ARTICLE

The new fintech board

As fintechs have grown and become increasingly important players in the financial ecosystem, the demand for a diverse, well-rounded set of board members has increased.

At any company, a well-rounded board of directors can offer expertise, credibility, and relationships to complement the talent in the executive ranks. But what exactly is needed from a board changes as companies mature? As fintechs have grown and become increasingly important players in the financial ecosystem, the demand for a diverse, well-rounded set of board members has increased.

Between 2019 and 2022, nine of the boards in our study of fintechs in major markets around the world went public. And going public has forced many of these boards to professionalize further. Since we last examined the composition of fintech boards, in 2018, therefore, a lot has changed.

In 2018, we recommended that boards seek "hybrid" leaders (operational leaders turned investors), people with traditional finance and fintech or tech experience, and more technology leaders. Now that fintech boards are more mature, we recommend that boards consider candidates with expertise in functional areas such as regulatory and financial experience as well as operator and product experience, with less emphasis on investors; focus on increasing diversity overall in order to continue establishing trust with a broadened stakeholder and shareholder base; and establish a robust succession planning process that takes into account multiple timeframes and organizational needs.

Methodology

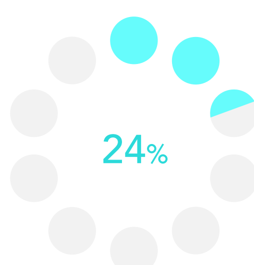
In March 2023, we examined the top 75 fintech companies across Europe, the United States, and Australia and New Zealand. These companies are made up of both public and private ownership.

A total of 593 fintech board members were examined for this analysis.

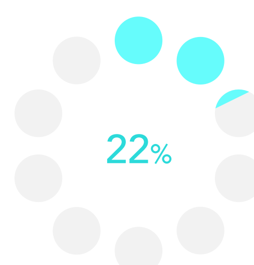
The evolution of fintech boards, 2018 to 2023

On average, boards have added more directors that have been CEOs or are sitting CEOs to their boards, and seats filled by investors have decreased. This is likely due to companies going public, causing investors to leave boards. Across fintech sectors, most boards have a similar structure of founders, investor, and independent director mix, while diversity of all kinds is increasing.

In terms of **gender diversity**, in 2023, 84% of fintech boards had at least one woman, compared to 50% in 2018. On average, **24% of seats on a fintech board are now held by women**.

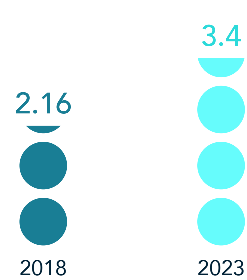


In terms of **racial or ethnic diversity**, **22% of an average fintech board is made up of non-white individuals**.

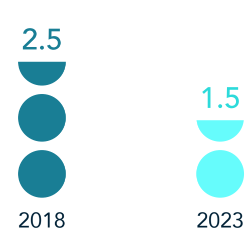


It's clear that fintech boards are **prioritizing CEO experience** more now than in 2018:

An average of **3.4 current board members have been or are currently a CEO**, compared with 2.16 in 2018.



In parallel, **fewer seats on average are held by investors**, a drop to 1.5 from 2.5.

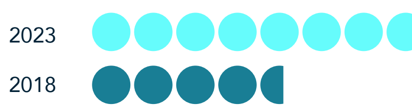


The rise in the average number of directors with CEO experience suggests that as the sector as a whole has matured, companies are prizing operational expertise ever more highly. In 2018, we also observed a rise in the share of board members with such expertise between the start-up stage and the pre-IPO stage.

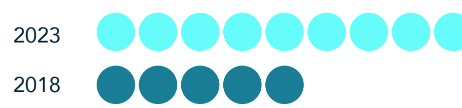
However, although the share of CEOs has risen in all sectors, the degree of change varies by sector: in payments, for example, 78% currently have CEO experience, compared with less than half in 2018, while in insurance, the figure is 61%, up from about a third.

Fintech boards have increased in size from 2018 to 2023. The average board size has grown to 7.8 members, up from 4.6. The most common board size in 2018 was 5 people; today it's 9. This is in line with public company boards overall, which have generally had 9 to 12 members for the past couple of decades, though their size has fluctuated in response to the market and overall conditions.[1]

The average board size has grown to 7.8 members, up from 4.6.



The most common board size in 2018 was 5 people; today it's 9.



An average of 3 fintech board members have joined since 2021, suggesting that **an effort is being made to expand the board's skill set and diversity of experience** by adding new members. This is likely true particularly for those boards who are preparing to or have gone public since 2021.

