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# **What Financial Services Executives Need to Know About Boards' Priorities**

Van To

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# What Financial Services Executives Need to Know About Boards' Priorities

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By Analyst(s): Van To

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Infrequent communication with the board often impedes establishing clear expectations and strategies. This research offers key insights on boards' priorities so financial services business unit executives can pressure test their organization's progress and align actions for enterprise success.

## Overview

### Key Findings

- Sixty-six percent of nonexecutive boards of directors (BoDs) in the financial services industry expect a greater tolerance for risk in 2023-2024. BoDs are willing to accept greater risk in expanding product lines, entering new markets and transforming ways of working.
- Seventy-eight percent of financial services BoDs are altering or planning to alter their enterprise economic structures to a digital economic architecture, as BoDs are sharpening the focus of their digital acceleration initiatives on business transformation (as opposed to solely optimization.)
- About three-fourths of financial services BoDs anticipate an increase in sustainability initiatives (75%) and diversity, equity and inclusion (DE&I) investments (77%) in the next two years, acknowledging the rising importance of environmental, social and governance (ESG) goals.

### Recommendations

Financial services business unit executives responsible for executing business leadership and strategy actions should:

- Align on business strategies for the next two years by framing conversations about priorities and risk with the board, CEO and executive committee. Propose digital initiatives in line with the board's risk posture, knowing that priorities can change quickly during periods of disruption and it can take months before the new ones trickle down to functional leaders.
- Increase the enterprise's ability to deliver digital transformation by incorporating necessary changes to the digital economic architecture into proposed initiatives.
- Develop an ESG strategy by identifying their organizations' ESG business outcomes and the business capabilities needed to reach those outcomes.

## Data Insights

When operating in times of economic disruptions, financial services business unit executives often prioritize risk mitigation and short-term gains over the firm's strategic vision. To ensure continued commitment to long-term organizational goals, it is important for financial services business unit executives to align their activities and investments with the priorities and expectations of their board members.

We found that despite economic uncertainty, BoDs at financial services institutions continue to view technology and workforce as key drivers of growth (see Figure 1). Board members are willing to take more risks to increase growth, and are placing greater focus on digital acceleration and higher spending on sustainability initiatives.

Figure 1: Top 15 Strategic Business Priorities for 2023-2024

**Top 15 Strategic Business Priorities for 2023-2024**

Sum of Top Five, Coded Multiple Responses



n = 65; Financial Services Nonexecutive Board of Directors

Q: Please tell us about your organization's top 5 strategic business priorities for the next 2 years (2023/2024)

Source: 2023 Gartner Board Of Directors Survey on Business Strategy in an Uncertain World

Note: Showing top 15 results only.

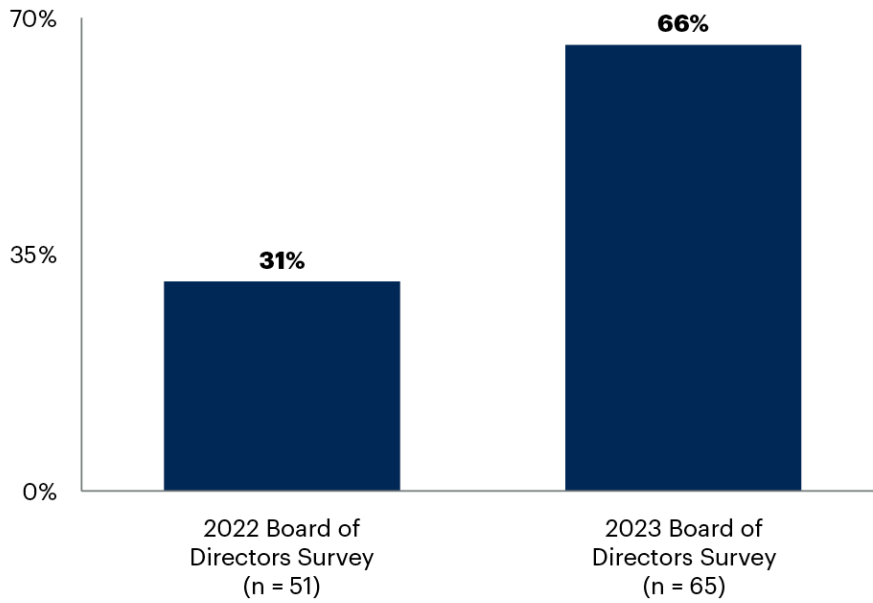
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**Boards Are More Willing to Take Risks**

Boards view the upheavals of the increasingly disruptive economy as sources of opportunity to take advantage of, and are more willing to accept risks to drive growth and profitability. Sixty-six percent of BoDs said that their risk appetite will increase in 2023-2024, compared to only 37% in the previous year (see Figure 2). Hence, financial services business unit executives' proposals on strategic initiatives should take into account the higher risk levels that their boards will accept in future.

