2022 INDUSTRY FUTURE COUNCIL REPORT:

Adapting to Changing Workers and Workplaces

EQUIPMENT LEASING & FINANCE
FOUNDATION
Your Eye on the Future

Established in 1989, the Equipment Leasing & Finance Foundation is a 501c3 non-profit organization dedicated to inspiring thoughtful innovation and contributing to the betterment of the equipment leasing and finance industry. The Foundation accomplishes its mission through development of future-focused studies and reports identifying critical issues that could impact the industry.

Foundation research is independent, predictive, and peer-reviewed by industry experts. It is funded solely through contributions. Contributions to the Foundation are tax-deductible. Support the Foundation by making a 100% tax-deductible gift today at **www.LeaseFoundation.org.**

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About the Industry Future Council Report

Each year, in support of our mission to be "your eye on the future," the Equipment Leasing & Finance Foundation brings together a group of industry executives to form the Industry Future Council. The IFC is tasked with exploring trends, challenges and opportunities, and evaluating how these issues may impact the equipment leasing and finance business for years to come.

The annual IFC Report summarizes these discussions and attempts to bring into focus matters that equipment leasing and finance firms may want to consider as they plan for future growth. It is the hope of the Foundation that readers will benefit from the insights of the IFC and use this report as a thought-provoking resource and planning tool.

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EXECUTIVE SUMMARY

Following the COVID-19 pandemic and the accompanying recession, the labor market has experienced a series of abrupt shifts in addition to longer term trends and developments. Remote and hybrid work have become the norm for many employees in the equipment leasing and finance industry, and labor market conditions have given workers more ability to negotiate higher wages, better benefits, and greater flexibility, leading to a "Great Resorting" in which labor market turnover is unusually high. In preparation and in response, industry leaders have adopted new practices around hybrid work and recruiting, hiring, & training, and they have reconsidered the qualities most important to effective leadership.

Many of these trends began prior to the pandemic and are expected to persist, even as the labor market begins to normalize. In this report, industry leaders from the Industry Future Council (IFC) express their thoughts about the future of the industry's workforce, based on experiences from their own companies.

Industry leaders identified three themes they considered most important to the future of the workforce, the workplace, and the industry:

- **Hybrid Work**: The vast majority of workers in remote-capable jobs—including many in the equipment leasing industry—work in a remote or hybrid setup. Most workers report higher levels of job satisfaction when they have the option to work remotely, and studies have found that it does not diminish and can even boost productivity. That said, many employees and managers prefer some form of hybrid setup, as working in-office can promote team cohesion and culture. Additionally, a remote or hybrid setup requires significant intentional communication with team members. Equipment finance firms have a variety of setups, from 100% remote to 100% in-person, and each company must determine a hybrid work regime that works best for its individual circumstances.
- **Recruiting, Hiring & Training**: Given the competitive labor market of the past year, many industry leaders report using creative solutions to attract and retain workers. They have done more proactive recruiting and have prioritized soft skills and culture fit among new hires and de-emphasized industry experience. Gaps in industry knowledge can be filled through more expansive training, which also appeals to the newest generation of equipment finance workers.
- **Leadership**: In the remote and hybrid environments ushered in by COVID-19, many industry leaders began to focus more on hiring and developing emotionally intelligent and empathetic managers. These managers may be better suited to provide the transparency, trust, and flexibility that workers seek, and by keeping workers satisfied, they may promote retention and productivity. Industry leaders are also prioritizing diversity, equity, and inclusion (DE&I) by recruiting a more diverse set of middle and upper managers and improving firm policies like paid family leave.

This year's IFC report follows last year's comprehensive study, which identified three primary areas of focus for the equipment leasing and finance industry: technology, workforce, and economics & policy. Future IFC reports will likely center on the other focus areas.

INTRODUCTION

The COVID-19 pandemic plunged the U.S. economy into its deepest-ever recession. U.S. GDP contracted at a 31% annualized rate in the second quarter of 2020, and the labor market shed more than 20 million jobs that April following mandatory stay-at-home orders, shutdowns of broad swathes of the economy, and elevated public health concerns. However, in the darkest days of those lockdowns, few policymakers, investors, and business leaders were prepared for how quickly and strongly the American economy would rebound.

After the lights were turned out on the economy in early 2020, the labor market regained about half of the lost private-sector jobs within four months, a shocking pace of recovery expected by few. Forecasts of a slow, fitful labor market recovery may have been correct for certain high-touch service-sector industries, but the combination of fiscal stimulus, loose monetary policy, and a pause in payments on many loans meant that demand rebounded quickly — and with it, the need for workers.

However, the labor market recovery was far from normal. Overnight, much of the labor force was thrust into an unfamiliar remote work setting that brought both challenges and opportunities for employers. Foremost among those challenges was a wave of resignations; by early 2021, workers were quitting their jobs at a historic rate as they reevaluated where, why, and how they worked. This phenomenon also broadened and deepened the pool of potential recruits, a boon for many firms operating in a remote environment for the first time.

