INSIGHTS INTO FINTECH LEADERSHIP COMPOSITION FOR RISK GOVERNANCE

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Abstract

This research investigates the composition of the leadership teams responsible for governance in financial technology (FinTech). While several studies examined the FinTechs' financial performances (Al-Matari et al., 2023; Siddiqui & Rivera, 2024), there remains a research gap in understanding the leadership role (AlBaker, 2024), a critical driver influencing the performance (Al-Matari et al., 2023). This study identifies industries where FinTech companies are registered using the Nomenclature of Economic Activities (NACE) code by classification framework. Results show that 41 percent of FinTechs are registered as information technology (IT) companies, and 38 percent are registered as financial institutions. Then, the professional backgrounds of the founders and board of directors (BOD) are analyzed by examining the NACE code of the companies they were affiliated with at the time of FinTech inception and in December 2022. This dual analysis helps to understand how FinTech leadership has evolved. Results showed that most leaders have prior experience in finance, IT, and real estate industries. This research provides insights to practitioners intending to build their leadership teams, the regulators who must select the sectoral priorities for programs, and academicians who build FinTech content. All of them assist the FinTech sector's development. The research provides an unprecedented methodology to assess FinTech via a replicable governance structure across countries, sectors, and industries.

Keywords: FinTech, Governance, Leadership

Authors' individual contribution: Conceptualization — Z.S. and C.A.R.; Methodology — Z.S.; Formal Analysis — Z.S.; Data Curation — Z.S.; Writing — Original Draft — Z.S.; Writing — Review & Editing — Z.S. and C.A.R.; Visualization — Z.S.; Supervision — C.A.R.

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1. INTRODUCTION

After the 2008 economic crunch, there was a decline in people's confidence in traditional financial institutions like banks. Therefore, innovation in the financial industry has undergone a change. Now, the leadership of financial innovation has been transferred to financial technology (FinTech) and large tech firms that are not significantly impacted by the crisis shocks (Sannino et al., 2020).

This research mainly aims to understand the background and profile of the board of directors (BOD) and owners of FinTech, specifically for the Latvian FinTech ecosystem, which has not yet

been done. Prior research has suggested that although organizations' leaders have limitations, they still play a vital role in managing and shaping the present and future of the organization (Miller et al., 1982; Hambrick & Mason, 1984). Also, their characteristics or personalities impact how much the organizations focus on innovation (Bantel & Jackson, 1989). It is the same with FinTechs, as the leaders' managerial decisions impact financial innovation and the future of FinTechs. Therefore, innovation in the financial industry has been affected by the mindset of the FinTech leaders. The leadership of financial innovation has been transferred to FinTechs and large tech firms that are not significantly impacted by the crisis shocks that often test financial institutions (AlBaker, 2024; AlHares & AlBaker, 2023; Al-Matari et al., 2023; Miftari et al., 2024; Sannino et al., 2020).

In their prior research, the authors have identified that there were 187 active Latvian FinTech companies from 2016–2022, and they are classified into eight subsectors: 1) brokers, 2) crowdfunding/ P2P, 3) crypto-blockchain, 4) IT-data-KYC, 5) lending, 6) banking, 7) payments, and 8) investment (Siddiqui & Rivera, 2024). This research uses the same list of 187 Latvian FinTechs to research and study the background and experiences of the leaders of FinTech, which, as a result, will determine the future of FinTech and the adoption of financial innovation in the FinTech sector. This research compared the background of the BOD and founders at two specific time points, i.e., at the time of the origin of the FinTech and as of December 31, 2022. This research used the classification of the BOD companies and founders by the Nomenclature of Economic Activities (NACE).

This research will give a holistic view of the background, association with other industries or sectors, and the BODs' and founders' experiences. It will help practitioners and regulators extend their support to the fast-growing FinTech sector leaders who can enhance the FinTech sector and work collaboratively to strengthen financial innovation.

The following are the research objectives of this study:

1. Have insight into how FinTechs are classified in the official records of the enterprises.
2. Understand FinTech's BOD and founders' background.
3. To provide a methodology to replicate this study area in other countries.
4. Identify the potential research avenues in FinTech leaders' skills development based on the profile of the BOD and founders.

The rest of the paper is organized as follows. Section 2 reviews academic literature. Section 3 deals with the identification strategy and methodology adopted in the study. Section 4 integrates the findings from detailed analyses. Section 5 discusses the results. Finally, Section 6 concludes with future research directions.

2. LITERATURE REVIEW

FinTech has been a disruptive innovation in the financial industry, which has come up with more efficient solutions with agility and reduced cost, with more flexibility and productivity for businesses (Thakor, 2020).

The leadership traits of the chief executive officer (CEO) of the FinTech companies are a critical element that plays a vital role in the successful establishment of a FinTech company and shapes and upholds the business model, which is feasible and viable. These demographic traits include age, educational qualifications, professional background, and tenure (Sannino et al., 2020).

The leaders of traditional financial institutions and FinTech differ in experience and professional background. FinTech leaders have been more flexible regarding their leadership and innovative approaches. Therefore, it is clear that the expertise needed to be a successful FinTech leader is one with financial knowledge and the mindset of Technological innovation. Thus, the successful leaders have the combination of both. This contradicts traditional financial institutions focusing on regulatory compliance and risk management skills. The skills mentioned for the FinTech leaders showcase the skills to recruit the right team and strategies for their development (Li & Cho, 2023).

As FinTech companies have a mission of creating and disseminating innovation in the financial ecosystem, they require from their senior leadership a profile that can support the creation and implementation of a new vision. Transformational leaders (Bass & Abolio, 1994), due to their traits for inspiration and influence among their followers, tend to have a more natural capacity to envision and implement change (Kotter, 2012). The professional and managerial background of leaders strongly influences the transformational leadership or transactional leadership characteristics that they develop.

As it is the role of FinTech to drive innovation throughout the financial ecosystem, the leadership's composition will play a critical part in facilitating organizational and ecosystem transformation. Senior executives need to have the visionary ability to lead teams and organizations through transformation. This implies the ability to inspire, intellectually stimulate, and consider each follower on an individual level, and cause followers to become committed to unusual expectations and to uncertain outcomes. These are the defining signs of transformational leadership as described by Bass and Avolio (1994). These leadership traits are more likely to inspire their organizations to drive in the direction of the new strategy. This also aligns with Kotter's (2012) priorities for emphasizing the leadership function of creating and communicating during change efforts. In addition, the educational and experiential background of the leadership influences their leadership style — those with interdisciplinary experiences, which are general in nature, are more likely to develop transformational rather than transactional leadership traits. These are the types of leaders who have an organic sense of the organization as an interdependent system with adaptation abilities and skills. This sense is described in Senge's (2006) learning organization theory. Thus, leadership profiles on FinTech boards are critical variables that will condition their ability for innovation and sustainability.

