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From Financing Production to Producing Finance. The Transformation of Banking Elites and Changes in Banking Strategy of Large Swiss Banks from 1945 to 2020

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Abstract: This paper studies the evolution of banking elites and banking strategy of the largest Swiss banks since 1945. Between 1985 and 2000, an elite transformation occurred within the large Swiss banks. A Swiss-oriented business and political elite was replaced by a US-socialized financial elite. The displacement Swiss-oriented business and political elite closely preceded the decline of retail banking and the shift of loan volumes from production to finance.

Keywords: Banks, elites, elite transformation, institutional change, Switzerland

Du financement de la production à la production de la finance. La transformation des élites bancaires et les changements de stratégie des grandes banques suisses de 1945 à 2020

Résumé : Cet article étudie l'évolution des élites bancaires et la stratégie des grandes banques suisses depuis 1945. Entre 1985 et 2000, une transformation des élites s'est produite dans ces banques. Une élite économique et politique orientée vers la Suisse a été remplacée par une élite financière socialisée aux États-Unis. Le déplacement de l'élite orientée vers la Confédération a précédé le déclin de la banque de détail et le déplacement des volumes de prêts de la production vers la finance.

Mots-clés : Banques, élites, transformation des élites, changement institutionnel, Suisse

Von der Finanzierung der Produktion zur Finanzproduktion. Die Transformation der Bankelite und Veränderungen in der Bankstrategie grosser Schweizer Banken von 1945 bis 2020

Zusammenfassung: Diese Studie untersucht die Entwicklung von Bankeneliten und Bankstrategien der Schweizer Grossbanken seit 1945. Zwischen 1985 und 2000 vollzog sich innerhalb der Grossbanken ein Elitewandel. Eine schweizerisch orientierte wirtschaftlich-politische Elite wurde durch eine US-sozialisierte Finanzelite ersetzt. Die Verdrängung der schweizerisch orientierten Elite ging dem Rückgang des Retail-Bankings und der Verlagerung des Kreditvolumens von der Produktion hin zur Finanzwirtschaft voraus.

Schlüsselwörter: Banken, Eliten, Elitentransformation, institutioneller Wandel, Schweiz

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1 Introduction

Who controls the corporation is an important question in capitalist societies because institutional change is often reflected in changes in corporate control. The balance of power among key economic actors can shift over time, reshaping the landscape of corporate governance. In Switzerland, it was primarily the large banks that grew in importance vis-à-vis other businesses (Tanner, 2015), at least until the financial crisis of 2008. The troubles of the biggest Swiss bank, Union Bank of Switzerland (UBS), during that crisis meant that the benefits of having a large banking sector with large banking institutions was suddenly questioned. The two big banks, UBS and Crédit Suisse (CS), were the most visible product of large-scale institutional changes in the Swiss banking sector, which included the exit of a high number of banks and the consolidation of the four big banks into two (Herger, 2023). These changes also reflected the growing internationalization of banking markets, which made Swiss banks with Swiss "virtues" into international banks with Anglo-Saxon "vices" (Schmid, 2012). The composition of management and the board of directors responsible for business strategies that focused on strong growth, high leverage, and high profitability became a political issue.

Despite their growing importance, who leads financial corporations has still received scant attention (Savage & Williams, 2008). Studies on financial elites proliferated after the financial crisis, but they tended not to focus on the top personnel or to take a longitudinal approach (for some examples, see Godechot, 2017; Harrington, 2016; Ho, 2005; Zaloom, 2016). Some studies that are concerned with changes in leadership over time are a study of German banking elites over the 20th century (Berghoff & Köhler, 2007) and a study of Scottish banking elites over multiple periods in the late 20th century and the beginning of the 21st century (Kerr & Robinson, 2012). Araujo, Davoine, and Donzé (2023) recently published a study specifically on Swiss Banking elites over time. In that study, they analyze changes in the social and educational backgrounds of the CEO and board president of Swiss banks at seven benchmark years between 1890 and 2020. In contrast to Araujo, Davoine, and Donzé, we extend aspects of elite transformations and link them with banking strategy. In other words, we ask how changes in banking elites' educational, occupational, geographical, and political backgrounds relate to changes in how banks generate income and to whom they direct finance. The background of this question is the co-integration between banks and industry that has historically been the institutional basis of the bank-based finance models of continental Europe. Representatives of banks and industry sat on each other's boards, and career paths across industries were common (Bühlmann et al., 2012). However, the internationalization of the big banks starting in the 1980s meant that these links largely disappeared. A second reason for this disappearance was that interlinkages between banks and industry became a threat to banks' credibility (Ginalski et al., 2014). As banks focused more on investment banking and asset management, the traditional role of providing maturity transformation to the nonfinancial public lost importance.

We assume that changes in banking strategy and elite transformation are closely linked. Drawing on resource dependence theory, we assume that corporations select leadership that increases its power relative to other corporations in the same field. The reinternationalization of the financial system after the restrictive Bretton Woods period provided internationally active financial institutions with new business opportunities and growth potential. Instead of focusing on domestic financing of nonfinancial businesses, large banks expanded abroad and engaged in trading activities, investment banking, and asset management. These changes required new leader profiles with different skillsets that prioritized specialized finance knowledge over knowledge about nonfinancial industries and different social capital in specialized international networks in finance rather than national, cross-industry networks.

We test this linkage with data from the largest Swiss banks from 1945 to 2020. The committees of the large banks, the board of directors and the executive board, represent the commanding heights of the Swiss economy, whose decisions have an outsized impact on the Swiss economy and polity. The large Swiss banks were the spearheads of the golden age of Swiss capitalism in the post-World-War-II era (Giddey, 2013), and even more so in the age of globalization that followed it. We find that both members of management and the board of directors are today far more likely to be educated in a non-Swiss top university with a finance or business degree rather than a Swiss university with a law degree, as was typical for the old career paths of Swiss elites before the 1980s. We also find that board and management members are today less likely to have had a career in a nonfinance field and are far more likely to have had careers exclusively in the financial and insurance sectors. This elite transformation happened within 15 years, roughly from 1985 to 2000. We speak of an elite replacement at the top of the large banks in Switzerland that coincided with a consolidation of the banking sector. Top personnel went from primarily Swiss and Swiss educated with a law degree to non-Swiss, often US American, and educated in a top foreign, mostly US American, university with a finance degree. Management and board members were also far less likely to have had a career stint in production before being appointed and much less likely to be politically active in Swiss society. Elite change is closely correlated with changes in the business strategy of the large banks. The importance of retail banking declined sharply, and a shift of loan volumes is noticeable from production to finance, confirming disinvestment from industrial corporations by Swiss banks towards the end of the 20th century (Ginalski et al., 2014) .

We refrain from any statements about causality and emphasize that changes in elite composition and business practices are part of the same endogenous processes that led to the internationalization of the financial system and reinforced lower-level processes such as bank consolidations that enabled the development of too-big-to-fail banks. The recent failure of Crédit Suisse (CS) and its acquisition by UBS leaves one big Swiss bank surviving. We argue that this "superbank" is the end-product of a process that started in the 1980s and should be seen as an unfortunate development. Fundamentally, banks exist to provide financial intermediation to individuals and firms and a payment infrastructure. When banks stray too far from these central functions, trouble eventually follows.

2 The Transformation of Elites and Banking Strategy Since 1945

2.1 The Rise of Finance and Shareholder Value in Switzerland

The 1980s and 1990s were a time of rapid institutional changes in markets and large corporations. Some of these changes affected all advanced countries to some extent, but most of them originated in the Anglophone sphere, the US in particular, and propagated from there. Among these changes was the growing importance of financial institutions in the economy and the emergence of corporate governance. The conception of corporate control emphasizing diversification and growth gave way to the shareholder-value conception of corporate governance focusing on maximizing share prices (Fligstein, 1993; Fligstein & Goldstein, 2022). In Switzerland, these changes were resisted until the late 1980s by the shareholder-centered corporate governance by the "insiders," the tightly-knit network of Swiss business elites that dominated the boards and directorates of the large Swiss firms (David et al., 2015). The dominance of these elites was gradually weakened, and the best practices of corporate governance, devised in the Anglosphere, slowly became standard among Swiss firms. The most powerful business association in Switzerland, economiesuisse (formerly Vorort), published the "Swiss Code of Best Practice for Corporate Governance" in 2003, which reflected the new international norms. Financial firms and their leaders played a major role in furthering these practices in both Switzerland and the US. Important agents in both cases included corporate raiders, who wanted to impose shareholder rights. Unlike in the US, where the idea of shareholder power was seen as a form of market control of corporations, in Switzerland the establishment fought corporate raiders such as Martin Ebner and his BZ bank tooth and nail. However, by the end of the 1990s, such raiders were successful in boosting the rights of shareholders, not least at UBS, where Ebner sought to force the bank into cutting personnel and increasing return on equity (ROE), which eventually happened (David et al., 2015).

One consequence of changes in corporate governance was the replacement of directors with managers that had experience in the financial sector and a degree from a finance or business school. The proliferation of such manager profiles had measurable effects on corporations. For example, having bankers on boards of directors changes the financing habits of large corporations (Mizruchi & Stearns, 1994), and managers with a business degree are less likely to share profits with workers (Acemoglu et al., 2022). In finance and business schools, corporate governance centered around shareholder value played a major role in the curricula (Bennis & O'Toole, 2005), and new cohorts of managers and board members were consequently more likely to focus on metrics such as ROE and stock prices, particularly in banking (Alessandri & Haldane, 2009). This new approach to governing firms was spearheaded by financial institutions and finance personnel. In Switzerland in the 1980s, it was predominantly finance personnel in banks and institutional funds who bought industrial corporations, split them up, and sold them to foreign investors (David et al., 2015; Fahrni, 2014). By the end of the century, both Swiss financial and nonfinancial corporations had been reorganized around the principles of shareholder value (Ginalski et al., 2014).