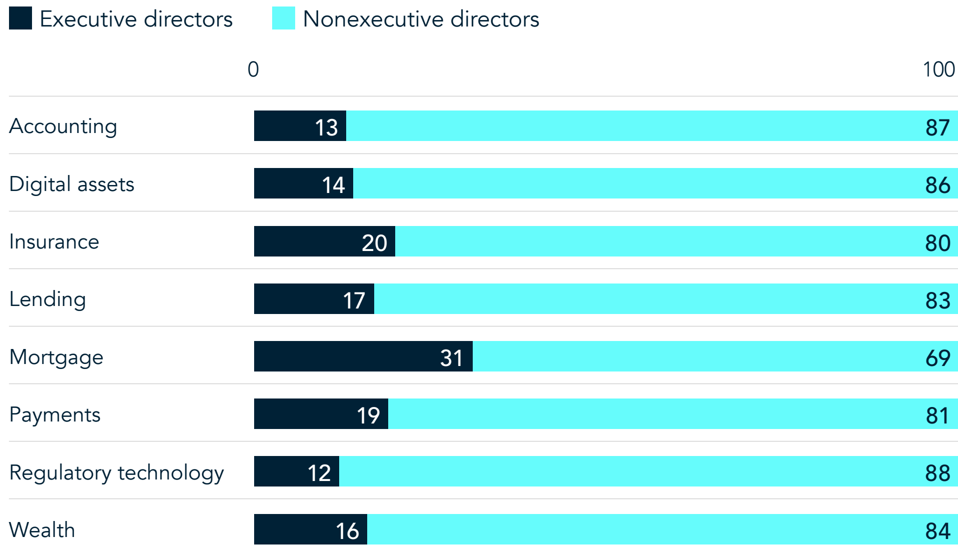
As boards have grown in size, they have also added committees; the average is 3.7 committees, and all have both an audit and a compensation committee.[2] Again, this is likely due to many of these companies going public and therefore being required to have audit and nominating committees.

1 Alice Breeden and David Hui, "Building the foundation for better board refreshment," Heidrick & Struggles, heidrick.com.
2 Excluding boards for which committee structure was not available.

In 2023, 32% of fintech boards **did not include a founder**.

By sector, **most boards have a similar mix** of executive and nonexecutive directors.

Average share of directors on each sector's board, by type of director (%)



Board makeup varies by industry. In 2018, in insurance, the prevalence of former CEOs and GMs on a fintech board rose from 0% to 9% to 60% as firms grew from early-stage start-ups to later-stage growth companies to mature, publicly held enterprises.[3] However, between 2018 and 2023, we found that the prevalence of CEOs on a fintech board decreases as fintechs grow from later-stage start-ups to public, post-IPO fintech companies. We have seen an increase in the desire for board directors with tech expertise particularly, despite the few insurance fintech disruptors currently in the market.

In 2018, we found that, in the **payments industry**, the prevalence of former CEOs and GMs on a fintech board grew from 0% to 19% to 50%.[4] In 2023, we found that the prevalence of CEOs on a fintech board remains relatively the same as fintechs grow from later-stage start-ups to public, post-IPO fintech companies.

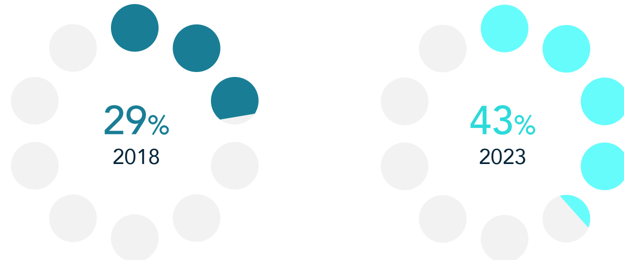
In **consumer finance**, these directors were added even more quickly, with 32% of later-stage growth board seats held by a former CEO or GM in 2018.[5] Now, the prevalence of CEOs on a fintech board has risen from 47% to 48% as firms grow from later-stage start-ups to public, post-IPO fintech companies.[6]

We also found that, among the **pre-IPO later-stage growth start-ups**, CEO prevalence by percentage *decreases* as these companies grow in funding.

3 Jenni Hibbert, Todd Taylor, and Steve McCrindle, "Closing the gaps in fintech boards," Heidrick & Struggles, heidrick.com.
4 Jenni Hibbert, Todd Taylor, and Steve McCrindle, "Closing the gaps in fintech boards," Heidrick & Struggles, heidrick.com.
5 Jenni Hibbert, Todd Taylor, and Steve McCrindle, "Closing the gaps in fintech boards," Heidrick & Struggles, heidrick.com.
6 Analysis of 117 total fintech board members.

