imposed’ by leadership or in cases where a diversity champion is from outside the key profit-making divisions. CEOs are recognising that although DE&I is a much talked-about topic, actions are staying behind and DE&I is failing to become a true part of the DNA of an organisation.

One key aspect of the importance of implementing a DE&I strategy is the

“ No matter what sector, DE&I echoes everywhere. These topics are often talked about and fought for. But they’re still far from being fully realised. It needs to be on the agenda every meeting. ”

workforce of tomorrow. New research shows that skilled financial services professionals are already in short supply and CEOs are concerned about holding on to their top performers. These difficulties are caused by several factors. Technology is playing a bigger role. Organisations need employees with digital technologies, cybersecurity, and data analysis skills. Finding people with these skills can be challenging. Another factor is the changing expectations of employees and the way people view work.

Employees now often look for more than a salary. They want a good work-life balance, career development opportunities, and a positive, inclusive workplace culture. These developments affect how financial organisations operate daily and their plans for growing in the future. As a result, leaders need to come up with new and effective ways to attract and keep skilled people. A strong DE&I strategy can unlock previously overlooked potential and help create an attractive work environment.

“ DEI creates an opportunity for more initiatives to attract talent outside of the labour market. ”



Conclusion: leadership lessons

The last few years, bumpy roads have been part of daily reality for CEOs in the Financial Services sector. Very valuable in this year's interviews were the leadership lessons shared by CEOs. How do they make that difficult decision? How do they handle complex situations? And should they provide all the answers?

CEOs greatly benefit from experience in navigating through insecurity while keeping an eye on the ball. In navigating disruptive times, CEOs advise to simply accept that the path forward will be turbulent. Don't change strategies or structures every time a new opportunity arises or upcoming threats are identified. This will drive an organisation and its people crazy. Embrace change by assessing the issues, decide what to do or not to do in line with the long-term strategy, allowing employees to be innovative where possible, and communicating in a transparent manner about decisions and considerations being made. An essential factor in navigating turbulent times is consistent communication. This can't be overemphasized by our CEOs. **It is possible to be steadfast and flexible at the same time.**

Most CEOs have a positive mindset by nature. This is exemplified by the fact more than two-thirds of our interviewed CEOs have a positive outlook for the future. This is even in an environment where interest rate margins are expected to tighten, new pension legislation needs to be implemented, investment results have been down and liquidity is not as available as it used to be. **A key characteristic for successful modern leadership is a positive, albeit realistic, mindset.**

In these times of uncertainty, leaders are expected to take the stage more and more. Today's leaders are much more considered to be role models who need to guide the organisation and inspire its people towards the future. The days of directive leadership styles are long gone. **Showing vulnerability is allowed, but there is a fine line between vulnerability and credibility.** Vulnerability about (personal) dilemmas in dilemma management and personal beliefs is allowed, but vulnerability about personal health and imbalances in work and life are much more difficult to discuss

Loneliness in a leadership position is an issue which was mentioned several times during our interviews and there is no silver bullet as a

“Have the courage to learn and make mistakes. Ask for help and trust your inner compass. A great leader has a wide perspective and collaborates.”

solution. The Chairman or other key members of the Supervisory Board can play a critical role, especially for 'first-time' CEOs. They can serve as a welcome sparring partner for sharing dilemmas, whether personal or professional. A Chairman should create an environment where the CEO feels safe to discuss these topics. External coaching is another solution sometimes used. **At the same time, the CEO has to accept that it can be lonely at the top and that this is a position where the responsibility stops and decision need to be made, no matter how difficult it may be.**

Too many forces are outside of a leader's sphere of influence: macro-economic uncertainty, the impact of geo-political tensions, climate change, development around GenAI... With elections in many countries, representing over 50% of global GDP, there is only more uncertainty to come. Despite these uncertainties, the majority of CEOs is positive about the future. Why? Because most of our CEOs have learned to deal with uncertainty.

So should they provide all the answers? Successful leaders have learned what they can and cannot control. They understand what their strengths and weaknesses are and when to rely on expertise of others, when to rely on co-members of the board or when to step in. For newly appointed CEOs, this will be a learning journey. However, making mistakes is a day job in itself. Building solid and diverse teams, developing scenario-based strategies, and consistent communications are ways to move forward in these times of uncertainty and change. Do you know where your potential for growth lies as a leader in this ever-evolving environment? To find out is opening up to new ways in achieving the results for you and your organisation.

About Odgers Berndtson

“Our purpose is to transform our client’s performance through building outstanding leadership teams. By making personal and organisational impact.”

Financial Services practice

In today’s rapidly evolving landscape, the importance of attracting the best leaders cannot be overstated. The financial sector is navigating a complex environment characterized by stringent regulatory requirements, volatile macro-economic conditions, and shifting geopolitical dynamics. These factors necessitate a workforce that is not only highly skilled, but also adaptable and forward-thinking. Companies that invest in recruiting and retaining the best minds are better positioned to navigate these challenges, drive innovation, and maintain a competitive edge.

“Leaders need more than just strategic vision to excel in today’s complex financial sector.”

Hiring exceptional professionals is crucial for devising strategies that can withstand economic fluctuations and meet regulatory requirements. Moreover, as geopolitical tensions continue to impact global markets, having a team of experts who can analyse and respond to these shifts is essential. By prioritizing the recruitment of top-tier talent, financial institutions can ensure resilience, foster growth, and secure long-term success in an unpredictable world.

If you are a leader in the financial sector looking to discuss strategies for navigating these challenges or seeking advice on how to attract and retain top leaders, we invite you to connect with our team of experts. We specialize in building strong leadership teams that drive organizational success and are dedicated to helping you build a forward-looking organization focused on growth and excellence. We look forward to connecting and how we can support your journey towards sustained success.



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Bram leads the Financial Services practice at Odgers Berndtson, focusing on non-executive and executive management positions. He specialises in finding the perfect leaders in Finance, Risk, Compliance, Operations and Audit. Leaders who truly understand the heart of a business and can make a sustainable impact.

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Open-hearted, enterprising, and demanding. Jan believes that companies today need leaders who combine vision with the courage to push boundaries. As a partner, Jan will mainly focus on leadership with an 'entrepreneurial mindset', which he sees as a critical success factor for building an innovative organisational culture. He has extensive experience in financial services with a good eye for the commercial opportunities that arise there.

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Rosanne is a consultant specialising in C-Level and director positions, primarily for the Financial Services. She asks professionals insightful and thought-provoking questions and helps organisations identify the very heart of their challenge. Rosanne is committed to finding the right match for both the candidate and the company.

Before joining Odgers Berndtson in 2022, Rosanne worked as an operations manager at SeatMe/IENS (now Tripadvisor). Here she experienced the transition from start-up to multinational. Rosanne also rose through the ranks at Michael Page, climbing from consultant to manager of banking & financial services in six years. Rosanne is an ambassador for Diversity, Equity & Inclusion (DE&I), which has been an area of interest throughout her career.

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