2.2 Theoretical Implications of Elite Transformations

The rise of finance personnel and the shift towards shareholder value in both industrial and financial firms is one of the central developments within the larger process of financialization (Davis & Kim, 2015; Epstein, 2005; Krippner, 2011). Financialization involves both the increasing focus on financial activities by industrial firms and the relative dominance of financial firms in the economy. The former implies a knowledge transfer between the economic sectors: business practices that originated in financial companies were increasingly adopted in industrial companies. Financial firms were thus at the forefront of these institutional changes. In the Anglosphere, banks and other financial firms started to expand internationally with the fall of the post-World-War-II international financial architecture and, by the 1970s, the financial regulations that had largely restricted them to their domestic markets (Helleiner, 1996). Expanding financial activities such as securitization and merger facilitation required new knowledge and new managers (Philippon & Reshef, 2012). Maturity transformation, the unexciting element of banking that is nonetheless integral to the functioning of an economy, lost importance. In Switzerland, these changes were driven less by domestic legislation than by adaptation to a changing environment, most notably the accelerating development of international financial markets such as the Eurodollar market in London and the loosening of capital controls after the end of fixed exchange rates. Swiss banks, like other European banks, started to emulate the pioneer institutions in the US that had been quickest to take advantage of the new opportunities (Beck, 2022).

Pinpointing the origins of institutional changes that are broad in both scope and geographical reach is difficult because of the inherent endogeneity of historical processes (Streeck & Thelen, 2005). For the sake of simplicity, we focus less on macro developments and more on the micro level. Fligstein (2018) emphasizes the role of managers in changing the strategies of corporations. At the same time, he acknowledges that the expectations about how a corporation should be managed are cultural constructions and that all economic actors are always influenced by their political-economic contexts. This view combines a neo-institutionalist account that emphasizes the role of the institutional environment with an actor-centered perspective, and is very much in line with the influential resource dependence theory (Salancik & Pfeffer, 1978). Resource dependence theory posits that actors within organizations constantly try to minimize uncertainty and maximize their scope of action inside and outside the organization. It has implications for the executive board and the board of directors, for example in a decision to merge with or acquire other firms. Well-connected, resourceful, and knowledgeable corporate elites are effective in increasing the relative power of their firms in markets. The theory has been useful in explaining board appointments and merger and acquisition decisions (Hillman et al., 2009). Resource dependence theory can also be easily situated within the neo-institutionalist framework established by DiMaggio and Powell (1983), which emphasizes context dependency and mimetic adaptation: the process by which organizations copy from other organizations. In a market environment, mimetic adaptation could mean, for example, adapting new business strategies that have brought competitors success. Firms would then try to acquire the know-how in their leadership teams to implement the same successful strategies.

Here, we assume that changes in the corporate elite of large Swiss banks can be explained by resource dependence theory and mimetic processes. The new opportunities in banking opened by the internationalization of the financial system required new know-how and business strategies. The new business in investment banking and asset management was exploited by pioneer financial institutions, primarily from the US and the UK. The scramble by UBS to become the number 1 among investment banks in the world, initiated by CEO Marcel Ospel, is a good example of copying business strategies to surpass the pioneer organizations in the field, initiated by the purchase of US banks. For three reasons, we refrain from attempting to establish causality: whether the new business context required new elites or whether the new banking elites changed the banks' businesses. First, our sample is too small, and our empirical approach does not allow natural field experiments to answer questions about causality. Second, identifying the factors that cause institutional change is always a difficult task because of the large number of possible confounding factors and the endogeneity of historical processes. Thirdly, from a theoretical point of view, it is to be expected that the processes reinforce each other: the market environment affects the selection of elites, and actions by these elites reinforce the market environment.

We proceed from an evolutionary institutionalist perspective (Hodgson, 2007; Streeck, 2018). According to this perspective, individual action is not the starting point of institutional change. Instead, change is endogenous and continuous and follows the logic of path dependency. New institutions grow from inherited ones. The individual is not an isolated agent that acts in a predictable manner. Variation in behavior is delimited by the institutional context and socially selected. We assume that new institutional environments develop as the result of the factors that cause institutional change. One such salient process is the trajectory of international capitalism, to which all economic agents need to respond. New institutional environments select for new courses of action and for agents that implement these courses. Changing contexts offer new paths that are advantageous for organizations. Within these organizations, these opportunities lead to a higher probability that agents who implement new strategies are selected. If the new strategies are successful in the new institutional environment, the likelihood of selecting agents with the newly demanded characteristics will increase again. Elites and organization trajectories thus co-evolve and reinforce each other.

2.3 Institutional Change in the Swiss Banking System Since 1945

The context in which financial elites operate is essential to understanding their business decisions. The context in which Swiss banking elites have found themselves has changed drastically in the 20th and 21st centuries. We focus on the period between 1945, which marks the start of an "extraordinary growth of the Swiss financial sector (1945–1975)" (Giddey, 2013, p. 451), and 2020, shortly before the acquisition of CS by UBS. Generally, the history of the Swiss banking sector is notoriously under-researched, particularly the post-World-War-II era (Guex, 2009). This is surprising given the uniqueness and relative importance of the Swiss banking system. By the beginning of our investigation period, the Swiss banking sector punched far above its country's weight. Not only did Switzerland have extraordinarily high bank density, but it also had financial centers in Zurich and Geneva that could rival those of Berlin and Paris (Guex, 2009; Mazbouri et al., 2021; Straumann, 2018). These centers were dominated by four large Swiss banks, Schweizerische Kreditanstalt (SKA), Schweizerischer Bankverein (SBV), Schweizerische Bankgesellschaft (SBG), and Schweizerische Volksbank (SVB).[1] These large banks had been building an internationally dominant position in wealth management, aided by Switzerland's privileged position during the two world wars, low inflation rates, the free convertibility of the Swiss Franc, and crucially, a discretion culture that culminated in a strict bank secrecy law (Guex, 2000).

The trajectory of the Swiss banking and financial sector since 1945 differs in two points from that of the US and the UK, on which most of the institutional change literature is focused (see Blyth, 2002; Helleiner, 1996): internationalization of the large banks and legislative changes. With relatively low foreign claims and liabilities on Swiss banks' balance sheets, the Swiss banking sector lagged behind the globalization of the banking sector (Herger, 2023). Only in the 1990s and the 2000s did the

1 Bank Leu AG, until its absorption through Crédit Suisse, was also considered a large bank. However, its balance sheet was substantially lower than that of the other four.

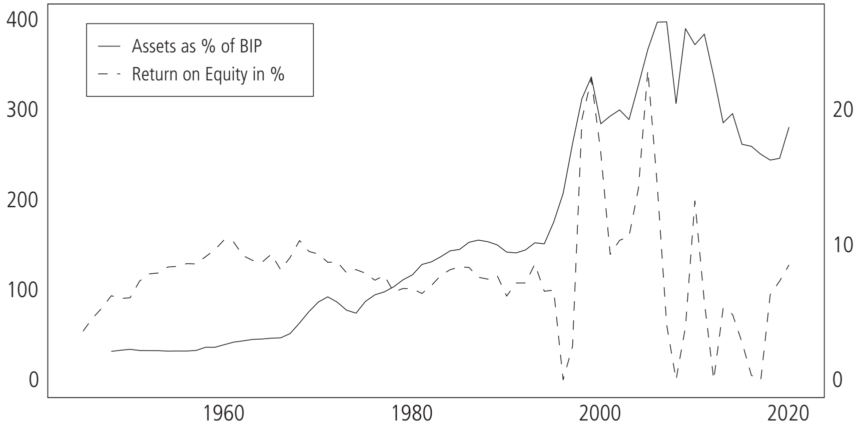
large Swiss banks recover this delay. The internationalization of large Swiss banks was achieved by the purchase of US and/or UK banks and the corresponding foray into investment banking, the most notable of which was the purchase by CS of the US investment bank First Boston in 1988. From the 1990s until the financial crisis, UBS and CS became part of a small number of global superbanks (Vitali et al., 2011).

Another major difference from the trajectory of the US and the UK was the lack of deregulation, in fact, no large-scale deregulation was possible. In Switzerland, banking regulation was historically based on self-regulation (Busch, 2003; Giddey, 2019). Most restrictions on Swiss banks since at least World War II came through the monetary policy of the Swiss National Bank (SNB). The policy aims of the SNB until the end of fixed exchange rates were to keep inflation in check and maintain fixed exchange rates at the expense of free capital flows (Bernholz, 2007). This usually meant curbing capital inflows, which would have benefited Swiss banks, but also outflows as the SNB was committed to preventing the internationalization of the Swiss Franc (Boller, 2007). The SNB also at times entered into so-called Gentlemen's Agreements (GAs) with banks to reduce loan volumes and thereby curb inflation at the end of the 1960s and beginning of the 1970s. By the early 1980s, however, credit control via GAs was a thing of the past, and capital imports were fully liberalized (Boller, 2007). The actions of the SNB can be viewed as responses to a changing international order that were driven primarily by the end of fixed exchange rates and liberalization in important financial centers such as the US and UK. Not all legislative changes involved deregulation. After several high-profile cases such as the *Chiasso* scandal in 1977, banking became highly politicized in the late 1970s and the 1980s (for an in depth historical account, see Tobler, 2021). Eventually, this politization led to regulatory tightening with the *Geldwäschegesetz* (money-laundering law) in 1997, which represented a departure from the tradition of self-regulation in the banking sector (Busch, 2003). However, with the help of center-right political parties, the big banks invoked the liberalization of foreign financial centers to lower taxes such as the *Stempelsteuer*, a financial transaction tax (Busch, 2003, 2009). It was thus primarily monetary policy, and only to a lesser extent the legislative environment, that produced a shift of political priorities from the industrial sector, focused on export, to the financial sector and created a rift between *Werkplatz Schweiz*, the production sector, and the *Finanzplatz Schweiz*, the financial sector (Tanner, 2015).

