Given the massive importance that technology has in modern banking, it is a credible suggestion that by 2020 we will see the first financial services CEOs who have spent the majority of their careers in IT, writes Oliver Berger.

The next generation of financial services CEOs will have gained their track records as chief information officers. Given the massive importance that technology has in modern banking, it is a credible suggestion that by 2020 we will see the first financial services CEOs who have spent the majority of their careers in IT.

2015 is a landmark year for financial services CEOs in Europe. The last decade has been dominated by CEOs stepping into the top position from an investment banking background but there are strong indications that this is about to change.

«The list is almost endless»

When we take a look at the leaders of large European financial institutions, it becomes obvious that there were few opportunities for managers coming from outside investment banking. Oswald J. Gruebel for instance spent most of his career at Credit Suisse First Boston in London, Zurich and Singapore. After his time as CEO he moved to UBS. His successor at UBS was Sergio Ermotti, who came from Unicredit’s investment banking business. Brady Dougan, ex-CEO of CS’ investment unit in the U.S. replaced Gruebel at CS.

When Bob Diamond, Barclays’ former investment banking CEO, left, he was succeeded by Antony Jenkins, who built his career in retail banking – an exception for Western European banks. However, Barclays’ most recently appointment, James «Jes» Staley, spent his career in investment banking with J.P. Morgan. Stuart Gulliver at HSBC and Jean-Laurent Bonnafé at BNP Paribas also come from investment banking backgrounds. The list is almost endless.

«2015 may well mark the end of the age of investment banking CEOs in financial services»
As investment banking continues to be repositioned by universal banks in Europe on the basis of capital constraints and risk appetite, it is conceivable that we will see fewer CEOs with a background in investment banking in future. With the growing uncertainty coming to a head, 2015 may well mark the end of the age of investment banking CEOs in financial services.

As most banks have downsized their investment banking businesses, the focus has shifted to asset and wealth management based on the theory that this will yield steadier, less risky returns-on-equity. We have already seen an upsurge of wealth management business in the Asia Pacific region. At the same time, new wealth is being created in sub-Saharan Africa. Moreover, as the wealth of people in Western Europe and the U.S. continues to grow, every major bank is focusing a large part of its resources on wealth management.

«As a result, banks are increasingly beginning to resemble tech companies»

These trends cause a fundamental change in the business model of wealth management as it moves from a personal relationship-based business to one heavily reliant on digital banking services. While the personal relationship with customers will continue, wealth management will have to offer them ever more digital services. As a result, banks are increasingly beginning to resemble tech companies.

IT now acts as an umbrella over all the different functions as more and more services are moved online and future CEOs in wealth management must be intimately aware of the potential of technology.

«Future Banking will continue to move into the digital space»

Asset and wealth management is likely to be the most important business of any bank over the next couple of years; and we know that banking will continue to move into the digital space. Digital private banking is therefore one of the most important topics in every bank’s current strategy.

With this in mind, it is more than likely that the future CEO will have an asset and wealth management background in addition to a track record gained in IT and digital banking.

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Oliver Berger: Next Generation CEO
Friday, 4 December 2015 16:00