Fintechs compared to the largest companies

In 2018, 29% of the total board members examined were general managers or CEOs. **In 2023, 43% of an average fintech board is made up of former or current CEOs.**

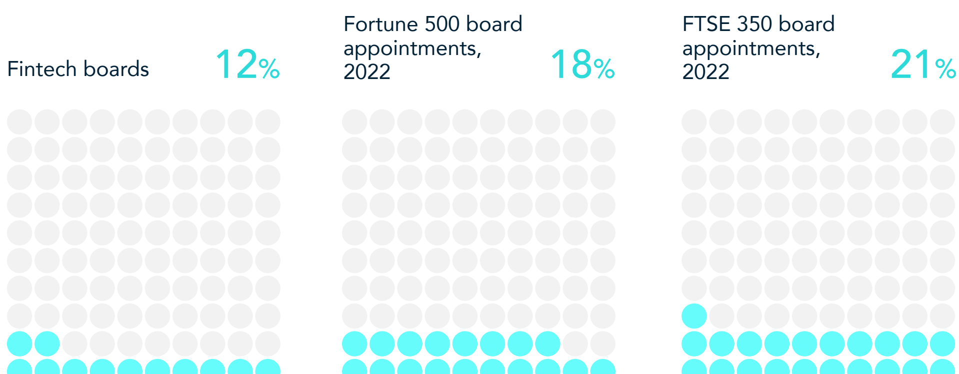


This aligns with what we see in appointments to boards on some of the largest companies in the world.[7] In 2022, for example, 43% of seats filled on Fortune 500 boards and 37% of FTSE 350 seats went to people with **CEO experience**.

For financial services companies on the Fortune 500, 48% of seats filled went to people with CEO experience.

For financial services companies on the FTSE 350, 33% of seats filled went to people with CEO experience.

In 2018, only 5% of total board members examined were **financial officers**. In 2023, **12% of an average fintech board is made up of former or current CFOs** (and the average number of CFOs has changed minimally since 2018, sitting at just over one). This is slightly lower than boards at the largest companies, whereas 18% of 2022 Fortune 500 board appointments and 21% of FTSE 350 appointments went to people with CFO experience.

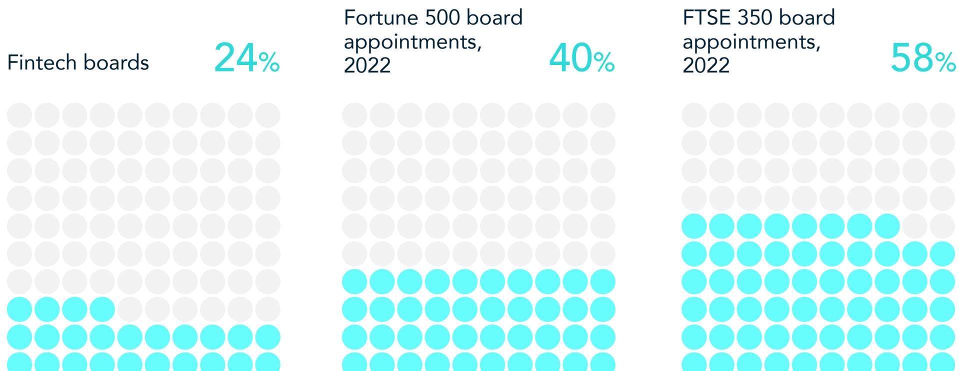


7 "Board Monitor 2023: Around the globe," Heidrick & Struggles, heidrick.com.

For financial services companies on the Fortune 500, 15% of seats filled went to people with CFO experience.

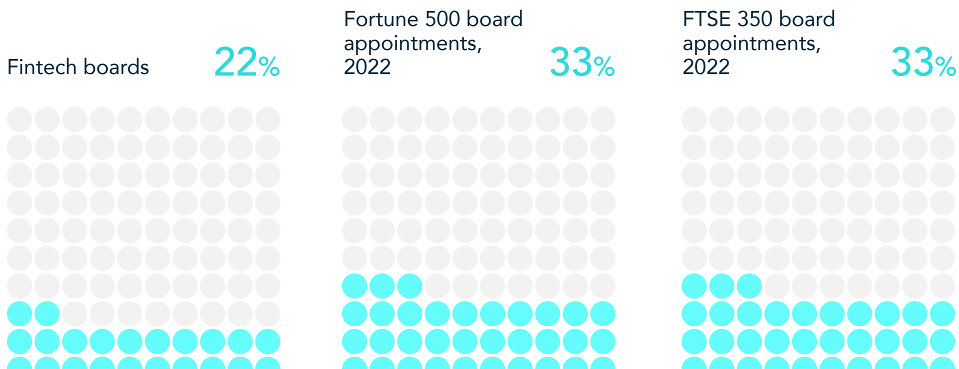
For financial services companies on the FTSE 350, 16% of seats filled went to people with CFO experience.