The 1990s was a watershed period of this change in the Swiss banking sector. After the real estate crisis in the early 1990s, a wave of consolidations reduced the number of banks by about 20% (Giddey & Mazbouri, 2022). Most notably, the SVB and Bank Leu AG were taken over by the Crédit Suisse group, and the SBV and SBG merged to form UBS in 1997. Many of the smaller banks were also taken over by one of the two big banks. Swiss banks were largely unconstrained by capital controls and benefitted from comparatively lax regulation through both the SNB and the

Eidgenössische Bankenkommission, the federal banking commission, by the end of the 1990s (Busch, 2003). The strong growth of the financial sector vis-à-vis the rest of the economy meant that finance as a proportion of the Swiss economy doubled from 6% in 1950 to 12% in 2005 (HSSO, 2012). Most of this growth came from the large Swiss banks, which grew disproportionately to the rest of the banking sector (Giddey, 2013). Most profits and growth for the two large banks came now from overseas, in particular the investment banking branch in the US. Even though most growth was off the balance sheet, there was still a strong increase in assets relative to GDP until 2008. Figure 1 shows both assets of the big banks relative to Swiss GDP and the return on equity. Assets more than doubled relative to GDP between 1990 and 2000. Moreover, profitability measured by return on equity is marked after 1995 by both strong growth and high volatility. This illustrates the orientation towards a riskier business strategy, driven by investment banking and higher leverage.

Figure 1 Assets to GDP and Return on Equity of the Large Swiss Banks from 1945–2020



Source: Bank data (profits, assets, capital) from SNB (2023b, 2023a). GDP (BIP) data from BfS (2023a). Own calculations.

Growth in both assets and profitability stopped with the financial crisis of 2008. This year marked the end of strong growth of the big Swiss banks, whereafter a period of retrenchment followed. UBS scaled down its investment bank and stabilized as a lower-tier international bank. CS did not, and its investment bank repeatedly incurred heavy losses, which would eventually lead to bankruptcy for the entire bank in 2023 (Walker & Morris, 2023). On the regulatory side, capital requirements were increased after the financial crisis through Basel III and the domestic too-big-to-fail amendment to the banking law (Busch, 2009). The two big banks lost market shares domestically and internationally (BfS, 2023b). At the outbreak of the COVID-19 crisis, the share price of UBS was only a fifth of what it had been at its peak in 2007, those of CS a quarter. The Swiss financial sector, and the banking sector in particular, exhibited strong growth in the three decades before the financial crisis but again lost relevance in the post-crisis period.

2.4 The Transformation of Banking Elites in Switzerland Since 1945

The historical context of the Swiss financial system is important to understanding the changes in corporate elites of the largest Swiss banks. In Switzerland, economic and political elites were traditionally highly intertwined, and political decision-making was influenced by a tightly knit network of business associations (Mäder, 2015; Tschäni, 1985; Wittmann, 2003). This tightness was fostered by similar socialization, including a stint as military officer and an education in a Swiss university. The Swiss tradition of a *Milizparlament*, a nonprofessional parliament, meant that politicians were often managers or board members of businesses. Policy-making was strongly influenced by a corporatist business structure in which businesses were affiliated within economic associations (Franc, 2013; Katzenstein, 1987). The business association Vorort was so powerful that its president was unofficially described as the eighth federal councilor.

For much of the 20th century, the integration between economic sectors was strong. Members from nonfinancial enterprises sat on the board of banks and vice versa (Mach et al., 2016). This integration was the foundation of corporate finance. In Switzerland, as in Germany, firms financed themselves primarily with bank credit. The bank-based model, in contrast to the Anglophone market-based model of capital investment, requires a synergetic relationship between banks and nonfinancial corporations (Demirgüç-Kunt & Levine, 2001; Levine, 2002). This strong relationship with interlocking directorates was weakened during the internationalization phase of the Swiss financial system and banks have become less central in the Swiss company system as a result of "disinvestment" from the industrial sector (Ginalski et al., 2014). This was particularly true for the big banks, which after the consolidation wave in the 1990s shifted their focus to foreign markets and investment banking and were accused of restrictive lending to SMEs (Schallberger, 2003).[2]

The internationalization of the large Swiss banks has meant moving the focus away from domestic retail banking to investment banking and asset management.

2 This dissociation from the Swiss economy and diverging interests between the big banks and Swiss industry was causing rifts within the corporate landscape. Tensions in the successor business associations of the Swiss Trade and Industry Association Vorort (renamed economiesuisse in 2000), grew to such a point that the biggest subassociation swissmem, representing the metal industry, threatened to exit because its leaders felt that the association came to only represent the financial industry (NZZ, 2006).

This change in business strategy primarily involved acquisitions and mergers. From a resource dependence view, it is logical for banks to acquire or merge with new banks that serve as a springboard to new markets. Both UBS and CS gained access to UK and US investment banking by acquisitions. SKA had already cooperated with the US investment bank First Boston since 1978 before acquiring a controlling stake in 1988 to form Crédit Suisse First Boston (CSFB) as the investment bank subsidiary of Crédit Suisse group.[3] The predecessor to UBS, Schweizer Bankverein (SBV), acquired two US investment banks, O'Connors and Associates and Dillon, Read & Co, and a UK bank, S.G. Warburg & Co, within five years (1992–1997). Through acquisitions, non-Swiss personnel would join the executive boards of the large Swiss banks. The US-American Gary P. Brinson, for example, became the head of global asset management for UBS after UBS bought his firm Brinson Partners. Others came in through recruitment: John Mack was recruited from Morgan Stanley to first become the head of CSFB and then CEO of CS in 2003. The resource dependence view extends to recruitment: resources acquired by the organization can include skills and social capital. In the case of the large Swiss banks, they needed US Americans with experience in the US financial sector to make the right strategic decisions in the US market. Appointments depend on which business area is most important to a bank and reflect the know-how and network of an appointee. Before the internationalization of the large Swiss banks, know-how about the national economy, society, and law were important, as were connections with important politicians and leaders from large industrial corporations. These connections were often made at Swiss universities, the military, clubs, and associations. In particular, universities are important not only to acquiring skills but also to creating a network with other students likely to achieve an elite position in economy, politics, or culture (Bourdieu, 1996; Mills, 1956; Tholen et al., 2013; Zimmerman, 2019). In Switzerland, the most common degree of the elite was a law degree (Wittmann, 2003) and the same was true of banking elites (Cassis & Debrunner, 1990). This type of education is emblematic of a nationally oriented elite structure because it is mostly useless for a career abroad but useful in many domestic economic sectors as well as in politics. Occupational background is similarly important in assessing skills and social capital. Before internationalization, a stint in a nonfinancial corporation was likely advantageous because implicit and explicit knowledge gained there was helpful in deciding credit policy towards that specific firm or industry because Swiss banks were the house banks and main source of finance of nonfinancial Swiss firms. To our knowledge, occupational background has largely been overlooked as a changing characteristic of elite composition. Both educational and occupational background are good indicators of the levels of skills and social capital a person possesses.

With the internationalization of the financial system that gave banks large growth potential outside their home markets, the resources desired of the corpo-

3 For a history on the genesis of the Crédit Suisse Group, see Jung (2000).

rate elites changed. International networks became more important, as did more specialized skills specific to investment banking and asset management. An obvious implication of this change was a higher proportion of foreign board members and managers recruited to Swiss banks. Switzerland is a small country with a disproportionately high number of large multinationals. Switzerland also has a comparatively high proportion of foreign managers in large firms (Davoine & Schmid, 2022). Analyses of longitudinal Swiss elite trajectories indicate that the Swiss business elite underwent strong internationalization between 1980 and 2010 (Bühlmann et al., 2013). International managers and Swiss managers with international careers and networks grew strongly in number (Bühlmann et al., 2012). This is particularly true for the large banks, where international careers became the norm among the top personnel (Araujo & Davoine, 2024). As a consequence, the tightly-knit Swiss corporate network dissolved over the same period (Rossier et al., 2022). Bühlmann, David, and March (2012) ascribe this process to the influx of foreign managers, the managerialization of industrial leaders, and the marginalization of law degree holders. Education at foreign top universities became more important for their careers, most often completed with a MBA or finance degree (Davoine & Schmid, 2022). In Germany, for example, the proportion of banking elites with a MBA degree almost tripled between 1980 to 2001, increasing from 15.6% to 41.5% (Berghoff & Köhler, 2007). The advent of US-style managerialism (Carroll, 2009) meant that elite bankers began to think of themselves less as bankers and more as managers (Kerr & Robinson, 2012). This also applies to Swiss banking elites. A longitudinal analysis on Swiss banking elites by Araujo et al. (2023) showed that, compared to 1980, there are more banking elites with university degrees, education, and working experience outside Switzerland, and fewer elites with an officer rank in the Swiss army.

