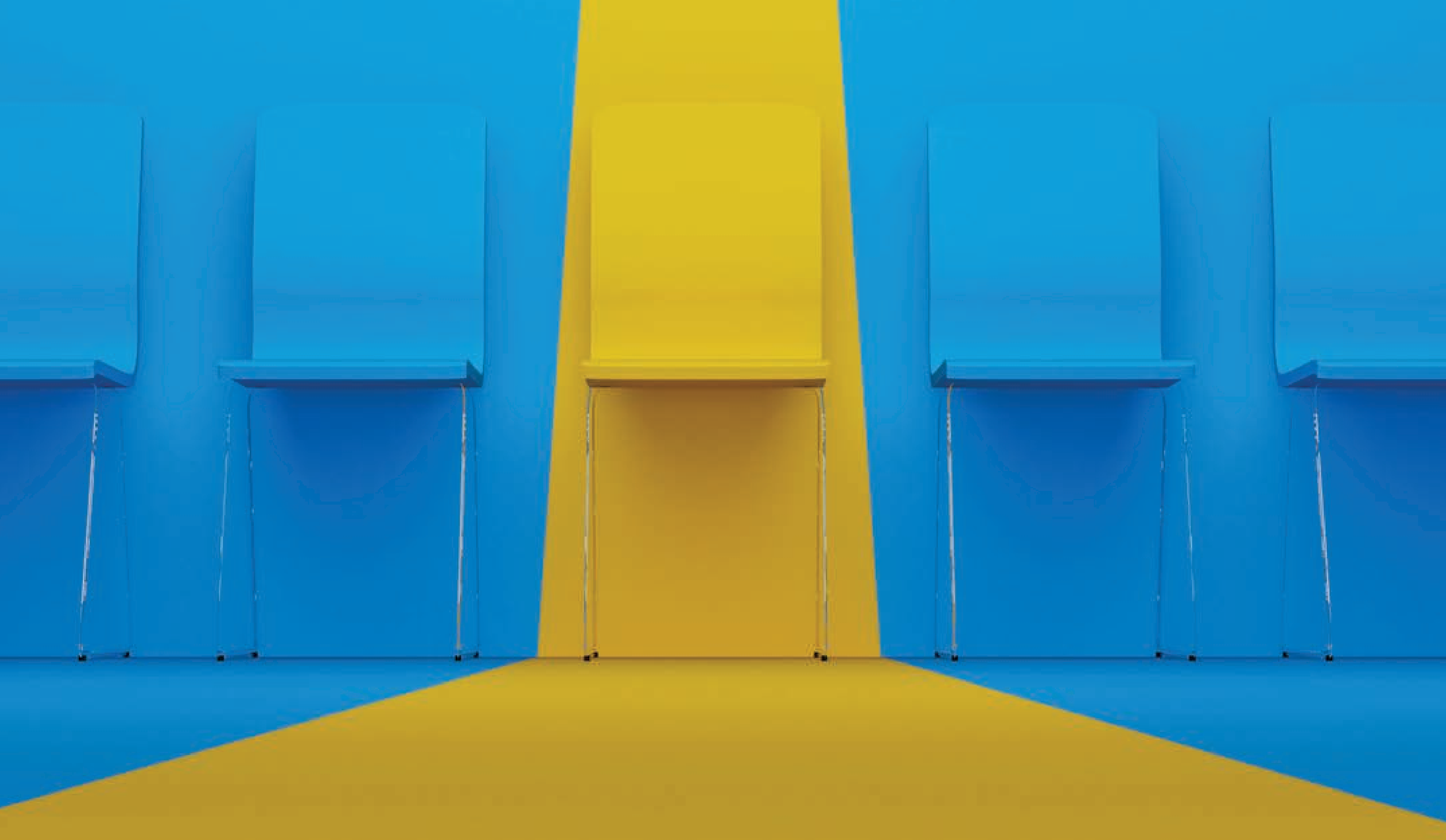
FEATURE STORY

Understanding the Complexities of Recruiting and Retaining Talent

BY MYRA THOMAS

The secured finance industry is feeling the strain as the industry ages and its most experienced executives retire. Here, SFNet members offer their points of view on the challenge.



It is not new news. The financial services industry continues to face a growing talent shortage. The result—job openings are rapidly rising. From March 2023 to February 2024, the Bureau of Labor Statistics reported job openings in finance and insurance increased from 502,000 to 677,000. Secured lenders are certainly feeling the pinch. Asset-based lenders and factors are well aware of the talent crunch and the resulting greying of the industry. The challenge is a complex one, with many underlying factors impacting recruiting. Many experts note that, primarily, secured lenders need to do a better job of increasing the profile of the industry to attract and retain younger talent.

Active recruiting on college campuses is the first step, of course. Laura Glass, senior vice president and senior portfolio manager for Bank of America Business Capital, notes that asset-based lenders and factors must commit to more educational campus visits. "When looking at college campuses, they aren't teaching about asset-based lending, but they do cover investment banking, for instance," she says. Many finance and economics majors simply are not aware of the opportunities in secured lending. "I personally enjoy working in secured lending, and our clients have a level of need and expertise where they view us as their financial partner and care about what we have to say," she adds. Glass notes that the attraction of secured lending is that it remains a hands-on field, where lender and client get to form long-lasting business relationships.