Adopting proper corporate governance practices in FinTechs is crucial for risk management. Board and ownership structure are fundamental corporate governance mechanisms that are critical in influencing the risk profile of FinTech companies. Some of the measures in corporate governance include board size, board independence, board expertise in FinTech, and CEO duality. Moreover, other measures are taken in parallel: 1) risk committee functioning, 2) institutional ownership,

and 3) managerial ownership in FinTech companies (Randombage & Ramesh, 2023). The stronger the executive board is, the higher the chances that the financial institutions will manage the risk (Kacem & El Harbi, 2022). Also, the corporate governance mechanism tends to impact the FinTechs' risk. This is because corporate governance helps manage different risks, such as systematic, market, and accounting-based risks. Therefore, FinTechs must be careful to match their governance structure with the risk they want to encounter (Randombage & Ramesh, 2023).

The NACE is the classification system that groups economic activities in the European industry, and it is a standard. This classification systematically organizes and analyzes economic activities, aiding statistical analysis and comparisons. It contains the NACE codes, representing economic activities by which the enterprises are classified. Further, it assists national statistical institutes in arranging and examining economic activities efficiently. Therefore, it finally leads to understanding the dynamics and structure of the different economic sectors (Kühnemann et al., 2020).

NACE is a detailed four-digit classification applied in the structure and presentation of statistical data about the economic activity carried out within the statistics in Europe in various fields: economic, social, environmental, and agricultural. NACE Revision 2.1 (NACE Rev. 2.1), issued in 2023, will be introduced progressively in all appropriate areas of statistics starting in 2025 (Eurostat, n.d.).

As per "Financial Service Activities, Except Insurance and Pension Funding (K64)", the companies registered under this category involve loan issuance, financial leasing, and any financial-economic activity that may be excluded from insurance and pension funding. FinTech, which provides peer-to-peer lending and digital banking services, is registered under this category. Under J62.09, which is about IT and computer service activities, FinTech, which is in the blockchain business, payment processing software, and data analysis of financial services, is classified under this code. Lastly, J63.11, which is about data processing, hosting, and similar activities, includes FinTech, which provides financial services based on the cloud or is involved in big data analysis of institutions in the financial industry (Elia et al., 2023).

3. METHODOLOGY

For this research, the quantitative approach with a descriptive approach has been used to utilize the secondary data from the Lursoft database. Lursoft provides information on Latvian companies' registration, legal form, board composition, and governance characteristics. The rationale behind this approach is that this research focuses on identifying the leadership structure, changes in its trend, sectoral classification, and dynamics of the FinTech ecosystem. Also, this approach reduces biases related to self-reported or data retrieved from the interview-based data.

Frequency tables, pie charts, bar charts, and tree maps were used by the authors to visualize the concentration and distribution of the FinTechs across different governance structures and sectors. This enables a clear interpretation of emerging trends in the FinTech sector, leadership, and their organizational setup. Thus, the mentioned methodology reduces subjective bias and enables replicability as it is based on the data provided by the registered sources rather than the interviews or surveys.

The research goal is to gain insight into the background and experience of the BOD and the founders of the FinTech sector. This analysis is based on two timeframes: 1) at the origin of the FinTechs and 2) on December 31, 2022. This was done to see the change or trend at specified time points. For the purpose mentioned, the data from the source was essential. Therefore, the authors extracted the data from the database Lursoft, which has the data synchronized with the Register of Enterprises of the Republic of Latvia[1].

To understand the background of the BOD and the founders of the FinTechs, this research looks at the profiles through the NACE codes of the companies with which they have been associated, along with the FinTechs, and before being part of the FinTechs. NACE is the classification method used in Europe to analyze industries. Each industry is assigned a code, but there is no specific code to categorize FinTech because there is no common consensus on what FinTech is. Therefore, FinTechs are classified under different categories. The data for this research is extracted from Lursoft, the Latvian database. This database is synchronized with the Register of Enterprises of the Republic of Latvia.

NACE codes classify the European Union's (EU's) and other countries' economic activities. They are a set of codes structured hierarchically so that the number of digits in the code indicates the classification level. Each NACE code has a length of four digits, representing four different levels. There are four levels of the NACE classification system. Level 1 represents sections from A to U — 21 letters. It showcases the broad sector of the economy. For instance, the letter 'K' represents financial and insurance activities. Level 2 has 88 divisions comprising two-digit codes from 01 to 99. These numbers with Level 1 letters give insight into the specific industries in the sector. For example, K64 means financial service activities (except insurance and pension funding). Level 3 represents a three-digit code of the 272 groups, providing a detailed breakdown of the sectors or divisions. K64.1 means monetary intermediation. Lastly, Level 4 consists of the 615 classes, i.e., four-digit codes, which are the most detailed. For example, K64.00 means central banking (Central Statistical Bureau, 2021).

The FinTech categorization and its leaders are analyzed from a governance perspective. As a first step, the authors tried to determine which NACE codes were registered in Latvia at Lursoft. As mentioned, no NACE code has been defined for FinTech. The FinTech list of 187 from the prior research by the authors is used. This list of FinTech is divided into eight subsectors as per the taxonomy defined by the authors in their prior research (Siddiqui & Rivera, 2024).

In the first phase, the NACE codes were identified for each of the Latvian FinTechs under which they are registered. This helps to understand how FinTechs are perceived by the founders. In the second phase, the list of founders and BOD of

[1] https://www-ur-gov-lv.translate.goog/lv/par-mums/?_x_tr_sl=lv&_x_tr_tl=en&_x_tr_hl=en&_x_tr_pto=sc

directors at the time of the origin of the FinTech was formulated for each subsector. Then, the names of each BOD and founder at the time of origin were run in the database to see if they were connected to other companies registered in Lursoft. The list of companies they were registered with was considered for each person, and the NACE of these companies was identified. Lastly, the authors gathered the NACE codes of these companies. These NACE codes helped to determine the type of industry in which those companies were registered, thus helping to identify the backgrounds of both the BOD and the directors. The NACE codes were used at up to three levels. Leadership is central to an organization's governance and success, and therefore, the experience of its founders and BOD can be assessed using NACE codes.

The third phase of the research was to see the change in the background of the BOD and founders from the time of the origin of FinTech and as of December 31, 2022. Therefore, the process was repeated. This means that first, the list of the names of BOD and founders was made as of December 31, 2022, and then their names were run in the Lursoft database, the list of the companies with which they were associated was compiled, and then their NACE codes were identified. The analysis was based on these findings.

This methodology can be replicated or applied to research or study innovative startups for which specific NACE codes have not yet been designated, or to analyze the background of the BOD or founders for various sectors or industries. Hence, it can provide insights into their mindset, experience, and the essential knowledge needed to succeed in those fields.

Alternative methods that would be suitable for conducting the same research would be qualitative research. For instance, semi-structured interviews can be conducted with the founders and BOD of the FinTech of the subsectors that are performing well financially, for example, payments and lending (Siddiqui & Rivera, 2024). This would help to identify the potential factors that lead to the success or failure of FinTech, as per the leaders. This can further be intensified with the case studies of FinTechs.

Lastly, the future avenues or direction for future research will be identified regarding the skills development of the FinTech leadership. This will be based on the findings of this research.