2.5 Elite Transformation, Banking Strategy, and Social Welfare

The banking elite replacement amid the relative ascendancy of financial institutions is usually seen in a negative light, particularly in Switzerland where one of two large banks had to be bailed out and another absorbed by the other within the span of 15 years. Beyond the dangers of high leverage and high-risk business strategies, the shift to investment banking and asset management of the large Swiss banks crowded out potentially beneficial but less profitable banking activities such as retail banking. The history of the Schweizerische Kreditanstalt, from which Crédit Suisse would later emerge, serves as a good illustration. It played a large part in the modernization of Switzerland by financing railroad projects and industrial corporations such as ABB. The large Swiss banks would continue to finance Swiss industry throughout the 20th century and are still important partners for larger, internationally oriented Swiss firms. However, the reorientation towards foreign markets, most notably the US financial market, and towards investment banking at the end of the 20th century compromised these traditional functions of large banks. Generally, a healthy banking sector is a prerequisite for economic development because it directs finance to productive enterprises (King & Levine, 1993; Rajan & Zingales, 1996). However, several studies have shown that, after a certain point, larger financial sectors are associated with worse economic performance (Arcand et al., 2015; Cecchetti & Kharroubi, 2019; Law & Singh, 2014), largely because they tend to load an economy with unproductive debt. Providing finance to businesses that raise productivity increases social welfare, whereas securitizing subprime mortgage loans does not, to use an extreme example. In Switzerland, critical observers noted that lending practices by the large banks had become more restrictive as they invested more in their higher-margin investment banks (Schallberger, 2003). The new business opportunities in investment banking and the trading business led capital allocation away from the loan business: a shift from retail banking to investment banking and asset management. On the income statement, this shows as a shift from interest income towards income from commission and fees as well as trading income (Krippner, 2011). Besides income composition, changing loan volumes to different economic sectors is another aspect of a banking strategy prioritizing the financial sector over the non-financial sectors (Turner, 2017).

In summary: bank failures are the most obvious example of costs to social welfare for which leadership of banks are potentially responsible. However, the potential of banks to provide social welfare is decreased not only by undertaking "bad" activities but also by neglecting "good" activities. Various characteristics of banking elites may hold explanatory power for changes in banking strategy that reveal a decline in the banks' contribution to social welfare.

Unlike pure elite studies, we link banking elite transformation with banking strategy. We expect the displacement of the Swiss-oriented business and political elite of Swiss nationals with a Swiss university education in such fields as law, careers outside the financial sector, for instance in production, and involved in Swiss politics by a US-socialized, financial elite characterized by a high share of US Americans, education in elite US institutions with degrees in finance or an MBA, and with occupational experience in the financial sector. We also expect this change to be associated with a change in banking strategy that potentially implies a decrease in social welfare: a decrease in the relative importance of income from retail banking and lending volumes to industry and the financial, insurance, and real estate sectors. To be precise, we should expect a lower proportion of interest income and a shift of loan volumes away from production and to financial firms. Even if we cannot test causality, it seems plausible to assume that this shift in business strategy is linked to the shift in banking elites. Banking boards with representatives from Swiss industry may inform the strategic motives of the bank to supply credit to industrial firms. Boards composed primarily of financial industry professionals are more likely to consider purely business motives.

3 Empirical Findings on the Transformation of Swiss Banking Elites and Banking Strategy

3.1 Sample and Measurements

This analysis uses a dataset of the largest Swiss banks from 1945 to 2020 compiled by the first and third authors. The dataset includes the four large banks until the 1990s: Schweizer Bankverein (SBV), Schweizerische Kreditanstalt (SKA), Schweizerische Bankgesellschaft (SBG), and Schweizerische Volksbank (SVB). After consolidation, only the consolidated CS and UBS remained. As of March 2023, only one of these banks, UBS, still exists. The dataset comprises both banking elite variables, denoting elite characteristics, and bank variables, denoting banking strategy. Banking elites were identified from the annual reports. We define the elite as the members of the board of directors and the executive board/directorate[4]. Information about the elites was collected from the Swiss elite database OBELIS (l'observatoire des élites suisses), created and maintained by the Social Science Department of the University of Lausanne. Bank practice variables were collected directly from the annual reports. Almost all information had to be recorded manually. Table 1 lists the banks included, the yearly observations available for each bank, the year of merger with other banks in the sample, the number of executive team members and members of the board of directors observed for each bank, and the person–year observations for each bank.

For the banking elites, we coded the CV of each person for demographic data such as age, gender, length of stay, educational background, professional career, political functions, and party membership. Code lists were created to enable unambiguous coding, and the sample was double-coded to ensure data quality. All variables were measured in binary form. We then created aggregated variables at the level of each bank and each year. We construct three composites: the total elite, the board of directors only, and the executive board only. The aggregated measurements are therefore on a range from 0 (no one on the committee has the characteristic) to 1 (all on the committee have the characteristic). Table 2 lists the descriptive statistics of the measurements included. The list of recorded variables and their measurements are derived from literature on upper echelons theory, which empirically analyzes the effects of demographic board composition (for an overview see Hambrick, 2007).

The proportions of US and Swiss citizens are aggregated from information about the nationalities of committee members. Multiple citizenship was taken into account. The proportion of elites with university education in the US and/or in Switzerland records how many of the members have completed their studies in the USA and/or Switzerland. Cross-border degree programs and multiple programs in different countries were considered. To capture elite education, we recorded how

4 In Switzerland, board of directors are by law not required to appoint an executive board and cannot assign the control over the corporation to an executive. However, having an executive board or directorate was the norm for large Swiss corporations and banks. The directorates used to be less powerful and composed of fewer members than they are today (David et al., 2015).

Table 1 Description of the Sample of the Large Swiss Banks and Their Banking Elites

Large Swiss Bank	Converted into	Time of observation	N years of observation	N elite individuals	N person-year observation
CS	2023: UBS	1997–2020	23	105	576
UBS		1998–2020	22	98	480
SBV	1998: UBS	1945–1997	53	169	1825
SBG	1998: UBS	1945–1997	52	130	1616
SKA	1997: CS	1945–1996	51	161	1713
Volksbank	1997: CS	1945–1996	51	132	1231
Overall			252	795	7441

Source: Compiled data – data sources (annual reports, OBELIS, etc.).

Table 2 Descriptive Statistics

Variable	Obs	Mean	SD	Min	Max
Overall elite					
Share of US citizens	258	0.04	0.10	0.00	0.45
Share of education in the US	258	0.11	0.16	0.00	0.62
Share of education in top elite institutions	258	0.09	0.13	0.00	0.50
Share of career in finance and insurance	258	0.45	0.19	0.11	0.96
Share of finance education	258	0.36	0.22	0.00	0.88
Share of MBA education	258	0.05	0.08	0.00	0.30
Share of Swiss citizens	258	0.90	0.20	0.27	1.00
Share of education in Switzerland	258	0.88	0.20	0.27	1.00
Share of career outside the financial sector	258	0.71	0.15	0.36	1.00
Share of career in production	258	0.58	0.23	0.04	1.00
Share of law education	258	0.44	0.17	0.04	0.89
Share of political representatives	258	0.12	0.07	0.00	0.30

Continuation of Table 2 on the next page.

Continuation of Table 2.

Variable	Obs	Mean	SD	Min	Max
Board of directors					
Share of US citizens	258	0.03	0.08	0.00	0.36
Share of education in the US	258	0.09	0.15	0.00	0.63
Share of education in top elite institutions	258	0.08	0.12	0.00	0.50
Share of career in finance and insurance	258	0.42	0.17	0.00	0.91
Share of finance education	258	0.33	0.22	0.00	0.92
Share of MBA education	258	0.05	0.09	0.00	0.42
Share of Swiss citizens	258	0.90	0.19	0.27	1.00
Share of education in Switzerland	258	0.89	0.21	0.18	1.00
Share of career outside the financial sector	258	0.74	0.15	0.33	1.00
Share of career in production	258	0.63	0.21	0.08	1.00
Share of law education	258	0.43	0.17	0.00	1.00
Share of political representatives	258	0.17	0.09	0.00	0.38
Executive Board					
Share of US citizens	258	0.05	0.13	0.00	0.64
Share of education in the US	258	0.16	0.23	0.00	1.00
Share of education in top elite institutions	258	0.10	0.20	0.00	1.00
Share of career in finance and insurance	258	0.49	0.34	0.00	1.00
Share of finance education	258	0.45	0.35	0.00	1.00
Share of MBA education	258	0.07	0.16	0.00	1.00
Share of Swiss citizens	258	0.89	0.22	0.17	1.00
Share of education in Switzerland	258	0.80	0.32	0.00	1.00
Share of career outside the financial sector	258	0.60	0.31	0.00	1.00
Share of career in production	258	0.48	0.36	0.00	1.00
Share of law education	258	0.51	0.34	0.00	1.00
Share of political representatives	258	0.00	0.02	0.00	0.22

Source: Compiled data – data sources (annual reports, OBELIS, etc.).

many members studied at elite universities. To classify a university as elite, we used the top 100 universities in the QS World University Rankings for accounting and finance in the year 2018. Additionally, we ascertained what type of studies or vocational training the people on the committee had completed: whether they had a degree in finance and/or an MBA. To capture the occupational background, we recorded the career paths of the committee members after they had completed their education. Based on previous employment, we ascertained whether the members had any professional experience outside the financial sector generally and how many members had experience in production specifically. The occupational classifications are derived from the sectors of the companies listed in the CV. Finally, we recorded whether the elite member holds a political office.