The Secured Finance Foundation recognized this gap at the college level and created a Guest Lecture Program. SFNet CEO, Rich Gumbrecht said, "The Guest Lecture Program was created in 2019 to introduce asset-based lending, factoring and other secured lending disciplines to students, as a way to educate and encourage younger and more diverse talent to enter the secured finance industry." In support of this lecture series, the Secured Finance Foundation connects industry leaders to undergraduate and graduate finance students. Each Guest Lecture is led by individuals employed by SFNet members, providing students with a high-level look at secured finance as an industry and a career path.

SFNet has also published a "Great Places to Work" issue of *The Secured Lender* since 2022. "All SFNet member companies are encouraged to send us a profile of their organization highlighting their business focus, benefits and culture. The issue is sent to about 40 colleges and law schools around the country to expand students' knowledge of our industry as a possible career," said Michele Ocejo, director of communications for SFNet.

Getting the message out

Banks need to better communicate the positives of the job, especially if they are looking to not only recruit, but to retain younger professionals who may start out as analysts rotating through a number of business lines. "Years ago, banks would hire people, and they would start out as field examiners, going out and learning about collateral audits," Glass says. That work is now outsourced for many large banks, and some of that training ground is lost. Glass notes that when young employees complete an analyst program at Bank of

MARTIN EFRON
White Oak
Commercial Finance

LAURA GLASS
Bank of America
Business Capital

EILEEN KOWALSKI
PNC Bank

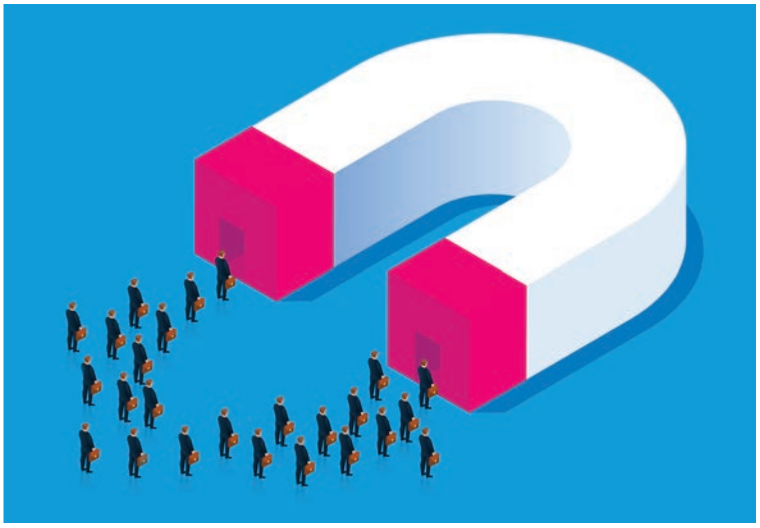
STEPHANIE MAAS
ThinkingAhead

TRINITY TAYLOR SCOTT
ThinkingAhead

KEN YAGER
Newpoint Advisors

America, even as they rotate through business lines, many do opt to stay in asset-based lending at the financial institution because they come to understand the value they can offer to the client.

It is the long-term and close relationship with the client that is especially appealing about the job, says Eileen Kowalski, senior vice president and business credit and national recurring field exam manager for PNC Bank. But it takes much more than communicating the dynamics of the job. Training is also critical to recruiting and retention. By enabling early-career professionals to succeed at work, they are more satisfied and more likely to stay at their employer. Kowalski notes, "Attracting and developing early-career professionals is a critical part of PNC's business strategy, which is why we continue to invest in our internship program, career development programs, educational programs, and formal mentorship program." Many of PNC's interns, for example, go on to be the primary pipeline for their early career development programs, which are designed to introduce recent graduates to one of PNC's 13 business areas. Approximately 70% of PNC's interns receive an offer to return as a full-time employee.



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Making a commitment to training

Internships and training are certainly foundational to the talent pipeline. Today, secured lenders are tasked with intensifying learning and development efforts. Deals and business structures are more complicated and getting more so every day. "Deals used to be all direct with the owner of the business," says Kowalski. "Now, 75 to 90% are sponsor owned and equity sponsor involved, and management may not own a part of the company." It is critical for leaders to take time to educate and explain industry cycles and all the intricacies of secured lending to junior staff. "We like to start our folks in field examination roles to learn the nuts and bolts," she notes. "There are opportunities to advance within the team, whether it's in marketing, portfolio management, or underwriting."

Formalized training, as well as mentoring, are essential to making a long-lasting connection with an employee. But a well-trained professional is also ripe for poaching. That can be particularly problematic in an industry vying for employees. Kowalski notes that a positive and nurturing company culture that prioritizes employee mobility and advancement is essential to keeping people on staff. This is where senior executives are needed to provide formal and informal mentoring. "People are looking for a place where they feel connected and can feel proud that they are employed there," she adds.

