FEATURE STORY

Taking a More Proactive Approach to Retention

BY ANN ANDERSON

Secured finance executives discuss the challenges of retaining staff in this challenging environment.

Secured finance, much like the rest of financial services, is often a high-pressure industry, requiring long hours to resolve client concerns, handle due diligence, and scout for new prospects. Professionals in the field are commonly answering emails in the wee hours of the morning and late into the night. But the greying of the industry and attrition are causing secured finance executives to take a long, hard look at employee concerns, as well as DEI, recruitment, and retention initiatives.

According to Tim Knight, vice president and senior managing partner at ThinkingAhead, a boutique executive search firm, "Secured lending is an industry where you do see a fair amount of movement." Younger professionals, in particular, are often looking to jump to better opportunities in three or so years of employment, he notes. This generation of employees is often more comfortable with changing jobs if their career objectives aren't being met in the current position. Knight adds that the attrition and turnover in the industry isn't necessarily unique to secured finance. "While we are getting much better, we must continue to make strides in getting younger people involved," he notes. "With so many options for young people to join investment banking or other areas of finance, it starts with the basics of college recruiting and evaluating younger talent from other industries."

The Training Gap

Some of the retention issues are related to training. Banks and firms in secured lending haven't always been widely known for having formalized and extensive training programs. SFNet has provided an alternative to in-house training through its education programs, virtually and in-person. Martin Battaglia, CEO, Eclipse Business Capital, notes, "The industry in general did not train new entrants at levels sufficient to support the industry, let alone growth. This dates back to the late 90s to as recent as several years ago." That, coupled with industry expansion, as well as differing skill sets required by bank vs. non-bank lenders, are complicating factors. He suggests firms create training programs that allow industry members to source young talent outside of secured lending.

Industry visibility is also a key part of bringing new professionals into the field. "Increasing the understanding of ABL at the university level would certainly assist in attracting top talent," Battaglia notes. "Almost without question, every entry level or analyst we hire that has not been exposed to the industry has no idea it existed. That, plus we are competing with investment banks and hedge funds for similar talent." And he notes that these competing industries might be seen as more appealing to newly minted graduates or individuals with limited experience, and they often pay more and can have faster career progression than other parts of finance.

Battaglia notes that compensation studies can assist executives in understanding pay scales and helping them to respond with more competitive offers. He adds that it's all about creating the proper incentives, which also includes incentives outside of compensation. Battaglia is speaking from experience, as he's addressed retention in his own firm. "Several of our junior staff that we viewed as high performers started getting solicited by those related sectors," he notes. "We immediately instituted market compensation adjustments for our entire junior staff. We also created very clear career progression goals and objectives." In addition, his firm created a mentoring program designed to not only provide feedback and a forum for employee engagement, but also career goal milestones for each member of this talent pool. The results have been positive.

Creating a More Inclusive Environment

Younger employees also want to know that their opinions are valued, when it comes to the job and how the office works. Knight notes, "They want to climb the corporate ladder, but often look at organizational hierarchy like a lattice, and they will look to contribute by applying other skills or unique abilities to help the team. Allowing them to serve on committees or move laterally inside the organization communicates trust and value." It could be serving on a committee inside of the organization, whether it's diversity initiatives or some other special project. "Those are things, I believe, outside of what a person normally does in their day-to-day job. that make younger professionals feel valued and appreciated."

Fortunately, says Knight, he is beginning to see progress with younger professionals, but notes that there is still much work to be done, particularly for women and diverse employees. He notes, "I think it's about getting them interested and in the front door in an industry that's been male and Baby Boomer dominated for many years. The task today is to bring a more diverse pool of professionals into the field, retain, and support them in their career progression."

Mentorship is part of it. Cheryl Carner, senior managing director and head of originations at SLR Credit Solutions, adds that mentorship alone isn't enough. Women and minority professionals also need sponsors within the organization to advocate on their behalf for opportunities in senior management. She adds, "Diversity initiatives at the junior level are getting better. But diversity at the entry or junior level typically isn't the issue. But at the senior management level or for an investment committee, it's a very different story. That's where retention and promoting diverse talent is critical." Plus, Carner adds that DEI initiatives not only benefit the individual. It also benefits the organization. Studies indicate a diverse set of employees pays off when it comes to having a diverse set of ideas on the table—ideas that often lead to profits.

Dealing with the Pace of Finance

The long hours and fast pace of the industry are also causing professionals, especially younger ones, to burn out and consider hopping jobs, and that's a problem across financial services. But there are often simple solutions that can help. It might be waiting to send emails, that aren't time sensitive, only during working hours, Carner notes. "Because the reality is, is that people do look at their emails, and they feel like they have to respond." Sometimes the job can be quite overwhelming, and work-life boundaries are nonexistent.