For the bank practices indicators, we collected data from the income statement and extended balance sheet information in annual reports. The proportion of interest income is calculated from income composites. The corresponding figure shows the importance of interest income as the ratio of interest income to the total operating income, consisting of interest income, fee and commission income, trading income, and other income. This roughly corresponds to the importance of retail banking compared to other branches such as wealth management, asset management, and investment banking. The relative credit volume for industry and the financial sector comes from extended balance sheet information. The measures are loans to each sector over total business loans. Industry corresponds to the secondary sector, which includes both industry and construction. Because of changing accounting practices over time and across banks, the financial sector includes insurance and real estate to ensure comparability. This is identical to the US classification of the finance, insurance, and real estate (FIRE) sector.

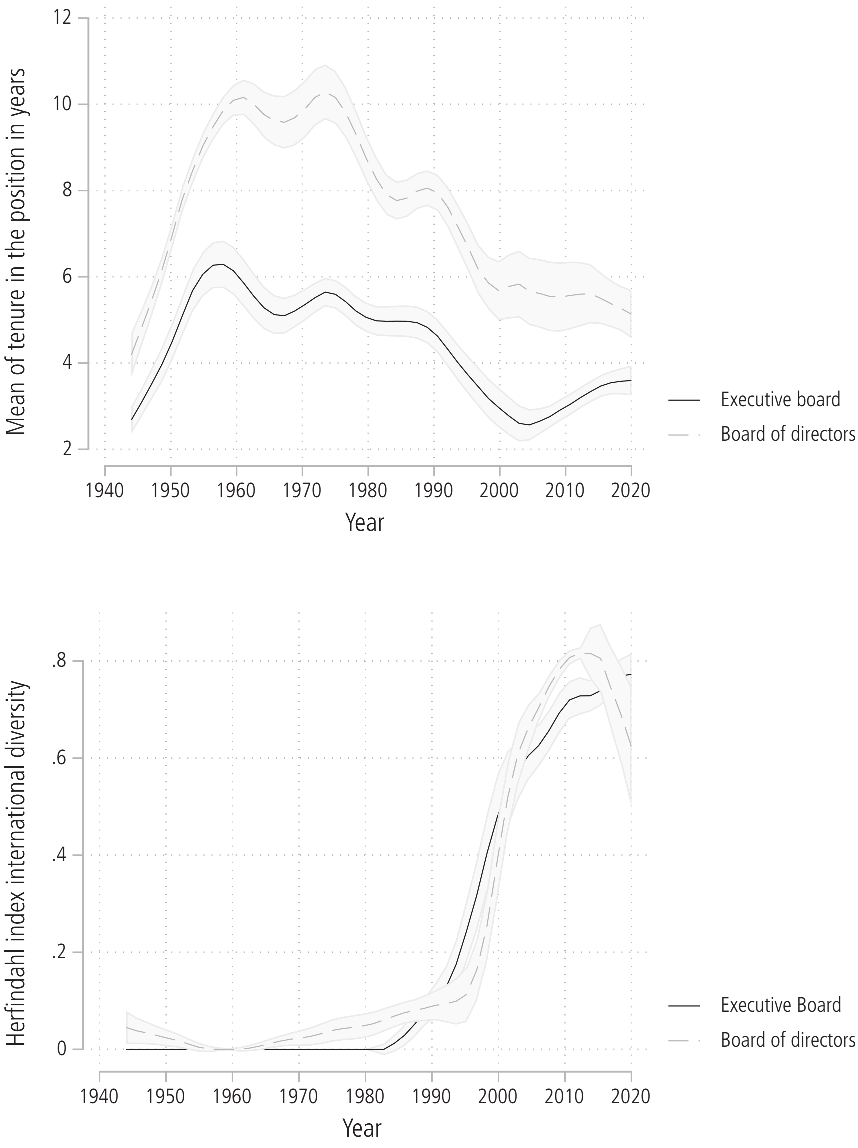
3.2 The Transformation of Banking Elites in Switzerland Since 1945

Figure 2[5] illustrates the development of the tenure of the banking elites since 1945 and the internalization of the boards and management teams.

The length of time spent in office initially increases from 1945 from 3–4 years to 6–10 years, which is partly because the committees were replaced in the post-war period. This is followed by a long period until around 1975 during which the length of service remains fairly constant. From then onwards, the length of stay begins to fall slowly at first and then dramatically from 1990 onwards. In the 2000s, the minimum is reached with a retention period of 3–6 years and then stabilizes within this range. Careers such as those of Swiss chairman Rainer Gut at SKA and later Crédit Suisse, who stayed 23 years with the company both on the executive board and as chairman, become rarer. Careers like those of the US-American John Mack, who stayed with the company for four years, become more common. Figure 2 also shows a dramatic change in internationalization of the committees. It shows a reversed Herfindahl index, which

5 All confidence intervals in this and subsequent figures are 95%.

Figure 2 Tenure and Internationalization of the Swiss Banking Elites from 1945–2000



is the sum of the squares of the population fractions belonging to each nationality.[6] Although the committees were comprised almost exclusively of Swiss nationals until the 1980s, there was an explosion in the international composition of the committees from the late 1980s. Within 15 years (1985–2000), the elites of the banks had become largely international as the proportion of Swiss members drops to 40%.

Figures 3 and 4 show the development of the various indicators of Table 2 relating to the educational background of the banking elite. We sorted the indicators according to two groupings, which we label the Swiss-oriented business and political elite and the US-socialized financial elite. This categorization follows content-related considerations and is empirically confirmed by factor analyses and reliability tests (see Table 3). We first present the developments of the underlying individual indicators and then continue working with the composite indices.

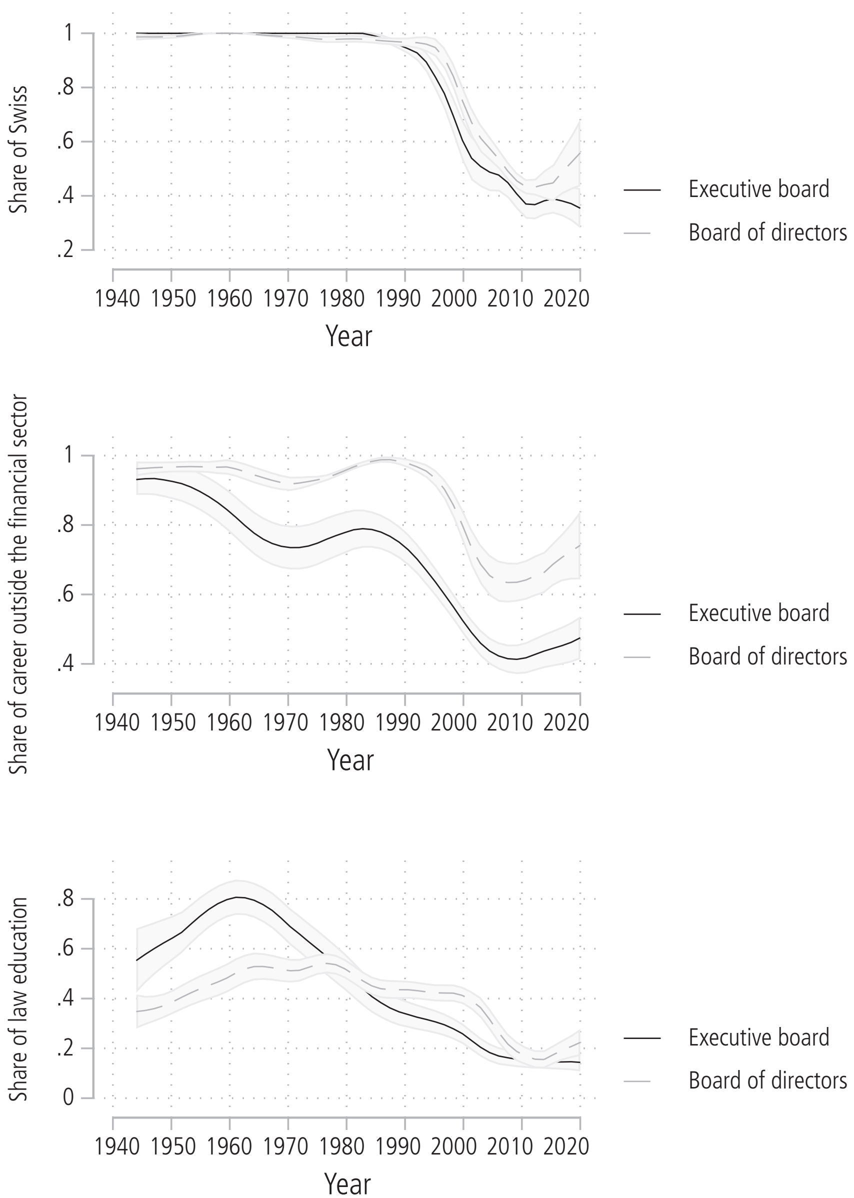
Table 3 Reliability of the Constructs

Variable	Factor loadings
US-socialized financial elite	
Share of Americans	0.8007
Share of education in the US	0.9465
Share of education in top elite institutions	0.8372
Share of career in finance and insurance	0.6379
Share of finance education	0.7360
Share of MBA education	0.8008
Cronbach's alpha	0.8693
Swiss-oriented business and political elite	
Share of Swiss	0.8502
Share of education in Switzerland	0.6583
Share of career outside the financial sector	0.6523
Share of career in production	0.6330
Share of law eductaion	0.6820
Share of political representatives	0.4720
Cronbach's alpha	0.7868

Note: Bank elite indicators are included as the mean value of the overall elite (N = 258) and as the mean values of the Board of directors (N = 258) and the Executive Board (N = 258).

