

CEO Succession: A Never-Ending Story



The wealth management industry is undergoing major change, as a new generation of digitally-savvy customers comes of age. Though many forces in wealth management are global—AI, customer expectations, generational wealth transfer—the responses to these forces are distinctly local. In the highly competitive UK market, that means your next CEO will need to be someone who can drive change and lead your tech transformation journey - and you need to start your search now.

Traditional wealth management has always been a one-to-one, face-to-face, 'white glove' industry, especially compared to other financial services, such as retail banking and insurance.

But the demographic of today's and tomorrow's wealth customers is changing. They're digital natives, who've grown up in a digital world and who are significantly more comfortable with technology than previous generations. They still care about having a close, personal relationship with their wealth manager, but they want to be able to interact with them in new ways that harness the latest technologies; a 'hybrid proposition' with bespoke solutions tailored to their individual needs, often available through a digital interface with 24/7 accessibility.

In this article, we explore what this major shift means for the wealth management CEO of the future. What skills should you be looking for in your next CEO? And is it better to hire someone from outside the industry, or from within your own walls?



The in-demand skills in a tech-powered era

To thrive in this new era, your next CEO will obviously need a strong understanding of the value technology can bring to the organization—and how to unlock it. But they will also need to have the right leadership capabilities to drive change.

As the Chair of one wealth management firm we interviewed put it: “Digital transformation not only requires an understanding of tech and data, but also experience of different organizational structures and ways of working.”

Through years of research, we know that the leaders who succeed with transformation typically possess the critical traits, such as systems thinking, drive and resilience, curiosity and adaptability, and social intelligence.

These are essential skills you will need to prioritize in your next search or succession process. But on their own, they are not enough. To unlock this potential, and actually make change happen (and stick), these leaders will also need to score highly in the following areas:

- **Self-knowledge:** knowing one’s own strengths and limitations
- **Values and aspirations:** a clear sense of one’s own morals, motivations and ambitions
- **Wider impact and legacy:** being able to look beyond oneself to one’s impact on the world

It is these capabilities that allow leaders to adapt, flex and grow along with their role, to hold on to a sense of direction amidst setbacks, and to operate effectively in first-time conditions.

These attributes are difficult to measure via resumes or interviews, which is why we developed our Leadership Portrait approach to executive assessment. It’s a way of looking at both a leader’s ability to succeed in the role as it is today, as well as their ability to lead the organization through the inevitable change and transformation that sits on the horizon.



Internal vs external

The next question is, where do you find these change-ready leaders? Should you be looking for someone external with experience of tech transformation and an outsider’s fresh perspective? Or should you be looking within your own ranks, for an insider who knows your business story and culture?

Option one: the outsider

Recently, we've seen a number of wealth management boards appointing CEOs from outside the industry, such as insurance, asset management and banking. They're choosing CEOs with prior experience of the tech transformation journey who can guide them towards a more multi-channel future.

A few years ago, many boards would have shied away from hiring a CEO who didn't fit the traditional mold for wealth management, for fear of upsetting the front office and losing key relationship managers. Now, they're realising they need to be braver, because if they don't evolve, their organizations will be left behind.

But the competition for CEOs is fierce, especially from the banks themselves, who have their own wealth management divisions, which they see as key future growth engines—and they're doing everything in their power to attract (and retain) the best leaders.

As a result of this heightened competition, we're starting to see more companies taking a more proactive approach to CEO succession planning. Rather than waiting for the current CEO to resign to trigger a search, they're continually scanning the market and getting to know the top leadership talent across the ecosystem, even without a specific mandate. So, when the time comes to have that conversation, it'll be a warm rather than a cold one.

Option two: the insider

While it may seem the obvious thing to hire a CEO with advanced technology capability to lead you through a tech transformation, it isn't necessarily the best option.

Internal hires bring a deep understanding of the company's culture. They know which levers to pull, where resistance might emerge, and how decisions really get made.

Our research shows senior wealth managers possess many positive attributes that set them apart from other financial services leaders:

01. They are empathetic. They have a real desire to do the right thing for both their clients and colleagues.

02. They're commercially minded. They're fiercely commercial and keen to make financially sound decisions.

03. They're collaborative and extroverted. They are magnetic, energetic and good with people.

Taken together, their cultural fluency and modern leadership attributes allow them to navigate transformation initiatives with sensitivity—and potentially avoid some of the missteps that might derail external leaders early on.