**Figure 2: Percent of BoDs Saying Their Risk Appetite Will Increase**

### Percent of BoDs Saying Their Risk Appetite Will Increase



n varies, Financial Services Nonexecutive Board of Directors

Q: How is the Nonexecutive Board's risk appetite (willingness to accept risk in pursuit of corporate objectives) expected to change for 2023-2024, to drive your organization's growth?

Source: 2023 Gartner Board Of Directors Survey on Business Strategy in an Uncertain World  
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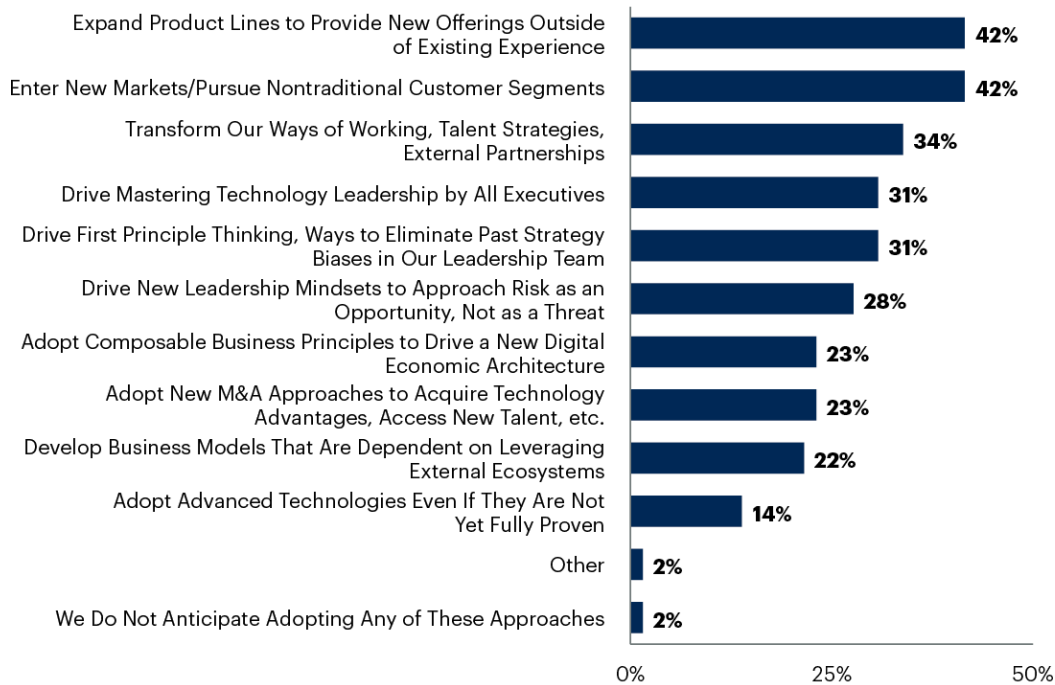


To achieve growth and profitability with greater risk appetite, BoDs prefer expanding product lines to provide new offerings outside of existing experience and entering new markets or pursuing nontraditional customer segments (see Figure 3).

**Figure 3: Top Approaches Involving Greater Risk to Achieve Increased Growth and Profitability**

**Top Approaches Involving Greater Risk to Achieve Increased Growth and Profitability**

Sum of Top Three Ranks



n = 65; Financial Services Nonexecutive Board of Directors

Q: Please select the top 3 approaches where the Nonexecutive Board is willing to proactively accept a greater level of risk to achieve increased growth and/or profitability?