6 The index can be interpreted as the probability that two randomly selected committee members have different nationalities.

Figure 3 Displacement of the Swiss-Oriented Business and Political Banking Elite



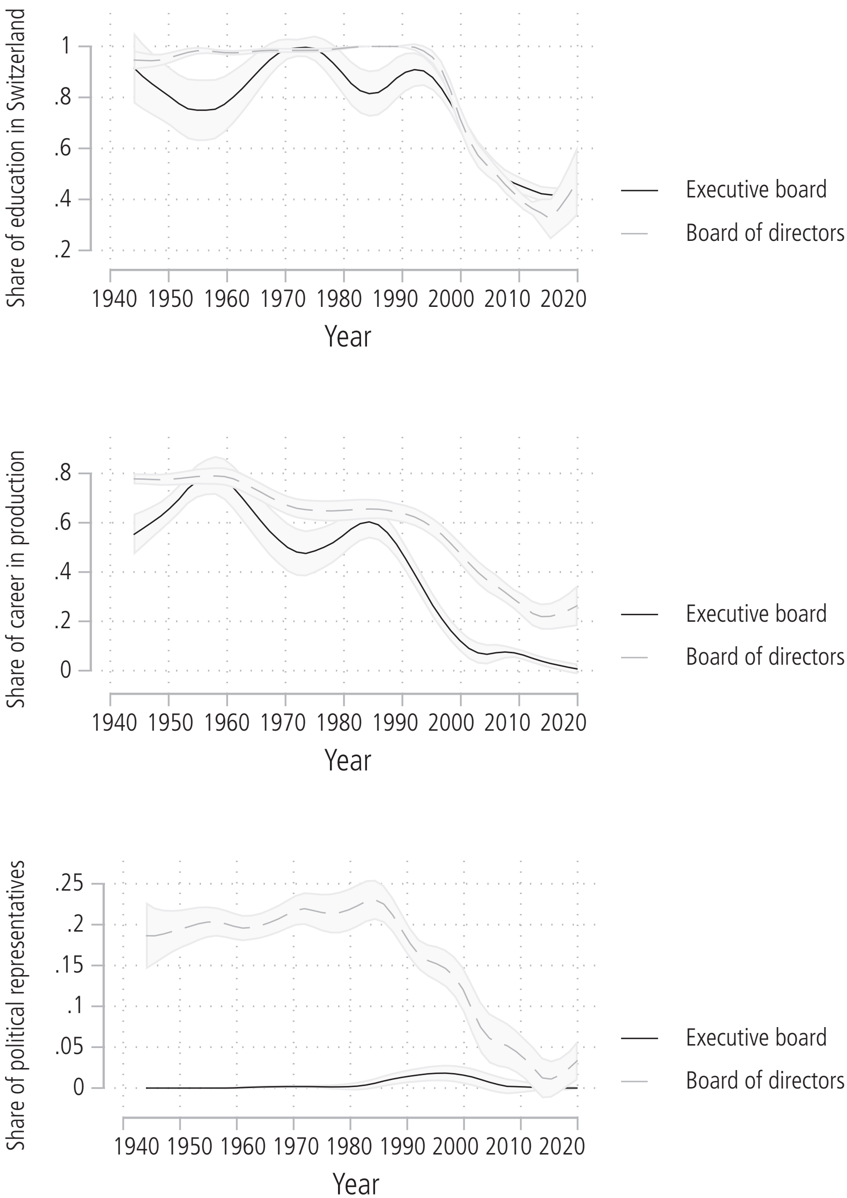
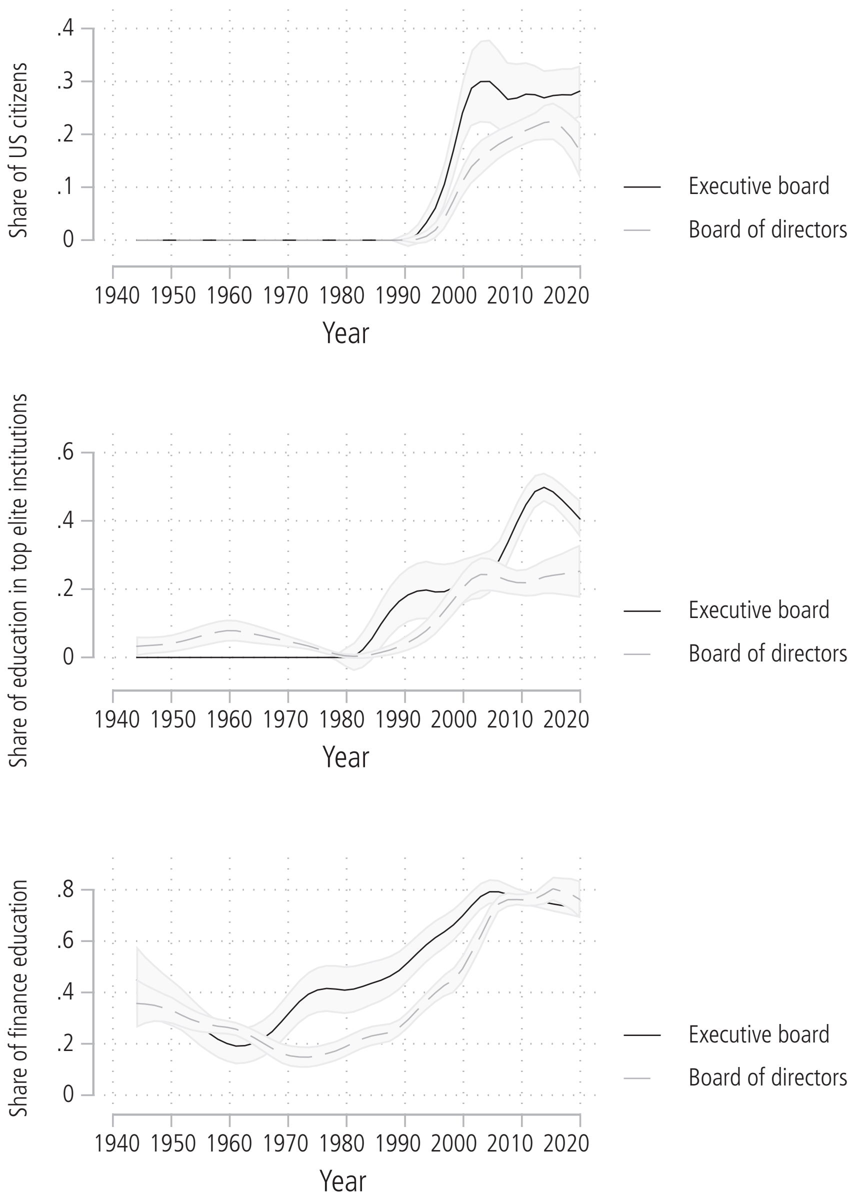

Share of education in Switzerland
1
.8
.6
.4
.2
1940 1950 1960 1970 1980 1990 2000 2010 2020
Year
Executive board
Board of directors
Share of career in production
.8
.6
.4
.2
0
1940 1950 1960 1970 1980 1990 2000 2010 2020
Year
Executive board
Board of directors
Share of political representatives
.25
.2
.15
.1
.05
0
1940 1950 1960 1970 1980 1990 2000 2010 2020
Year
Executive board
Board of directors