4. RESULTS AND ANALYSIS

To comprehend visually, Table 1 shows the descriptions of the codes in Level 1, which run from A to U as per Lursoft.

Table 1. NACE codes Level 1 with descriptions as per Lursoft

NACE codes, Level 1	*Description*
A	Agriculture, forestry, and fishing.
B	Mining and quarrying.
C	Manufacturing.
D	Electricity, gas, steam and air conditioning supply.
E	Water supply, sewerage, waste management, and remediation activities.
F	Construction.
G	Wholesale and retail trade; repair of motor vehicles and motorcycles.
H	Transportation and storage.
I	Accommodation and food service activities.
J	Information and communication.
K	Financial and insurance activities.
L	Real estate activities.
M	Professional, scientific, and technical activities.
N	Administrative and support service activities.
O	Public administration and defence; compulsory social security.
P	Education.
Q	Human health and social work activities.
R	Arts, entertainment, and recreation.
S	Other service activities.
T	Activities of households as employers, undifferentiated goods and services, producing activities of households for own use.
U	Activities of extraterritorial organisations and bodies.

The first two digits of the NACE code give comprehensive information on the economic sector. The third and fourth digits offer more differentiated categorization. So, the authors will focus on the first two levels or two numbers in this research. Figure 1 shows the first layer of NACE, whereby the Latvian FinTechs are registered. To avoid duplication, the first layer indicates all the subsidies, excluding all parent companies. Most Latvian FinTechs are registered under J (41% or 67 FinTechs), information and communication, and K (38% or 63 FinTechs), Financial and insurance activities. Section J includes publishing activities (division 58), software publishing, motion picture and sound recording (division 59), radio and television (TV) broadcasting and programming (division 60), telecommunications (division 61), information technology, IT (division 62), and other information service activities (division 63). Section K includes financial services (division 64), insurance, reinsurance, pension funding (division 65), and support activities for financial services (division 66). Other activities of this category include activities concerned with asset holdings, such as the operations of holding companies, the operations of companies for the management of trusts, and other similar entities.

Figure 1. FinTech, according to the NACE classification

Source: Authors' elaboration. Data obtained by Lursoft.

Table 2 further shows the composition of Latvian FinTech as per Level 1 and Level 2 of the NACE codes, along with their description. Most FinTechs are registered under K64 and J62, K66 and J63, followed by M70, G46, M73, S96, and L68. Thus, most FinTech companies are registered as IT-based or financial institutions.

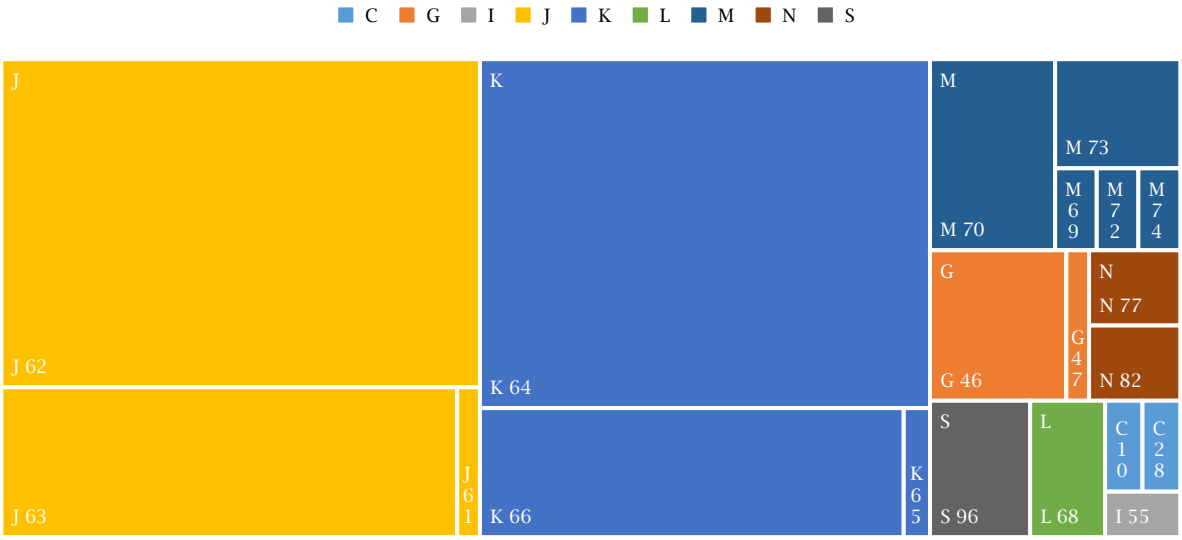
The graphical presentation of this composition is shown in Figure 2.

Table 2. The composition of Latvian FinTech as per Level 1 and Level 2 of the top NACE codes

NACE codes, Level 2	*Description*	*Frequency*
J62	Computer programming, consultancy, and related activities.	46
K64	Financial service activities, except insurance and pension funding.	46
J63	Information service activities.	20
K66	Activities auxiliary to financial services and insurance activities.	16
M70	Activities of head offices, management consultancy activities.	7
G46	Wholesale trade, except of motor vehicles and motorcycles.	6
M73	Advertising and market research.	4
S96	Other personal service activities.	4
L68	Real estate activities.	3

Source: Authors' elaboration.

Figure 2. The composition of Latvian FinTech as per Level 1 and Level 2 of the NACE codes



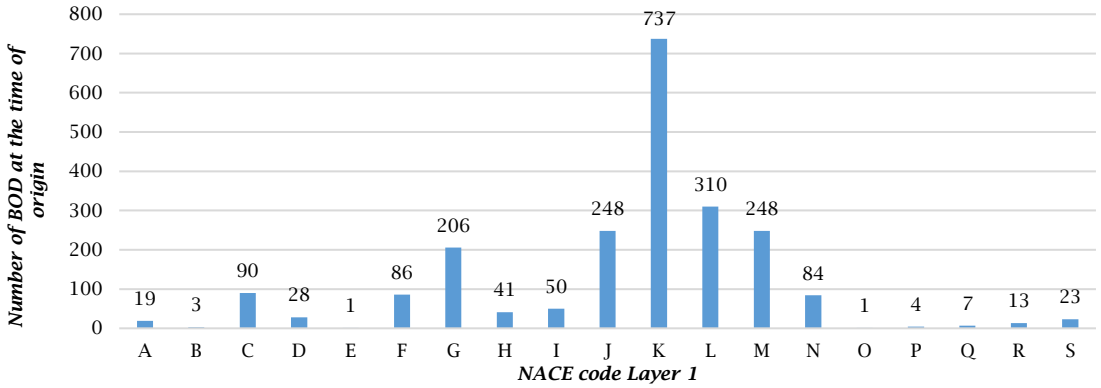
Source: Authors' elaboration. Data obtained by Lursoft.

The BOD, founders of the FinTechs, and the governance committees take the lead in strategic direction, vision, and policy setting. They are put in place to exercise their duties within the bounds and obligations to ensure ethical and legal business conduct with the critical focus of ensuring shareholders' wealth maximization through good corporate governance.