Source: 2023 Gartner Board Of Directors Survey on Business Strategy in an Uncertain World

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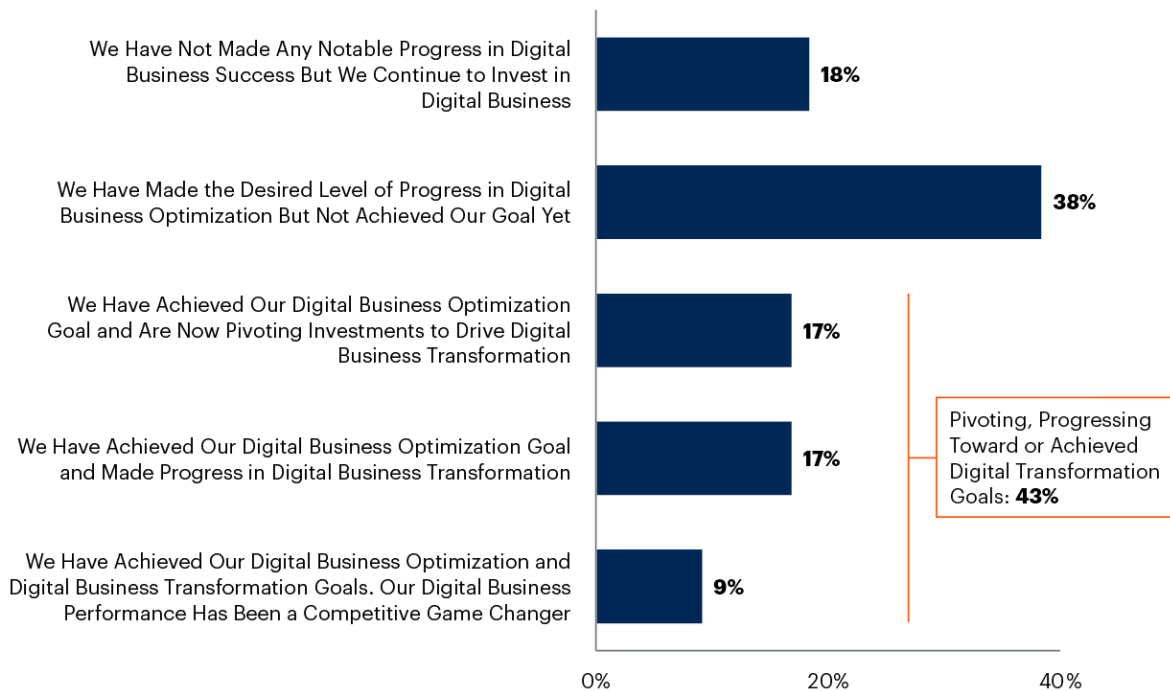
While boards see many opportunities for growth, they’re also keenly aware of threats. For example, BoDs reported that economic uncertainty, inflationary pressure and emergence of disruptive business models from competitors (including digital giants) are the top three external threats/constraints to growth. However, this survey was conducted prior to the recent bank failures that took place in 1Q23. This disruption has posed new questions and concerns regarding exposures to interest rate risk, new legislative proposals to reform the banking system and public customer trust in the financial system (see [How Should Banking Leaders Respond to the Recent Bank Failures?](#), [Responding to the Banking Failures of 2023](#) and [Financial Services Pulse: What Industry Leaders Say About the Collapse of Silicon Valley Bank](#)). Because priorities are subject to change during periods of disruption, financial services business unit executives should align on business strategies by continuously checking in with the CEO and the board on their priorities and risk appetite. It can take months before new priorities trickle down to functional leaders.

## Boards Aim for Digital Business Strategy to Transform Business

The digital acceleration undertaken since the pandemic has caused the convergence of digital business and overall business strategy to accelerate as well. Today, digital business is an implicit part of growth strategies, according to 92% of surveyed financial services BoDs. Since most firms have either achieved their business optimization goals or made the desired level of progress in optimization, boards have turned to digital as a means to transform their business. Forty-three percent of BoDs report pivoting to, progressing toward or having achieved their digital transformation goals (see Figure 4). There are two primary ways that BoDs are operationalizing their digital transformation goals: establishing a digital economic architecture (DEA) and investing in breakthrough technologies.

**Figure 4: Digital Business Progress or Achievements to Date**

### Digital Business Progress or Achievements Till Date



n = 65; Financial Services Nonexecutive Board of Directors, excluding don't know

Q: Which of these best describes your organization's digital business progress or achievements till date?