Figure 4 Transformation to an US-Socialized Financial Banking Elite



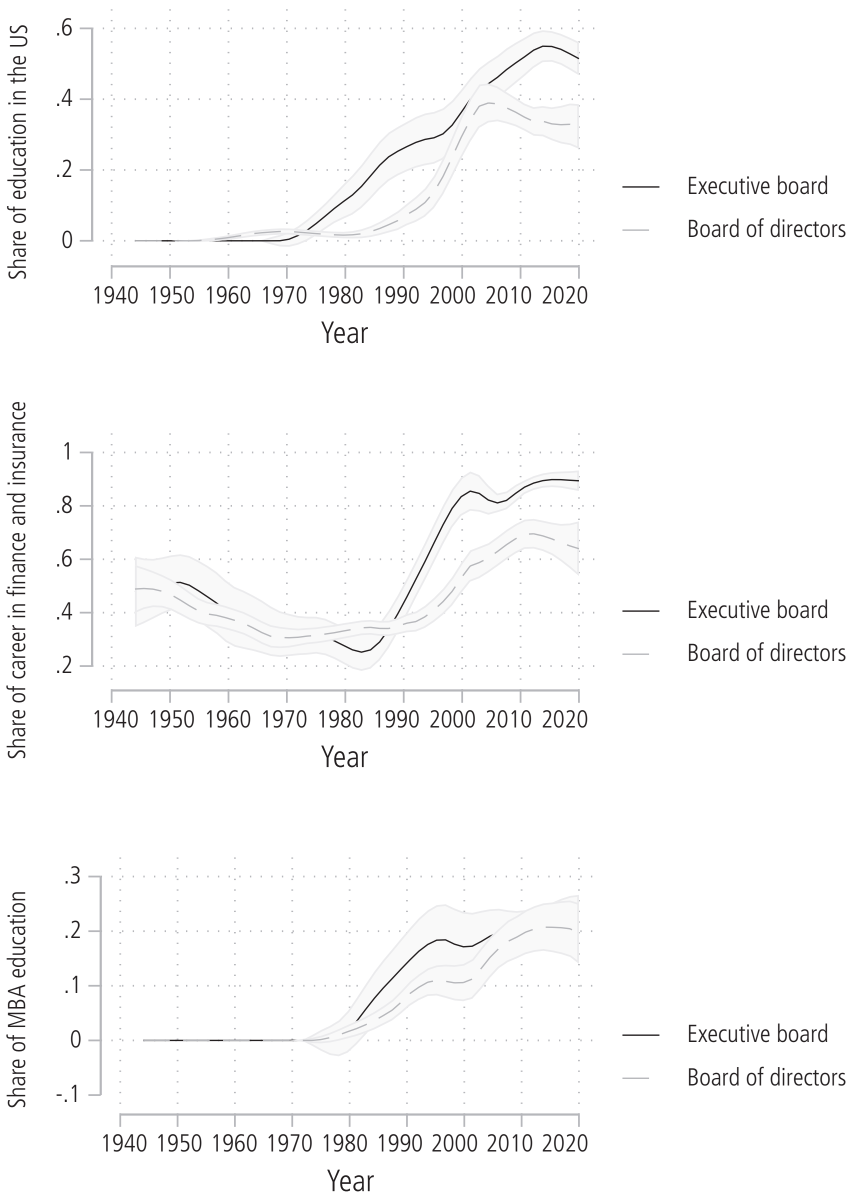
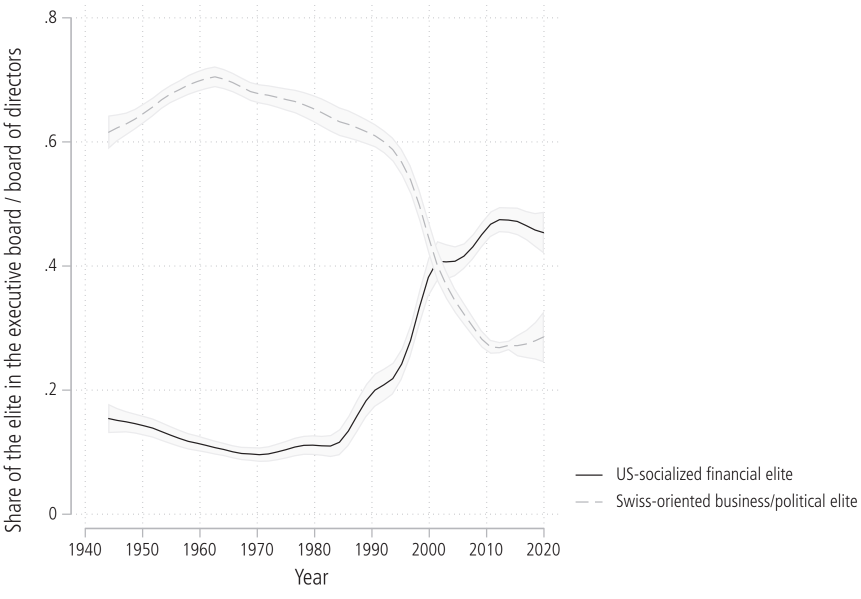

Share of education in the US
.6
.4
.2
0
1940 1950 1960 1970 1980 1990 2000 2010 2020
Year
Executive board
Board of directors
Share of career in finance and insurance
1
.8
.6
.4
.2
1940 1950 1960 1970 1980 1990 2000 2010 2020
Year
Executive board
Board of directors
Share of MBA education
.3
.2
.1
0
-.1
1940 1950 1960 1970 1980 1990 2000 2010 2020
Year
Executive board
Board of directors

Figure 3 shows the rapid displacement of the Swiss-oriented business and political banking elite, which begins slowly in the 1980s and gains momentum in the 1990s. For a long time, the proportion of Swiss nationals or people who underwent training in Switzerland remains close to 100%. This proportion fell to 40% within 15 years. This development affects the executive board and the board of directors in the same way. The trend is somewhat more nuanced among the experience of people outside the financial sector, particularly in production. The loss of outside experience is particularly drastic for the board of directors: here the proportion falls from almost 100% to 40% for experience outside the financial sector and from 60% to nearly 0% for experience in production. In management, we observe a drop from almost 100% to 70% for experience outside the financial sector and from 80% to 20% for experience in production. The decline in legal education also affects the executive board more than the board of directors. In the former, the proportion of elites with a law degree falls from 80% in the 1960s to around 20% in 2010. For a long time, elites with a law degree account for 40% of the members of the executive board, but by 2020 they only comprise around 20%. No trend in political involvement is apparent among the executive boards: these comprise nonpolitical representatives over the entire period. In contrast, there is a clear trend in the board of directors. Politicians initially comprise 20% of these bodies and by 2020 are hardly to be found.

Figure 4 illustrates the transformation of the banking elite into a US-socialized financial elite. As expected, the picture here is exactly the opposite to that in Figure 3. From the 1990s onwards, we see a significant increase in US citizens in the executive board and the board of directors to 30% and 20% respectively. This trend is even more pronounced for education. At the end of the observation period in 2020, almost 60% of board members and almost 40% of executive management have an education at US universities. Moreover, education at top elite institutions, such as Ivy League universities, gain in importance in the committees. Whereas for much of the observation period recruitment does not require a degree from an international top university, that factor is more important by 2020: the proportion of executives with a top elite education is 40% and that of directors at least 20%. The occupational background also changed drastically. Financial experience, whether through a career in the financial sector or specialized training, becomes highly important. At the beginning of the study period in 1945, 50% of committee members have no real experience in the financial sector. By 2020, the picture is vastly different. Almost no member of the executive board and only 30% of the directors have a nonfinancial background. Similarly, in 1985, around 40% have an education in finance. By 2020, that figure has doubled to roughly 80%. Finally, MBA training gains importance among the banking elite. One in five members in 2020 have such an additional qualification.

Figure 5 shows a summary of the individual indicators in aggregate indices. The aggregated indices are calculated as the sum of the variables included to measure a Swiss-oriented business elite and a US-socialized financial elite divided by their number (see Table 3). They thus indicate the proportion of members in the committees with these characteristics and can range between 0 (no one on the committee has these characteristics) and 1 (all on the committee has these characteristics). As the figure indicates, the proportion of Swiss business-oriented top personnel in the banks fell from 60% to 25% between 1985 and 2020, while the proportion of non-Swiss financially oriented top personnel increased from 15% to 45%. These results suggest a strong transformation of Swiss banking elites. Most of this change occurred in just 15 years between 1985 and 2000. The magnitude of the change amounts to a displacement of the Swiss political and business-oriented elite with a US-socialized financial elite.

Figure 5 Displacement of the Swiss-Oriented Business and Political Elite by an US-Socialized Financial Elite

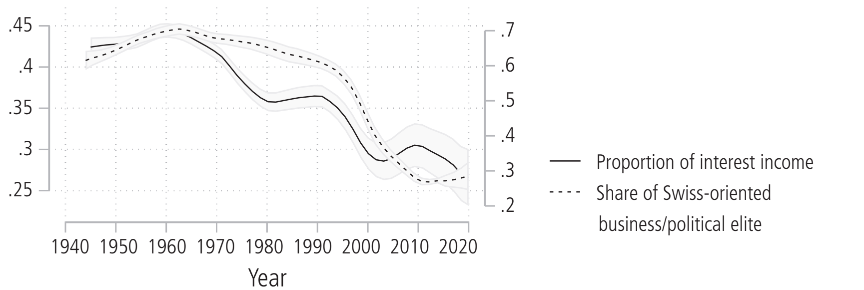


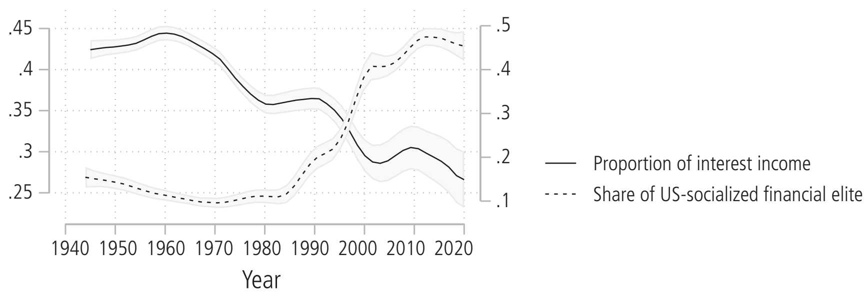
Note: Sum scores calculated from the indicator variables in Figures 2 and 3 with a possible minimum of 0 and maximum of 1.