Employers are starting to understand that hybrid work is one major way to address the issue of work-life balance and attrition. According to a 2022 survey by Dallas-based real estate giant CBRE, 73% of companies said that they planned to support hybrid work, while only 19 percent required employees to go into the workplace full time. The pandemic certainly helped to change work arrangement expectations. "We are seeing much more flexibility being offered, and that flexibility is now expected," Knight adds. "In many cases, trust and flexibility demonstrate value and appreciation." The result, he says is greater employee loyalty and productivity.

The Generally Accepted Wisdom

And, while many believe that pay is the top issue that keeps someone at a job, it's one of the biggest misconceptions, says Joe Accardi, head of new business development for the asset-based lending group at M&T Bank, "No doubt that compensation is part of the issue. But study after study has shown that in terms of what is important to people in their professional careers, money is rarely at the top of the list." Remote work is high on the list of what professionals in many industries are looking for today. "People want to feel empowered to do their work when they want and where they want," he adds. The end result, says Accardi, is a more engaged employee. "They're going to feel more trusted and valued."

Employees are simply much less likely to stay at a job where they feel micromanaged. "I tend to think of it as a spectrum," notes Accardi. "At one end of the spectrum, you've got what I would call an obedient employee, and they just do what they're told, and they're moderately engaged, at best." At the other end of the spectrum is the fully engaged employee, where a leader is concerned about their team members' work-life balance and, in turn, the team member is more engaged and enthusiastic about their work. "The most effective managers are tuned into their own leadership style, and they're thinking about empowerment and bringing out the best in their team members," he adds. "A high retention rate is the result."

Addressing the Problem Head-on

Often, it takes a multi-pronged approach to address retention. Mitch Drucker, partner at Ares Management, notes, "Our

SFNet Resources to assist with employee appreciation and development:

Impactful Leadership for High Potentials

Education Programs

SFNet Mentorship Program

TSL Great Places to Work Issue
(next one in October 2023)

SFNets Emerging Leaders Summit 2023

employee policies, the Ares Employee Resource Group, and our mentorship, training and networking efforts are key pillars in our diversity retention strategy," he notes. "To that end, diversity, equity and inclusion initiatives are playing a crucial role and should be a priority for all financial institutions." And, he adds that many more employees are concerned about working for a company that cares about the world around them. "Investing with purpose and having an impact on society is also becoming a top priority in our industry," he notes.

Employers also need to train employees across roles to give them a better view into the entire organization. Professionals in the secured finance industry can be engaged and rewarded by becoming proficient in areas such as cash flow metrics, asset valuation, and bankruptcy analysis, to name a few examples. "If employees are looking to broaden their credit experience, a way to address that might be to increase access and connectedness to other products outside of the ABL business unit," Drucker adds. "Management may consider creating new experiences and responsibilities within the ABL space, to fully engage employees on the nuances and challenges specific to this industry."

Drucker notes that firms also need to be mindful of the attrition to other roles in finance. "We see a lot of talent in commercial bank ABL units moving to private credit, including non-bank AB Lenders," he says. "Private credit is growing rapidly and taking share from commercial banks and is perceived to have more dynamic growth opportunities. Private credit offers the ability to think more entrepreneurially, which may be attractive to potential and existing employees." Simply put, there are now more options for ABL professionals as a result of the growth in the non-bank ABL market.

Jennifer Palmer, founder and CEO of JPalmer Collective and 2023 president of SFNet, is noticing a higher level of turnover in the collateral analyst role. "At a prior company, we lost an incredible collateral analyst because the job did not live up to the employee's professional aspirations. So, I realized I needed to be more proactive," she says. "The first thing I did was create a summer internship program, so I constantly had new talent coming into that department. I also created a formal career path for the collateral analyst team, so those employees could see the opportunities that were available to them once they were ready to develop new skills."

It's About the Culture

At the end of the day, it's all about being attuned to what employees are saying. "In my experience, proactive managers who are focused on building meaningful connections with direct reports through frequent and transparent communication keep their employee turnover rate low," notes Palmer. It's important that leadership is regularly meeting with employees to ask about their job satisfaction and, specifically, addressing hot topics like pay, work-life balance, workload, and career goals. While a manager may not have the ability to improve all those items for an employee, having regular conversations will help employees feel like their opinion matters, which will make them feel more connected to the manager and engaged with the company.

Organizations often underestimate the role of open communication and creating a positive company culture can have on retention. "Even as a small firm, I believe it is vital to have someone focused on culture," says Palmer. "Aside from truly believing good leadership involves creating a work environment people want to be a part of, it also just makes financial sense. We all know the financial implications of high turnover are serious." Some estimates suggest that losing an employee can cost up to two times an employees' salary. Not surprisingly, the costs of recruitment are high, and employee turnover is disruptive to business. This is especially true in an industry where employees are regularly engaging with clients. The investment in culture is a small price to pay for the results. Studies support that having a strong company culture leads to higher morale and highly engaged employees, and that directly translates to higher revenue growth, time saved, and better returns.

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