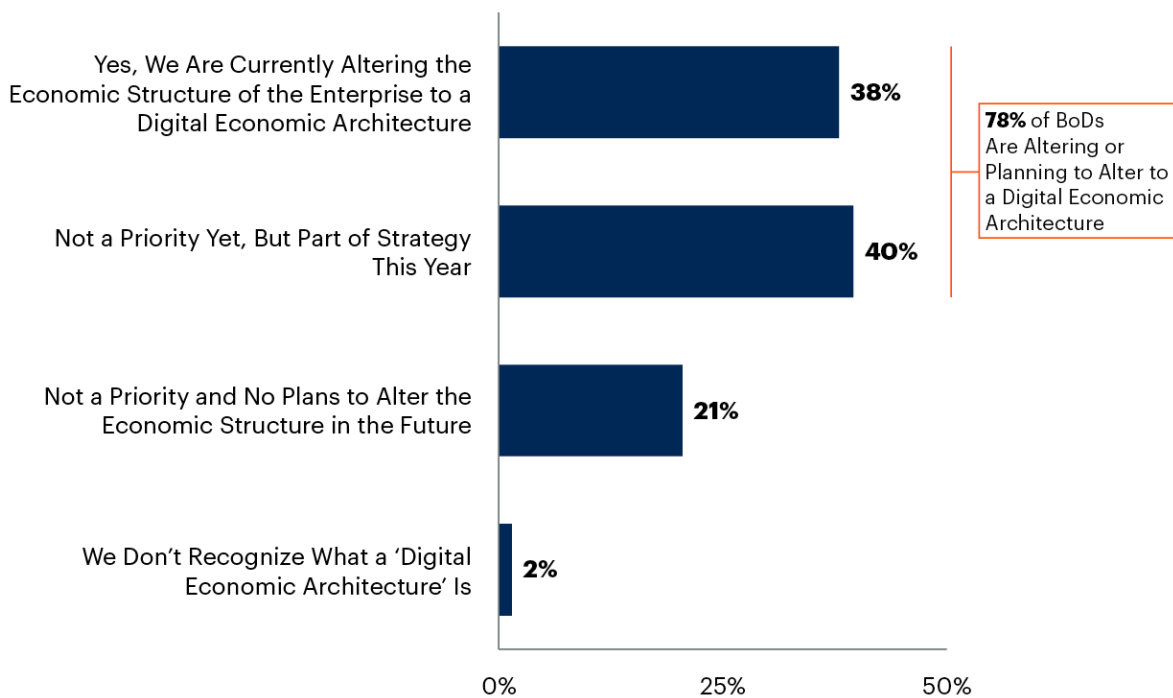
Source: 2023 Gartner Board Of Directors Survey on Business Strategy in an Uncertain World

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With the understanding that the enterprise’s old financial structures cannot support their increasingly aggressive digital ambitions, boards are now focusing on altering their economic architecture. Seventy-eight percent of BoDs are altering or planning to alter the enterprise economic structure to a digital economic architecture (see Figure 5). The DEA encompasses the economic building blocks of a “digital-first” company. These are the practices and processes that traditional organizations need to adopt in order to facilitate success in digital transformation and achieve similar financial results to that of the digital-first companies.

**Figure 5: Strategic Imperative of the Board to Alter the Enterprise Economic Structure to a Digital Economic Architecture**

**Strategic Imperative of the Board to Alter the Enterprise Economic Structure to a Digital Economic Architecture**



n = 63; Financial Services Nonexecutive Board of Directors, excluding don't know

Q: Is it a strategic imperative of the Nonexecutive Board to alter the economic structure of the enterprise to a digital economic architecture?

Source: 2023 Gartner Board Of Directors Survey on Business Strategy in an Uncertain World

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Creating a DEA requires changes to traditional practices. These changes are needed to increase the speed of innovation, which is critical to digital business success. They represent a mechanism for converting higher risk into greater economic value – a central board priority. These changes include:

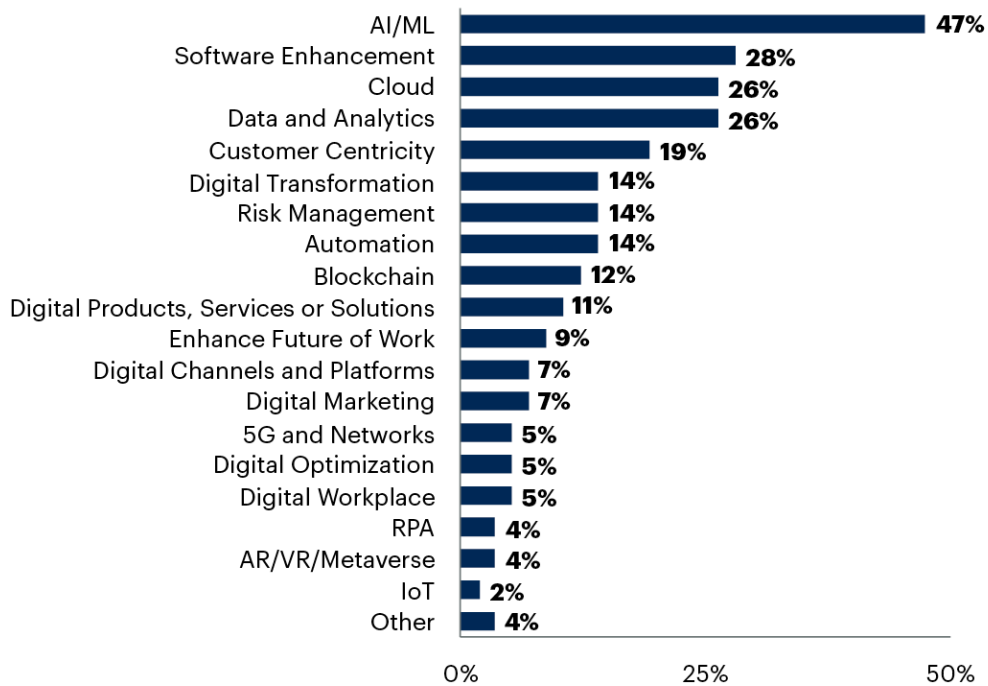
- New approaches and mindsets on how accounting principles are applied (for example, treating data as an asset)
- An evolution from quarterly reports to a longer-term focus (for example, scaling promising businesses – even if it takes time to turn a profit)
- The exploitation of nontraditional sources of production and value (for example, digital ecosystems)

In addition to establishing a DEA, boards view investing in breakthrough technologies as key to their digital transformation efforts. The top breakthrough technologies imperative to digital business include artificial intelligence (AI) and machine learning (ML), software enhancement, cloud, and data and analytics (see Figure 6). Financial services business unit executives can use these approaches when creating aggressive proposals for digital business transformation that align with the board's thinking. For example, banks across the world are running trials of foundation models for natural language use cases, with 30% of senior banking executives planning to work with ChatGPT in the future (see Quick Answer: What Are Banks' Current Plans for AI Using ChatGPT?).<sup>1</sup>

Figure 6: Top Breakthrough Technologies Imperative to Digital Business Success

**Top Breakthrough Technologies Imperative to Digital Business Success**

Sum of Top Three, Coded Multiple Responses



n = 57; Financial Services Nonexecutive Board of Directors, excluding can't disclose/not sure/none/don't know

Q: What are the top three technologies that you consider 'breakthrough' and that are imperative to digital business success in your organization?

Source: 2023 Gartner Board Of Directors Survey on Business Strategy in an Uncertain World

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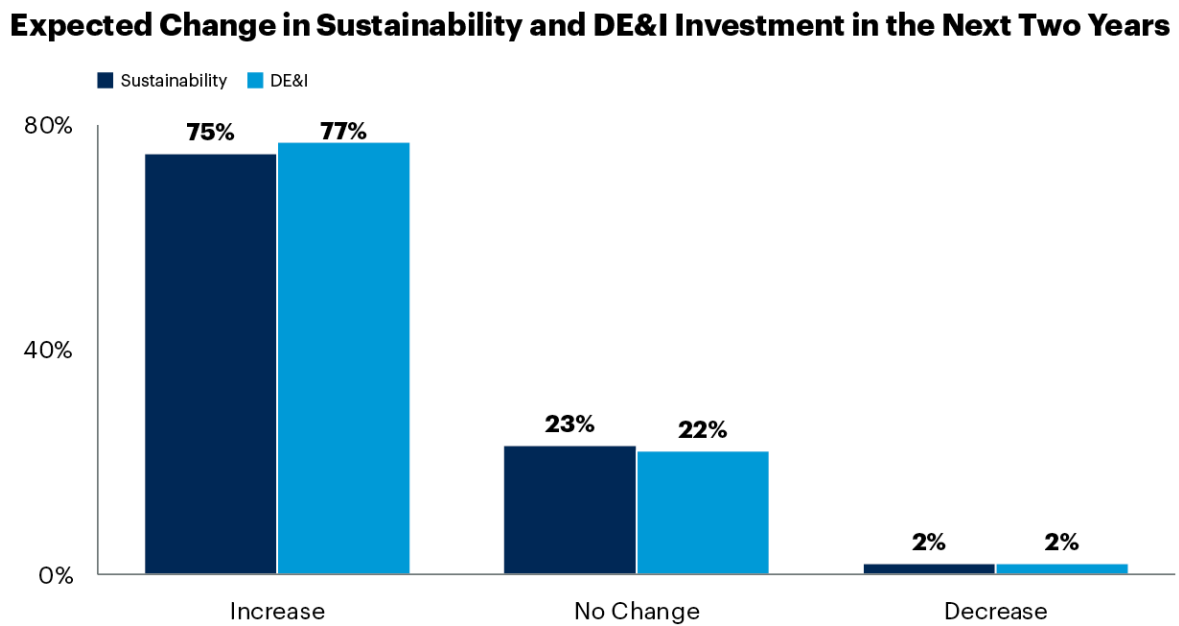