3.3 Elite Transformation and Banking Strategy

Here, we relate changes in elite composition to two changes in banking strategy: shifts in relative interest income and credit volumes to the financial sector and to industry. As already noted, we do not attempt to establish any causality. However,

Figure 6 Development of the Transformation of Banking Elites and Proportion of Interest Income





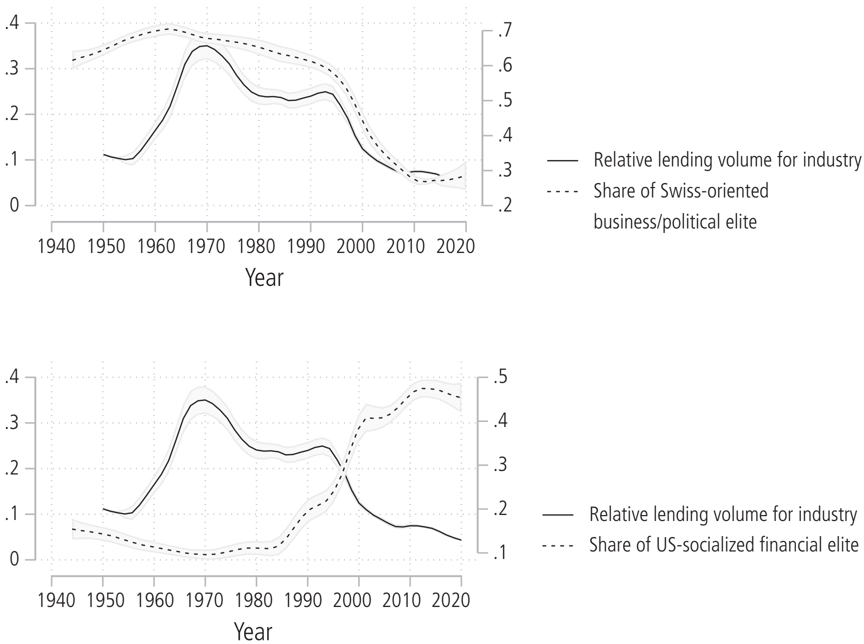
Note: Bank elite indicators are included as the mean value of the overall elite (N = 258) and as the mean values of the board of directors (N = 258) and the executive board (N = 258).

we assume that they are highly interrelated. The strong link between the two is confirmed in the following figures.

Figures 6 illustrate banks' proportion of interest income over the period. It can be roughly interpreted as the importance of retail banking or financial intermediation. We find a roughly parallel development between the decline in interest income and the decline of the old Swiss elite from 1970 onwards. Moreover, the decline in interest income and the increase in the new US-socialized financial elite are broadly concurrent. This finding confirms the reorientation towards the US financial markets and corresponding prioritization of investment banking. Interestingly, the trend is downwards after the financial crisis and more closely tracks the trend of the US-socialized financial elite. We do not see any reorientation towards retail banking.

Figures 7 and 8 show the relative allocations of business loans granted to industry and construction and to the financial sector (denoted as FIRE) in relation to the transformation of banking elites over the period. We find a close association

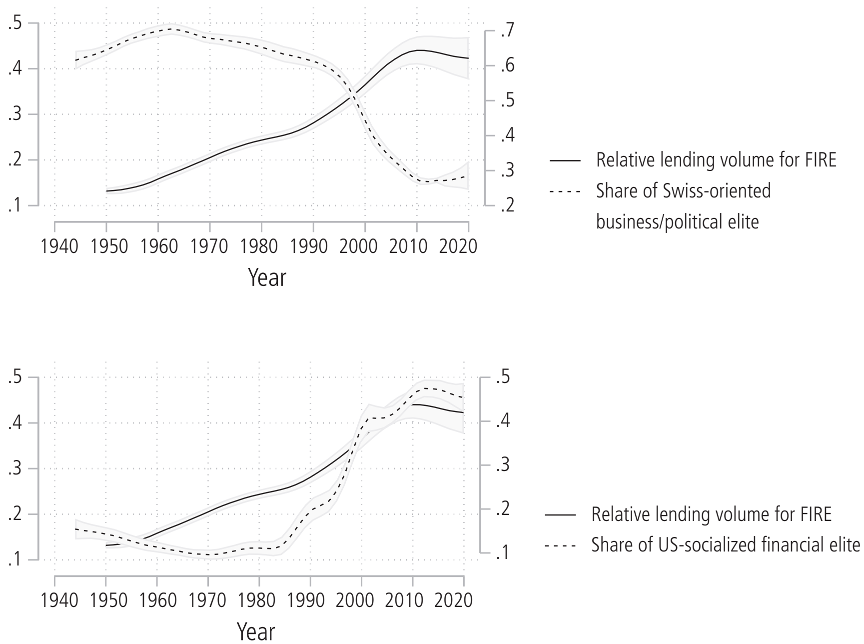
Figure 7 Development of the Transformation of Banking Elites and Relative Lending Volume to Industry



Note: Bank elite indicators are included as the mean value of the overall elite (N = 258) and as the mean values of the board of directors (N = 258) and the executive board (N = 258).

between the decline in loans to industry and the decline of the old Swiss elite from 1970 onwards. We find an even closer association between relative loan volume to the financial sector and the rise of the US-socialized financial elite, where the development is broadly parallel. Notably, changes in relative loans seem to precede elite replacement. This suggests that banks first react to changes in demand and respond with recruitment rather than the other way round. However, it is implausible that these changes are simply responses to changes in the market for business loans. The proportion of industrial loans from the big banks decreased from 25% in the mid-1990s to less than 10% ten years later. In contrast, industry's proportion of total value added to the Swiss economy remained stable at around 30% (HSSO, 2012). Closer inspection of the data reveals not only a relative change in loans to industry but also an absolute change. We argue that it is not simply lower demand for loans by industrial firms but restrictive lending practices by the large banks that drive the decline in loans to industry and, inversely, the rise in loans to the financial sector.

Figure 8 Development of the Transformation of Banking Elites and Relative Lending Volume to the Financial Sector



Note: Bank elite indicators are included as the mean value of the overall elite (N=258) and as the mean values of the board of directors (N=258) and the executive board (N=258).

4 Discussion

The findings largely confirm our assumptions. What is remarkable is the speed of elite replacement and changing business practice observed. The shift from a Swiss, Swiss-educated, and occupationally varied banking elite to an international, US-educated, and financially specialized one mostly occurred in just 15 years, roughly between 1985 and 2000. This period was a watershed for the Swiss banking sector, marked by the consolidation from which CS and UBS emerged. This change also coincided with an equally marked decline in the importance of retail banking and redirection of loan volumes from production to finance. The composition of Swiss banking elites is closely related to changing business practice at the banks. Superficially, this is unsurprising: different personnel are going to mean different business strategies. It is nonetheless remarkable how closely business practice and elite composition relate to each other. The findings lend support to the resource dependence perspective according to which the human and social resources of top personnel in organizations are applied to maximize the power of organizations.

Our findings lend further support to the idea of elites as windows into organizations. Leader selection indicates the strategies that organizations want to pursue. In some instances, the impact of leaders can be quantified. For example, having CEOs with MBAs can lower employees' wages (Acemoglu et al., 2022). However, our contribution goes beyond assessing the relation between the characteristics of top personnel and firm indicators. We situate changes in the human and social capital of Swiss banks' top personnel within wider institutional change. The institutional change in question is the rise of finance within the global economy. This rise was enabled by the internationalization of the financial system after the decline of the Bretton-Woods fixed exchange rates, which had required countries to use capital controls and other means to curtail international financial flows.

The rise of the financial sector is often appraised critically, noting the pernicious effects of high indebtedness (Schularick & Taylor, 2012), inefficient human capital allocation (Murphy et al., 1991), and socially unproductive business strategies such as speculative activities and high leverage (Pistor, 2019; Tooze, 2019). At its most extreme, criticism has painted finance as outright parasitical (Bezemer & Hudson, 2016). A major concern about banks has always been that socially useful projects are neglected in favor of less socially useful ones. Banks' credit policies focus on mortgage loans to individuals and loans to the financial sector, which leads to worse economic outcomes (Bezemer et al., 2023; Cecchetti & Kharroubi, 2019). Consequently, the business practices that banking elites implement are highly relevant to social welfare. The financial crisis ended the worst excesses of the precrisis era and lessened the importance of investment banking. Nonetheless, even 15 years after UBS needed to be bailed out during the crisis, it was the investment bank branch of Crédit Suisse that proved to be its undoing. Even so, the partial withdrawal from investment banking has not resulted in a return to retail banking and industrial investment nor led to a renationalization of banking elites. Our data only offer slight signs of the return of a Swiss-oriented business and political elite. Since the financial crisis, a few more Swiss and Swiss-educated board members and managers have appeared among the top personnel of Swiss big banks. This rebound should not be exaggerated. It is unlikely that Switzerland will return to the closely-knit elite network characteristic of the preglobalization era. That said, the increasing politicization of the two large banks, and from March 2023 one big bank, has had an unmistakable impact on the discourse around banks that will likely have implications for UBS business strategy and personnel decisions. It is perhaps no accident that Sergio Ermotti, a Swiss who started his career with a bank apprenticeship, was re-appointed as CEO. Furthermore, the loss of Crédit Suisse as an important source of finance for export-oriented SMEs is a topic of critical commentary and increases pressure on UBS to maintain good financing conditions

(Müller, 2024).[7] The competitive pressure of an internationalized financial system and the scramble for market shares outside Switzerland mean that UBS will still be committed to being a global bank. Besides some stronger regulations on capital ratios, there are no real changes in the business environment for Swiss banks, and drastic changes to the international financial architecture are not on the horizon.

5 Conclusion

Institutional change involves more than just the transformation of organizations over time. Peter Hall (1986, p. 19) defined institutions as "the formal rules, compliance procedures, and standard operating practices that structure the relationships between individuals in various units of the polity and economy." Changes within top personnel and the business practice of large Swiss banks mirror an international institutional change involving the rise of financial institutions in the global economy. In Switzerland, this rise primarily led to the emergence of two superbanks, UBS and Crédit Suisse. This emergence was accompanied by a decoupling from the rest of the economy, visible in the skills and social capital required by banks' top personnel. Our contribution has been to empirically confirm the close relationship between requirements of leadership and business strategy, to provide a view of this relationship in banks, and to provide new insights into changes in the Swiss banking system and Swiss bank elites since 1945.

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7 As of 2024, the pressure does not appear to be working, as export-oriented enterprises complain about worsening credit conditions (Schätti, 2024).

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