Younger professionals are also increasingly looking for a better work-life balance and a company committed to DEI, social, and environmental issues. According to Stephanie Maas, partner and banking and commercial finance practice leader for ThinkingAhead, when people feel as if they are contributing to the greater good and making the world a better place, they are more likely to stay with an organization. "They want to feel respected in the workplace, or they will simply go somewhere else," she adds. In the current job market, finance professionals can easily find a new employer within or out of the secured lending arena.

Private equity and fintechs make moves

But the recruitment challenges are much more complicated than expected. Ken Yager, founder and president of Newpoint Advisors, notes, it is essential for the industry to consider how technology and newer finance players are attracting the next generation of professionals. He sees young professionals moving from banks and their highly regulated environment to non-banks. "Fresh capital and new tech are getting younger people more involved," Yager adds. Private equity players and fintechs are mapping out territory in the secured lending space, and early-career professionals are sometimes willing to take a chance with what they might see as more creative and fast-growing organizations that promise the potential to move up quickly with a growing company.

New technologies, including AI, are helping alternative lenders and fintechs find new ways to innovate financial services. If asset-based lenders and factors are looking to compete, they must keep up with the changes. And they will need to communicate the creativity that is involved in secured lending too. "But evolution is hard, and the industry isn't always rewarded for the next new thing," says Yager. Secured lenders are driven by and receive financial backing from commercial lenders, often a conservative bunch. The task at hand, he notes, is to innovate and employ new technologies to streamline operations, at all costs. Whether it is leading-edge solutions to go to market, distribute, or manage credit, secured lenders are facing a critical decision when it comes to investing in and employing innovation that can also attract young talent.

A seat at the table

Some believe technology may not be the best solution. According to Martin Efron, executive vice president and head of the factoring group for White Oak Commercial Finance, the best way to recruit and retain talent is to give younger professionals the opportunity to be in front of the client early and often. "I was originally in corporate banking, and I had an opportunity to move over to factoring and to play a more important role," he says. "Factoring is a smaller industry, and everyone seems to know one another." The way to attract and keep new talent, Efron notes, is to allow younger professionals to make connections and to make an impact at work. It is all about challenging employees and making the workplace a more dynamic one. "They need to feel they are contributing something meaningful," he adds.

It is critical to get new talent to understand the value added by forming deep and long-lasting relationships with clients. "There are tremendous opportunities in factoring, and you can build a rewarding career by helping companies grow," says Efron. In the process, factors are exposed to a variety of industries and personalities. But clients are also a consideration when it comes to recruiting. Younger clients are often looking to see a younger secured lending team, one that reflects themselves.

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Filling the gap

For now, some secured lenders are choosing to capitalize on the expertise of senior executives, bringing people back from retirement and semi-retirement to work full-time and contract to fill the talent gap. Yager notes, "While they may plug a hole in the interim, it simply isn't a sustainable practice." While Baby Boomers are staying on the job much longer than previous generations, the time clock is certainly ticking when it comes to retirement for this group of professionals.

According to Trinity Taylor Scott, partner in banking and commercial finance at ThinkingAhead, secured lenders, as an industry, need to recommit to training. "Part of the problem with the talent crunch is that the industry, particularly banks, got away from rotational programs in 2008 and 2009, during the financial crisis," she notes. And there is a competition not only for younger professionals, but also for mid-career talent. "There is no clear-cut solution," she adds. "Either you bring people in and realize it will cost more to recruit, hire, and train them, or you face the reality of a market with senior personnel that have a shorter runway."

To meet the evolving training needs of the SFNet community, SFNet has launched an innovative and comprehensive certification program (see article on page 96). The Secured Finance Network's Secured Finance Certified Professional (SFCP) Program is designed to equip individuals with the knowledge and skills, necessary to excel in asset-based lending and factoring. SFCP certification adds value to an organization's training investment by aligning it with industry-recognized standards, enabling employees to gain in-depth expertise, leading to improved decision-making, risk management and problem-solving skills for the business.

As a result of the talent gap, salaries are certainly on the rise, Taylor Scott notes. And there are other more intangible costs, such as rethinking the very structure of an organization and making it more flexible. "Secured lenders win when they can get creative and provide something different or unique to not only clients, but also to their employees beyond just money," she adds. This new generation of talent is looking for organizations with strong career development processes in place and access to mentors. They want to feel challenged and have 'skin in the game'," to quote the old cliché.

And, thanks to COVID, employees of all ages are overwhelmingly opting for organizations that are continuing to provide more flexible and hybrid schedules, as well as more generous benefits. "The culture really has changed," says Taylor. Younger professionals are increasingly looking for a more casual workplace, and organizations with an emphasis on work-life balance. And while it is still about the money, early-career professionals are making it very clear that secured lenders need to rethink the old employer-employee relationship before it is too late.

Myra Thomas is an award-winning editor and journalist with 20 years' experience covering the banking and finance sector.