To meet the BoD's increasing risk appetites and expectations on digital business transformation, financial services business unit executives should take aggressive proposals for digital business transformation ahead of where they think their enterprise is today to demonstrate vision and leadership. For more information on how to align technology decisions with business model transformation to improve returns on technology investments, see [How Financial Services Executives Can Improve Returns on Technology Investments](#).

**Boards Expect Increase in Sustainability and DE&I Investments**

Meeting ESG goals is becoming increasingly important in how employees choose a workplace, how shareholders choose an investment and how customers choose a bank. About three-fourths of BoDs anticipate an increase in sustainability initiatives and DE&I investments in 2023-2024 (see Figure 7).

Figure 7: Expected Change in Sustainability and DE&I Investment in the Next Two Years



n = 64; Financial Services Nonexecutive Board of Directors, excluding don't know and not applicable

Q: How do you anticipate the investment in your organization's Sustainability initiatives to change in the next 2 years (2023-2024)?

Q: How do you anticipate the investment in your organization's DE&I initiatives to change in the next 2 years (2023-2024)?

Source: 2023 Gartner Board Of Directors Survey on Business Strategy in an Uncertain World

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Organizations must develop a strong ESG program that links investments to business strategy. In order to meet the BoD's increasing expectations in sustainability and DE&I development, financial services business unit executives must develop an ESG strategy by identifying their organizations' ESG business outcomes and the business capabilities needed to reach those outcomes. For more information on how financial services leaders are achieving their ESG goals, see [How Financial Services Leaders Are Winning on ESG Goals](#).

### Conclusion

Identifying board priorities in areas of risk, digital acceleration, and sustainability and DE&I will help financial services business unit executives better align executive actions to support the board and enhance enterprise progress in these areas. It will also encourage financial services leaders to propose more ambitious digital initiatives to accelerate digital transformation.

## Evidence

### 2023 Gartner Board of Directors Survey on Business Strategy in an Uncertain World:

This survey was conducted to understand the new approaches adopted by nonexecutive boards of directors (BoDs) to drive growth in a rapidly changing business environment. The survey also sought to understand the BoDs' focus on investments in digital acceleration; sustainability; and diversity, equity and inclusion. The survey was conducted online from June through July 2022 among 281 respondents from North America, Latin America, Europe and Asia/Pacific. Respondents came from all industries, except governments, nonprofits, charities and NGOs, and from organizations with \$50 million or more in annual revenue. Respondents were required to be a board director or a member of a corporate board of directors. If respondents served on multiple boards, they answered for the largest company, defined by its annual revenue, for which they are a board member. Disclaimer: The results of this survey do not represent global findings or the market as a whole, but reflect the sentiments of the respondents and companies surveyed.

<sup>1</sup> The 1Q23 Gartner Financial Services (FS) Business Priority Tracker Survey aims to understand the most pressing priorities of FS business and technology leaders in the short term, as well as their views on the importance and impact of future economic and social trends. This online survey was fielded from 9 February through 27 February 2023. The survey includes 134 respondents who are senior business and technology leaders from financial services organizations. Disclaimer: Results of this survey do not represent global findings or the market as a whole, but reflect the sentiments of the respondents and companies surveyed.

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