There is a risk that while internally sourced CEOs may bring understanding and credibility, they can also struggle to challenge business-as-usual. As one wealth management CEO told us, "There's lots of talent and innovation in wealth management businesses. The challenge is structuring our organization in a way that enables these individuals to shine and challenge the status quo."

So, while we're seeing more companies taking on CEOs from other industries, we're also seeing more companies doing a lot more to develop their existing leaders through assessment, top team effectiveness, coaching, and mentoring.

The shortlists for external CEOs are getting shorter. So, if you can develop and crucially, retain the leadership talent within your own firm, it can be hugely valuable in the long-term.

Parting thoughts

Whether insider or outsider, the search for your next CEO needs to start now. It's time to stop thinking of succession planning as a periodic, standalone process and start seeing it as an ongoing, never-ending story that includes scanning the market and using assessment, coaching, and mentoring to develop and retain your existing leadership bench. Having robust succession plans that start years in advance will give your next CEO the time to develop the skills they're going to need in the future.

The good news is that many senior managers already possess the very skills tomorrow's CEO will need. And there's a strong, healthy pipeline of up and coming talent in the industry at increasingly senior levels. The goal is to spot, nurture and develop those next-generation leaders today.





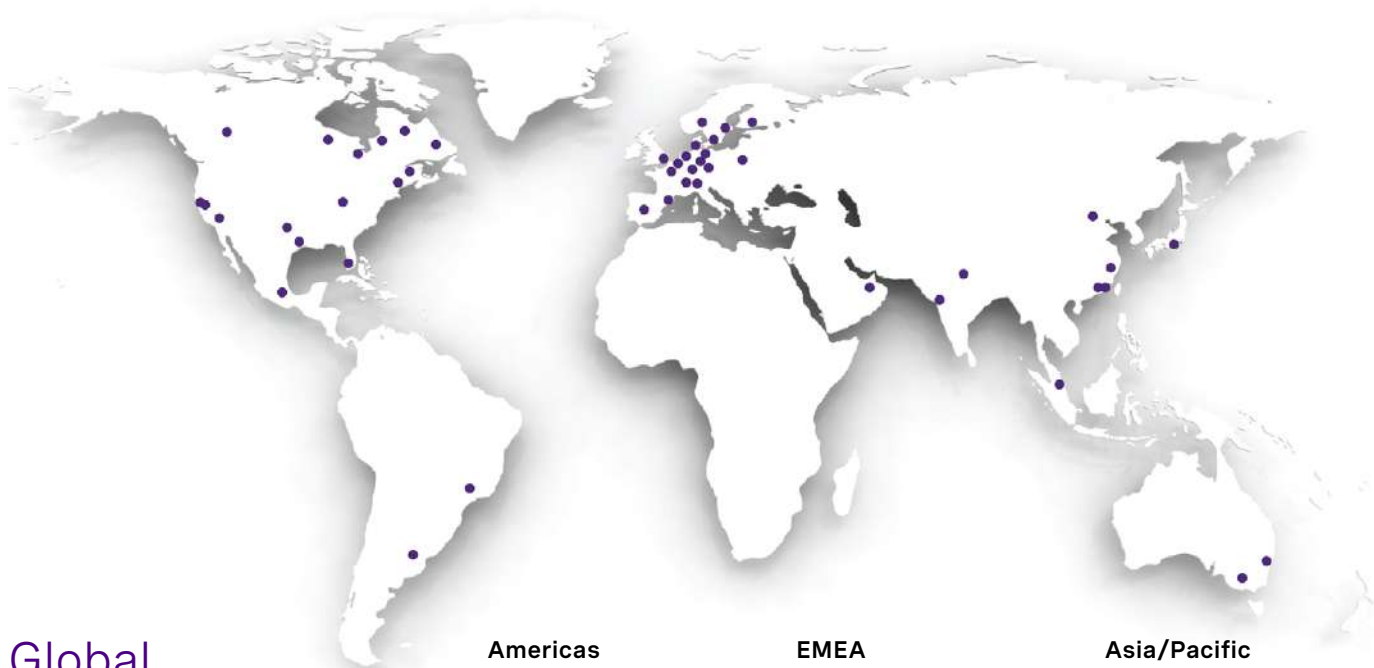
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