Finally, the authors researched the career history per the NACE codes of the FinTechs' management board members and the founders. First, the authors made four lists of all the BOD and the founders of the Latvian FinTechs when they were established and the data set's cut-off date, i.e., December 31, 2022. Then they looked at the list of companies where they have either worked or been part of the companies as a board of members and, lastly, found the NACE codes of these companies with the collaboration of Lursoft for the analysis of the governance in Latvian FinTechs.

Figure 3 shows that most of the BOD at the time of FinTechs' origin were mainly associated with the companies with the NACE code K, followed by L, J, M, and G. The frequency shows the number of BOD. It is important to note that they may have been involved in several companies in their lives and several at the same time.

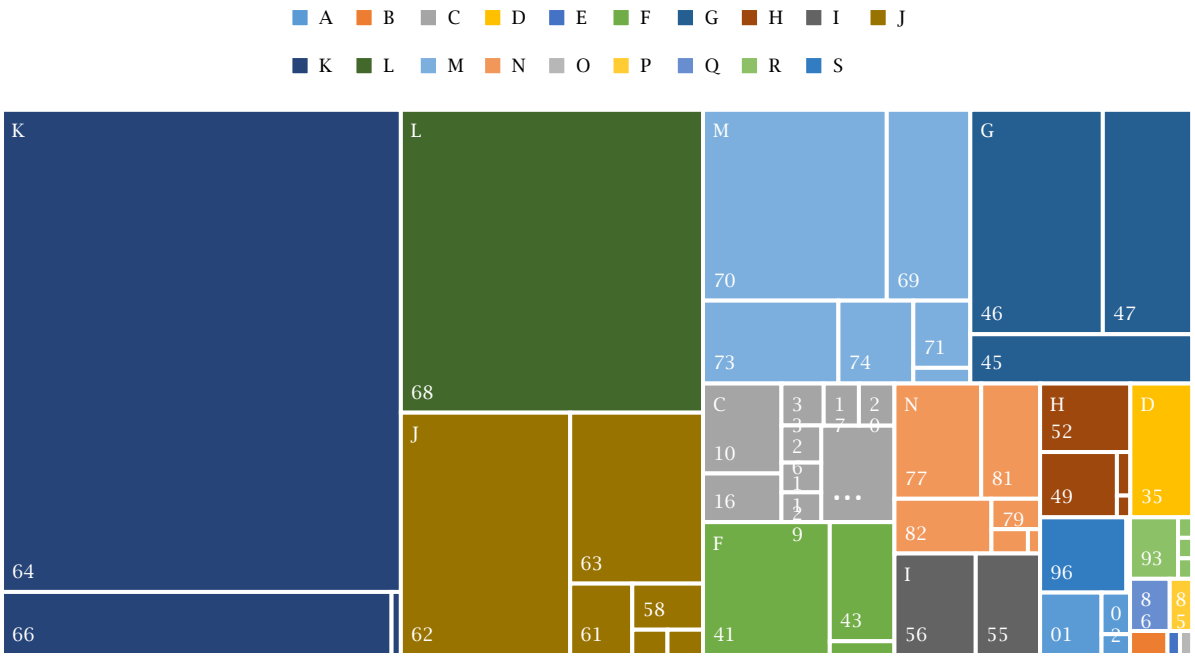
Figure 3. Background of the BOD at the time of FinTech companies' origin



Source: Author's elaboration. Data obtained by Lursoft.

Figure 4 shows that most BODs at the time of FinTechs' origin have experienced working in companies with the NACE codes K64, K66, L68, J62, J63, M70, and G46. K and J have been explained above. M is associated with specialised professional, scientific, and technical activities, and Section L involves acting as lessor agents, primarily real estate property managers.

Figure 4. Background of the BOD at the time of FinTech companies' origin



Source: Author's elaboration. Data obtained by Lursoft.

Further descriptions of the Level 1 and Level 2 of NACE codes of the companies in which the BOD at the FinTech's origin time have worked are given in Table 3 with the frequency. Most BODs worked in financial services, real estate, and IT-related companies, followed by the management, consultancy, and wholesale businesses.

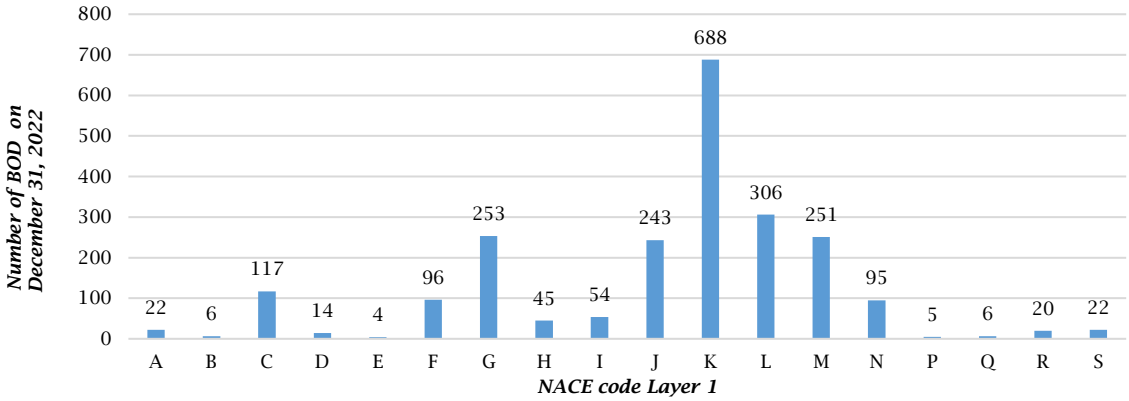
Table 3. The background of the Latvian FinTech BOD at the time of its origin in terms of NACE codes

NACE codes, Level 2	*Description*	*Frequency*
K64	Financial service activities, except insurance and pension funding.	652
L68	Real estate activities.	310
J62	Computer programming, consultancy, and related activities.	139
M70	Activities of head offices, management consultancy activities.	119
G46	Wholesale trade, except for motor vehicles and motorcycles.	101
K66	Activities auxiliary to financial services and insurance activities.	83

Source: Authors' elaboration. Data obtained by Lursoft.