In terms of **gender and ethnic diversity**, fintech boards are farther behind. Although 84% of fintech boards now have at least one woman, **only 24% of seats on an average fintech board are held by women**. This compares with 40% of 2022 appointments to Fortune 500 boards and 58% of those to FTSE 350 companies going to women.



For **financial services** companies on the Fortune 500, 44% of seats filled went to women. For financial services companies on the FTSE 350, 57% of seats filled went to women.

And 22% of seats on an average fintech board are held by ethnically diverse people, compared with 33% of 2022 appointments to Fortune 500 boards and 33% of appointments to FTSE 350 boards going to racially or ethnically diverse people.



For **financial services** companies on the Fortune 500, 33% of seats filled went to diverse people. For financial services companies on the FTSE 350, 20% of seats filled went to diverse people.

Who should you consider for your board?

As the CEO–founders and investors in growing fintech companies look to either build their boards or increase their effectiveness, we offer the following considerations, based on the findings of our study and experience in the field, for how they should go about their composition.

First, **boards should consider the importance of functional areas such as regulatory and financial experience.** This is important for all boards, but particularly those in newer industries. They should also keep in mind the competition for operator talent. As boards increase in size and seek out more experienced executives, they should bear in mind the size of the talent pool; there are only so many fintech CEOs available to sit on someone else's board. Consider what operator experience from adjacent industries would translate well into a fintech company, should the need arise.

Second, **boards should keep a focus on the need for a robust succession planning as boards expand or members age out.** Fintech boards must keep a forward focus, considering how they should evolve, who may roll off the board when and if it goes public, who might sit on the audit committee, for example. A standard of succession planning is needed.

In our experience, a robust succession plan is, instead, a well-developed leadership pipeline with prospective candidates who can be ready and willing to step up across multiple timeframes.[8] A lack of succession planning for any vital role, including board member, should be considered an organizational risk. And, as the pace of change in industries, economies, and societies has increased boards have to up their game just as much as executives.[9] Organizations overall must ensure that board succession planning is continually kept alive. Boards that routinely evaluate their capabilities with strategic goals in mind and establish a diverse pipeline of potential directors will be best positioned to help their organizations reset for resilience and thrive in the long term.[10]

8 Cynthia Emrich, Steve Krupp, and Amy Miller, "Developing future-ready leaders: From assessments to strategically aligned learning," Heidrick & Struggles, heidrick.com.

9 Alice Breeden and David Hui, "Building the foundation for better board refreshment," Heidrick & Struggles, heidrick.com.

10 Bonnie Gwin and Jeffrey Sanders, "Board succession 2020: Three steps toward long-term effectiveness," Heidrick & Struggles, heidrick.com.

About the authors

Clare Buxton
is a partner in Heidrick & Struggles' London office and a member of the global Financial Services Practice. She co-leads the Crypto & Digital Assets Sector in Europe & Africa.

cbuxton@heidrick.com

Adrianna Huehnergarth
is a principal in the New York office and a member of the Financial Services and Technology practices and the FinTech sector. She leads the Crypto & Digital Assets sector in North America.

ahuehnergarth@heidrick.com

Katherine Pluck
is a principal in the New York office and a member of the Financial Services Practice.

kpluck@heidrick.com

David Richardson
is a partner in the New York office and a member of the Financial Services Practice. He leads the global Market Infrastructure & Data Services sector and co-leads the Crypto & Data Assets sector in the Americas.

drichardson@heidrick.com

Acknowledgments

The authors wish to thank **Veronique Lalley** for her contributions to this report.

Financial Services Practice

Heidrick & Struggles' global Financial Services Practice uses our broad and deep experience to find the leaders today who are equipped to address the critical issues of tomorrow.

Emerging from global crises while adapting to new markets, the global financial services industry needs leaders with the technical skills, creativity, and insight to craft winning strategies in an increasingly data-heavy digital world. With more than 80 consultants in locations around the world, our Financial Services Practice team combines unparalleled search resources with a deeply consultative approach.

We have strong expertise across all financial services sectors, including: asset management; consumer and commercial finance; financial services infrastructure; financial technology; global markets; hedge funds; insurance; investment banking; private equity; real estate; venture capital; and wealth management.

Leaders of Heidrick & Struggles' Financial Services Practice

Global	Todd Taylor Global Managing Partner ttaylor@heidrick.com
Americas	Dominique Fortier Regional Managing Partner dfortier@heidrick.com
Asia Pacific and Middle East	Shadi El Farr Regional Managing Partner selfarr@heidrick.com
Europe and Africa	Wolfgang Schmidt-Soelch Regional Managing Partner wschmidtsoelch@heidrick.com

WE HELP OUR CLIENTS CHANGE THE WORLD,
ONE LEADERSHIP TEAM AT A TIME®