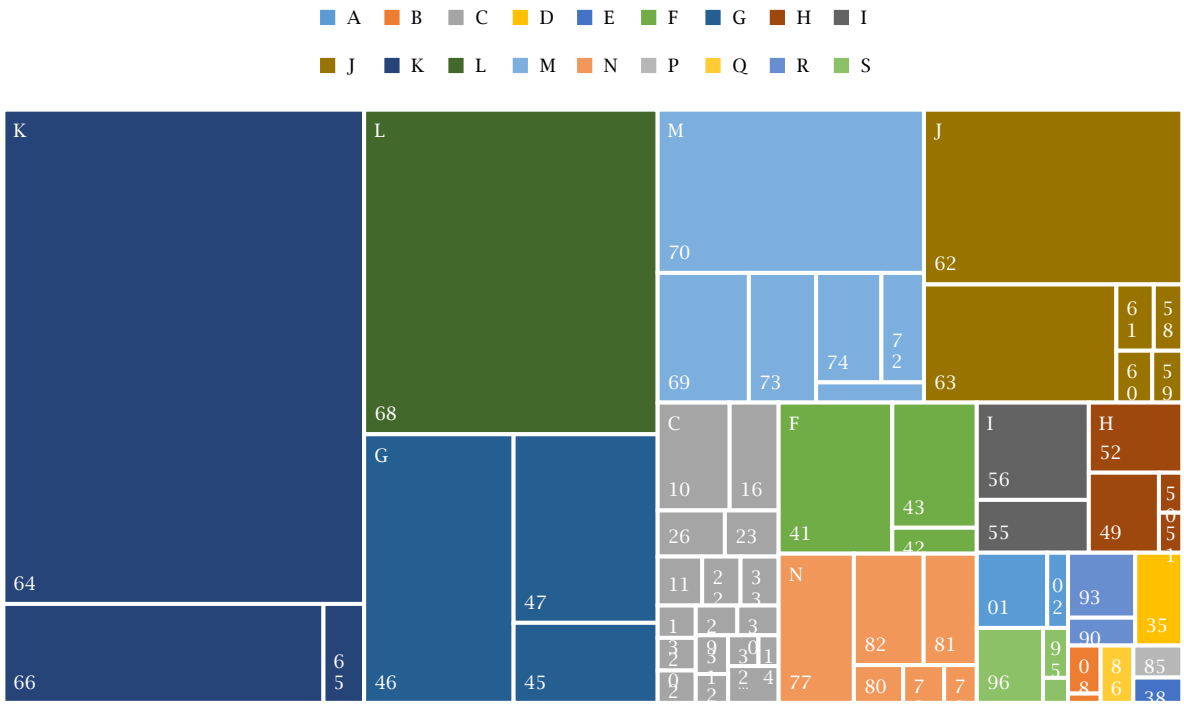
The authors looked at the change in the background trend of FinTechs' BOD on December 31, 2022. Figure 5 shows that most BODs were associated with companies with NACE codes K, L, M, J, and G. The BODs have about the same background as the BOD at the time of the origin of FinTechs. However, there is a slight decrease in the ratio of the BOD with the financial background.

Figure 5. Background of the BOD of FinTech companies as of December 31, 2022



Source: Authors' elaboration. Data obtained by Lursoft.

Figure 6. Background of the BOD of FinTech companies as of December 31, 2022



Source: Authors' elaboration. Data obtained by Lursoft.

This confirms that the trend tends to be very similar, and the BOD of FinTechs on December 31, 2022, was associated with the companies with the NACE codes K64, L68, M70, J62, and G46. The description of the codes is given in Table 4 with the frequency. Hence, the background experience in terms of the experience of BOD at the time of FinTechs' origin and on BOD on December 31, 2022, remained the same. Most BODs have experience in finance, real estate, IT, management, and wholesale businesses.

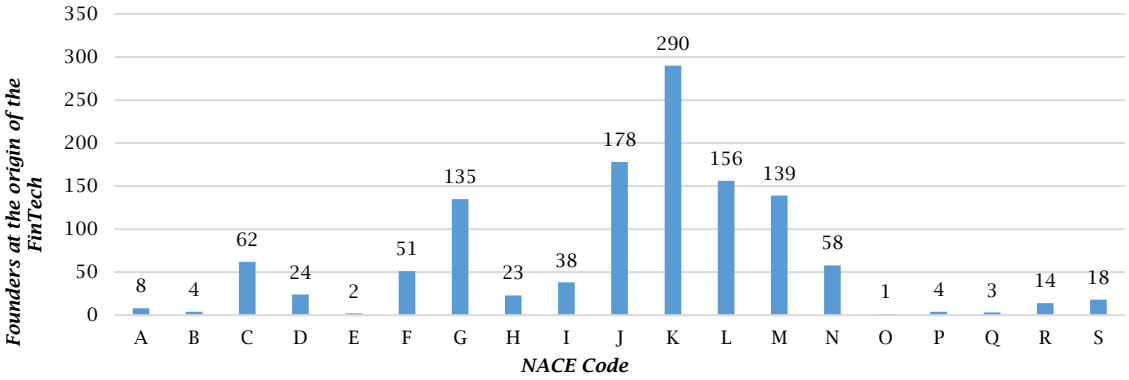
Table 4. The background of Latvian FinTech BOD as of December 31, 2022, in terms of NACE codes

NACE codes, Level 2	*Description*	*Frequency*
K64	Financial service activities, except insurance and pension funding.	573
L68	Real estate activities.	306
J62	Computer programming, consultancy, and related activities.	145
M70	Activities of head offices; management consultancy activities.	140
G46	Wholesale trade, except for motor vehicles and motorcycles.	129
K66	Activities auxiliary to financial services and insurance activities.	102

Source: Authors' elaboration. Data obtained by Lursoft.

Finally, the authors analyzed the working experience or the background of the founders of FinTechs at the time of FinTechs' origin and on December 31, 2022. Figure 7 shows the background of the FinTech founders at the origin. It shows that though the trend was very similar to the BOD, the founder's experience was not as dominated by the financial background, but founders tend to come from different industries with the NACE codes K, L, M, J, and G.

Figure 7. Background of the founders of FinTech companies at the time of FinTech's origin

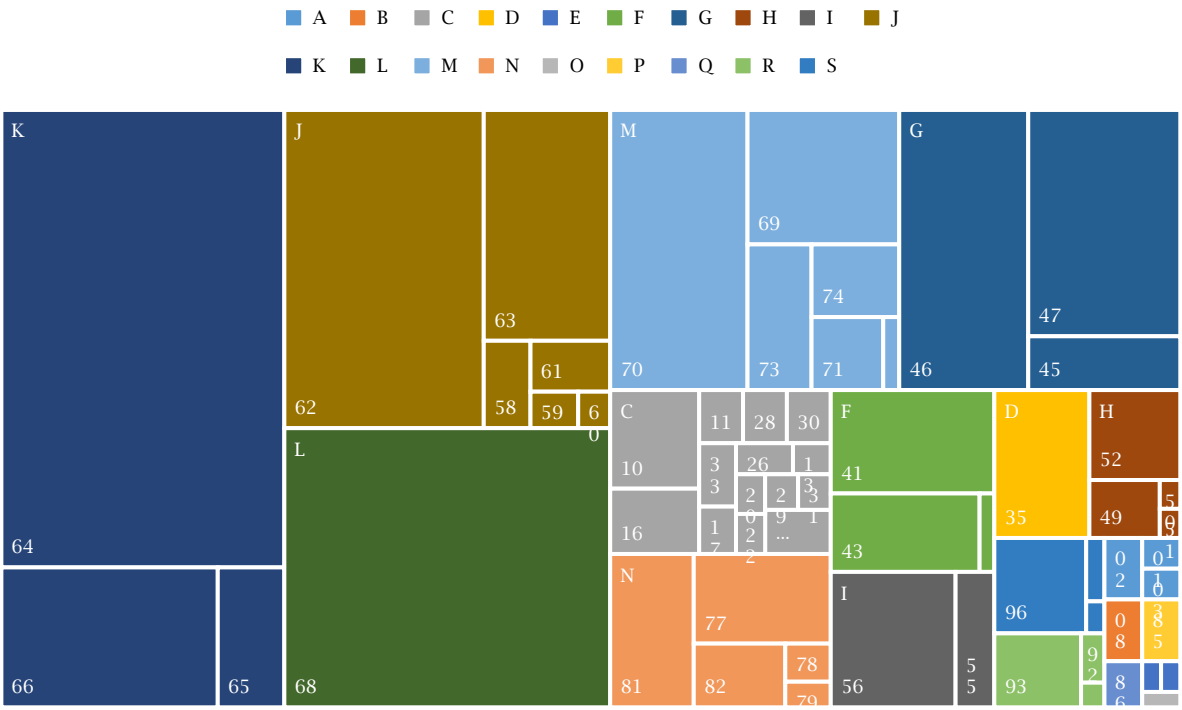


Source: Authors' elaboration. Data obtained by Lursoft.

Figure 8 demonstrates a detailed background of the FinTech founders at the time of the origin of FinTechs, with NACE Layer 2. As the BOD, most of them were associated with the companies under NACE codes K64, L68, J62, M70, and G46. However, there is a difference in ratios as J and L were more dominant than G. This means that many founders have a background in real estate and IT after finance.

The description of these NACE codes given in Figure 8 is followed in Table 5.

Figure 8. Background of the founders of FinTech companies at the time of FinTech's origin



Source: Authors' elaboration. Data obtained by Lursoft.

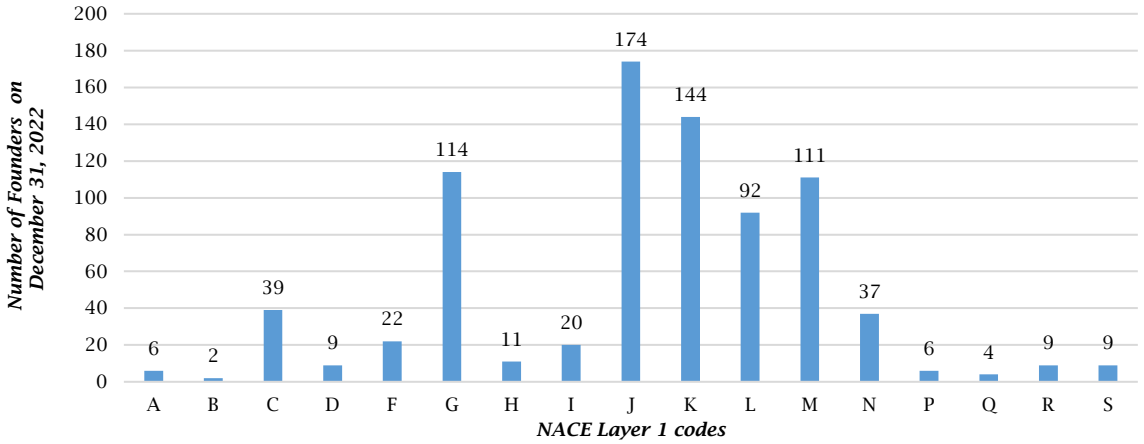
Table 5. The background of Latvian FinTech Founders at the time of their origin in terms of NACE codes

NACE codes, Level 2	*Description*	*Frequency*
K64	Financial service activities, except insurance and pension funding.	222
L68	Real estate activities.	156
J62	Computer programming, consultancy, and related activities.	109
M70	Activities of head offices, management consultancy activities.	66
G46	Wholesale trade, except for motor vehicles and motorcycles.	62
G47	Retail trade, except for motor vehicles and motorcycles.	59

Source: Authors' elaboration. Data obtained by Lursoft.

The background of the Latvian FinTech founders registered in Lursoft on December 31, 2022, is shown in Figure 9. The founders' background is now narrowed to five specific fields per NACE codes J, K, L, M, and G, while the other codes' ratio declines drastically. Very interestingly, founders mostly had IT backgrounds (code J) rather than finance (code K) and more wholesale and retail backgrounds (code G) than management (code M).

Figure 9. Background of the Founders of FinTech companies as of December 31, 2022

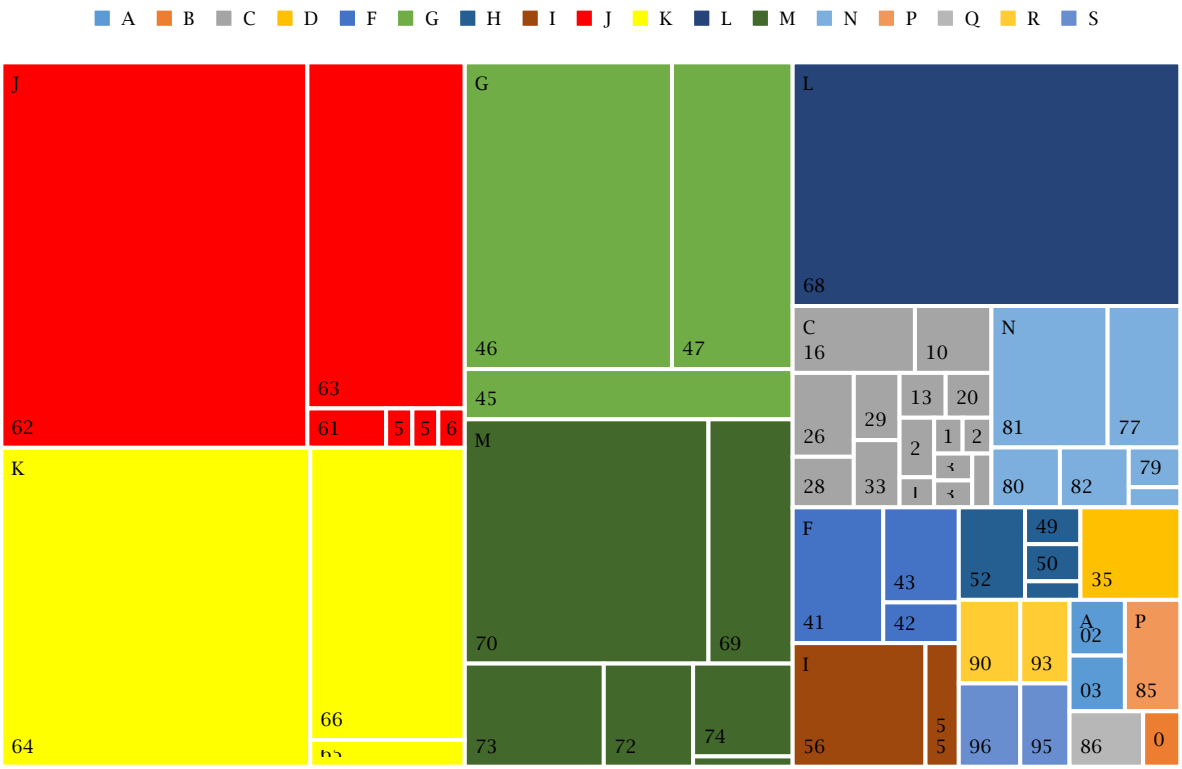


Source: Authors' elaboration. Data obtained by Lursoft.

Figure 10 shows a more detailed view of the founders' background on December 31, 2022, with level 2 of the NACE code. As mentioned earlier, founders on this date had a slightly different background from founders at the time of FinTech origin and the BODs. Most founders have an IT background, specifically a programming J62 background, followed by a financial services background and a real estate background L68.

Table 6 shows the description of the codes in Figure 10.

Figure 10. Background of the founders of FinTech companies as of December 31, 2022



Source: Authors' elaboration. Data obtained by Lursoft.

Table 6. The background of Latvian FinTech founders as of December 31, 2022, in terms of NACE codes

NACE codes, Level 2	*Description*	*Frequency*
J62	Computer programming, consultancy, and related activities.	115
K64	Financial service activities, except insurance and pension funding.	96
L68	Real estate activities.	92
G46	Wholesale trade, except for motor vehicles and motorcycles.	62
M70	Activities of head offices, management consultancy activities.	58
J63	Information service activities.	53

Source: Authors' elaboration. Data obtained by Lursoft.

In conclusion, most of the BODs have working experience in the finance industry, then in the real estate and IT industry. This trend was similar for the FinTechs' BODs at the time of their origin and on December 31, 2022. However, the backgrounds of the founders are slightly different. When FinTechs originated, most founders had worked in the finance industry, real estate, and IT. Nevertheless, most of the founders of FinTechs registered on Lursoft on December 31, 2022, had an IT background, then finance, and then real estate.

Based on the findings and analysis, in this section, the authors will now address the research objectives.

1. Have insight into how FinTechs are classified in the official records of the enterprises.

In the Latvian FinTech ecosystem, 41% of FinTech companies are classified under J, 38% as K, and 9% as M. This means that most FinTech companies are classified as information and communication or financial and insurance activities. Therefore, they are classified as either IT or financial institutions.

Most FinTech companies are registered under NACE code K64 (financial activities), J62.09 (IT and computer service activities), or J63.11 (data processing and hosting services). This hints that FinTech operations are diverse in nature and how they impact the traditional financial industry. Therefore, it can be safely said that FinTech sector leaders demand that they possess entrepreneurship, IT skills, and economic know-how. These skills could help them survive the fast growth and changing FinTech sector.

2. Understand FinTech's BOD and founders' background.

The analysis of the backgrounds of the FinTech BOD at the time of their origin had an association with the companies with the NACE code K64 (financial service activities except insurance and pension funding), L68 (real estate activities), and J62 (computer programming, consultancy and related activities). On December 31, 2022, most BODs were associated with K64, followed by L68 and J62. Thus, they follow the same trend as at their origin.

On the other hand, the analysis of the backgrounds of the FinTech founders at the time of the origin mostly had an association with the companies under the NACE codes K64, L68, and J62. Thus, they have Finance, real estate, and IT backgrounds. On December 31, 2022, the founders had a similar trend but in a different sequence, meaning most came from J62, followed by K64 and L68. Thus, the founders' experience in the FinTech sector remains unchanged at the time of origin and as of December 31, 2022.

Generally, the leaders of the FinTech sector have experience in either finance, IT, or real estate. However, it was observed that increasing IT industry expertise is entering this sector. From the above results, it can be concluded that most of the BOD and founders have a background or experience from corporates under the NACE codes starting with K, followed by L, M, J, and G. This trend seems to indicate that these leaders have significant expertise in the fields of financial services, real estate, professional activities, and wholesale and retail trade. This is expected to possibly form the base of skill across innovative and strategic development in the FinTech sector in Latvia.

Also, when the leaders have a background other than IT and finance, i.e., in real estate, it means an advanced understanding of liquidity risk, asset valuation, and market cycles, which could be a helpful tool when developing innovative FinTech solutions. Moreover, suppose real estate experts are leading FinTechs. In that case, the authors believe there is a high probability of an increase or the option of tapping into alternative investment mechanisms, for instance, smart contracts for real estate property deals or tokenized real estate.

3. To provide a methodology to replicate this study area in other countries.

This is the first time the leaders' backgrounds (BOD and founders) have been analyzed regarding their working experience in the FinTech sector. There has been limited research on this sector due to a lack of data. Due to the collaboration with the stakeholders in Latvian FinTech and Lursoft, the authors were able to gather genuine and quality data for this sector. Now, the results of this research show that there is a misconception that FinTech leaders are primarily from IT and finance backgrounds. This means there is a missing opportunity in innovation or creativity in innovative solutions that may be overlooked not only in the FinTech sector of other countries but also in the new startup sectors, which are at very early stages of their development.

Therefore, this research can be used as a model that can be replicated or reproduced to look at the skills and traits needed for the sector's success. Based on that, the leadership trait can be polished to result in the success of the sectors so that the success is continuous and, if needed, support could be provided. Several stakeholders can provide that support. For instance, the government provides support via different policies and regulatory support (like sandboxes for FinTech leaders' guidance); investment in the sector could be by low-interest grants or R&D support, or by providing or doing investment in the digital infrastructure, and then grants for training these leaders. On the other hand, this study can be customized and replicated by education institutes as it can help them to create and promote the certification courses for the leaders in interdisciplinary leadership once they know what type of background the leaders have and, thus, the set of skills and competencies that they may need to succeed in a specific sector. From this perspective, the government and educational institutions can work together as the government can provide grants for such projects to the higher education institute. This is beneficial in the long run.

Also, when this research is reproduced for different regions of the FinTech sector, it will verify whether the findings are universally factual or vary and depend on the market maturity level. For example, they may differ between developed countries and emerging markets. Also, it can be reproduced for different time frames, like every five years or every decade, to see how the FinTech sector is evolving, and this will ensure that the results or findings remain relevant. This will help policymakers and regulators craft better policies to enhance the role of FinTech in contributing to the economy of any country.

Lastly, replicating this study can help recognize the leadership trend and help investors make informed decisions. This is because the results can help identify what type of leadership style is leading to the success of the FinTech sector. Thus, replication ensures the validity of the findings, keeping it applicable and comprehensive.

4. Identify the potential research avenues in FinTech leaders' skills development based on the profile of the BOD and founders.

This research is confined to the FinTech sector overall. However, it will be good to compare the leadership trend across FinTech subsectors, as the author's prior research identified them to better understand. Eight subsectors were identified in the Latvian sectors (Siddiqui & Rivera, 2024). This will clarify which FinTech subsector takes the lead in feeding the FinTech leadership pipeline.

Along with the mentioned avenue of future research, further research can be conducted to understand the characteristics of these past experiences and to define or predict the FinTech success rate under this leadership.

5. DISCUSSION

The insights from the analysis of the results on the leadership background help to understand the mindset of the members of the FinTech boards and what to expect in terms of their experience, knowledge, and idiosyncrasies that will lead innovation in the FinTech sector. From the corporate governance perspective, this mindset will impact how FinTech would tackle different types of risk (Kacem & El Harbi, 2022). Some of the risks are systematic risk, market risk, and accounting-based risk (Randombage & Ramesh, 2023). Therefore, a proper and diverse board composition is essential to mitigate these risks.

This research shows that most of the BOD and the founders had been leading companies in the IT sector, finance, and real estate. This means that they join the FinTech sector with a previous background in highly regulated industries, which provides them with an edge as they need to understand how to align compliance with strategic priorities. Further, as many of the leaders come with a background of leading in the IT sector, they have experience in environments where agile and other innovation methodologies are practised widely.

Once the background is known, the investors, regulators, customers, and government may be able to make decisions accordingly in terms of collaboration to strengthen and develop the FinTech sector as a whole. Academics, on the other hand, can start research directions that could analyze more deeply the different leadership layers and pipelines of FinTech.

Like any other research, this study also has some limitations. Firstly, the period of analysis is very limited, i.e., at the time of origin and as of December 31, 2022. Therefore, instead of two time frames, a longer annual comparison would be more beneficial as it would reflect other factors as well, like the economy, changes in the leadership in the specific time span. Secondly, the field of FinTech research is pretty new and is a recent field, and there is no generally accepted definition of FinTech itself. Therefore, the list of FinTech used for this research may have subjective biases and may be arguable. Lastly, the FinTechs researched are the ones registered in Latvia, which means it omits the FinTechs operating in Latvia but are registered elsewhere.

6. CONCLUSION

The main aim of the research was to understand the FinTech sector in more detail and gain insights into FinTech sector leadership. The leader's role is crucial regarding any sector's performance, rapport, and future success. The first step in looking into this FinTech sector was to find a list that could be used to achieve the goals. For this purpose, the authors used their Latvian FinTechs list of 187 FinTechs, which they have used in their prior research. (Siddiqui & Rivera, 2024).

Based on the available data from Lursoft, the authors concluded that most FinTech companies are registered as IT or finance service companies. The NACE code of the FinTechs found this. It was found that they were registered under codes[2] J (information and communication) and K (financial and insurance activities), more specifically, from J62, K64, J63, and K66.

The leadership was analyzed from two perspectives: who the founders were and who the BOD was at its origin and as of December 31, 2022.

Firstly, the BOD of the FinTech at the time of origin mainly had experience in the companies registered under K64, L68, J62, M70, G46, and K66. Whereas on December 31, 2022, the BOD of FinTech had working experience in companies with the NACE codes R64, L68, J62, M70, G46, and K66. Therefore, it was observed that at the earlier stages, FinTech had the BOD with more financial background than on December 31, 2022.

Secondly, the process was repeated to determine the founders' background at the time of FinTech origin and as of December 31, 2022. At the time of the origin of FinTech companies, most of the founders had worked in companies with the NACE code K64, L68, J62, M70, G46, and G47. Whereas as of December 31, 2022, most of the founders had working experience in companies with the NACE code J62, K64, L68, G46, M70, and J63. Here is a different trend: more and more founders now have IT backgrounds.

These findings help to understand the mindset of the leadership and their experience. This can help several stakeholders. From the investors' perspective, the background determines the strategic direction of the FinTech companies, innovation and risk-taking approaches, and the growth and operational capabilities of the FinTechs. From the regulator's perspective, it is crucial to know compliance readiness as it depends on the leadership style in

[2] For clarity, the relevant NACE codes were already defined earlier sections. Here, authors only refer to the codes.

the FinTech sector, which they may suggest or come up with customized regulations, governance guidelines, and consumer protection policies for the FinTech sector. From a FinTech perspective, it helps benchmark the leadership structure. From an academic viewpoint, it can be the foundation for future leadership studies and helps researchers understand how the financial sector is changing from the leadership evolution point of view and in the development of FinTech education, which is interdisciplinary. Moreover, FinTech leaders can use the results of these findings to choose their new directors or members wisely. And in case the talent is lacking, they will have a clear picture of what type of talent has to be attracted from abroad. This is where the policymakers also need to play their role, as they need to make the immigration policy attractive to foreigners. Furthermore, traditional financial institutions may use the result of this study by trying to add the same type of leaders to their BOD if they have to compete or collaborate with the FinTechs in innovative solutions and services. Lastly, traditional financial institutions can use the findings to predict how collaborative or competing the FinTech leadership could be to them, thus if FinTechs are a threat or potential partners in the long run.

In the entrepreneurial and rapidly changing environment of financial services, FinTech firms naturally focus on innovation. Leadership in such firms tends to foster organizational cultures of agility, experimentation, and ongoing learning — skills vital for keeping abreast of changing value propositions and responsive to the evolving markets. In contrast, conventional financial institutions function within strict frameworks and infrastructures, which have the potential to slow responsiveness and innovation. Several studies have underscored the need for more transformational leadership qualities in FinTech firms, specifically in creating creativity, internal motivation, and successful networking (Leandro & Umana, 2021; Musaigwa & Kalitanyi, 2023). Notably, transformational leadership is not unique to FinTech. Employees in conventional financial institutions also view it favourably as having the ability to stimulate motivation and drive change in hierarchical settings (Girardi & Sarate, 2023). These findings create a research angle for further exploration: comparison of the transformational leadership qualities most useful in FinTech firms and the most useful in established financial institutions.

This study can be replicated to compare the FinTech sectors of different regions and how the leadership can affect the performance and the future. Also, this study can be repeated, so that the FinTech subsectors can better understand the FinTech sector. Another research study can be conducted to understand the influence of leadership on the risk and innovation capacity of the FinTech sector. Lastly, the research compares the leadership traits of traditional financial institutions and FinTech. Along with the leadership traits comparison, further research can be done on the regulatory framework of FinTech that impacts the performance and life longevity of FinTechs.

The current study is critical from the perspective of further policy development and sustainable development within the Latvian FinTech sector. If replicated, it can also provide a proper understanding of other markets. The fact that NACE doesn't include a specific category for FinTech might introduce a discussion on whether a step is needed to create it.

The present study is essential to advancing policy development and promoting sustainable growth within the Latvian FinTech sector. Its replication in other markets could offer valuable insights and a deeper understanding of FinTech dynamics in diverse economic environments. Furthermore, the absence of a dedicated NACE classification for FinTech raises a pertinent discussion on establishing a distinct category to better capture the sector's financial and regulatory landscape.

In conclusion, to reduce the limitations mentioned in the prior section, further research can be done to see the long-term trend in the change of leadership styles and backgrounds. Also, as there are personal biases when choosing the list of FinTechs, broader research with stakeholders or public institutions can be done so that there is an agreed-upon list or observatory of FinTechs in the region, which will result in further reliable results to understand the background of the FinTech sector.

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