Equipment investment was at the forefront of the sharp economic rebound. Indeed, by the fourth quarter of 2020, real equipment and software investment had surpassed its pre-pandemic peak, managing 1.7% Y/Y growth from Q4 of 2019 to Q4 of 2020, a remarkable feat given that real GDP declined 2.3% over the same period. Booming equipment and software investment in 2021 carried the equipment finance industry out of its COVID trough, with cumulative new business volume growing to a new all-time high of $111 billion in 2021.[1]

Toward the end of 2021, however, it became increasingly clear that the U.S. economy and many other economies around the world were facing increasing inflationary pressure. After remaining manageable for nearly forty years, inflation quickly became the defining issue for the Federal Reserve, politicians, and consumers. For many Americans, inflation deflated what would have otherwise been strong nominal wage growth; inflation-adjusted average hourly earnings fell 3% from July 2021 to July 2022.[2]

Now, in late 2022, the U.S. economy has slowed. While price increases decelerated in July, CPI inflation remains above 8%, and GDP contracted for the second straight quarter in Q2. Despite these negative signals, the labor market remains strong. Though hiring has not kept up with the pace seen early this year, the unemployment rate, at 3.5% as of July 2022, remains in historically low and the private sector has added an average of over 400,000 jobs over the last three months. In the equipment finance industry, many of these new hires were starting work in a hybrid or remote work environment.

As the labor market has changed, many companies have faced difficulty maintaining culture and cohesion, which industry leaders repeatedly emphasized as essential to keeping employees satisfied and productive. Company values and purpose are increasingly important to workers, and, in the current competitive labor market, creating a positive company culture that aligns with employees' goals and ideals is essential for hiring and retention.[3]

"Talent is the currency that makes businesses grow."

-IFC Member

As company leaders make decisions around hybrid work plans, recruiting and training efforts, and management, they must be intentional about the culture they want to create. Many industry leaders have set aside resources to retool how their companies exhibit culture, and some are also rethinking and relaunching mission statements and goals. For many, the purpose of this relaunch is to build their culture around what workers want and need in a post-pandemic economy, to encourage strong performance and retention. As one IFC member put it, "Talent is the currency that makes businesses grow." When workers are high performing and satisfied, companies and the broader industry benefit.

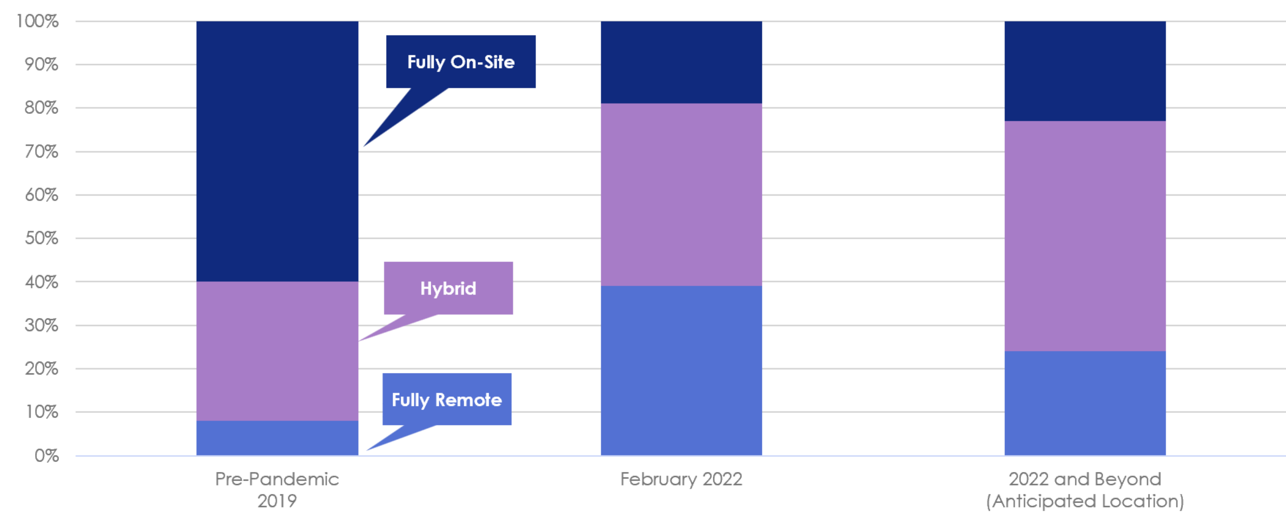
Looking ahead, many industries—including the equipment finance industry—find themselves in a "new normal" with regard to working, recruiting, training, and managing in a hybrid environment. Employers are making significant changes to how, whom, and where they hire. However, based on several IFC group discussions, the equipment finance industry is up to the challenge, and the individuals interviewed for this report expressed confidence that firms can and will make the necessary adjustments to survive and thrive during this time of significant economic upheaval.

HYBRID WORK

GROWING DECENTRALIZATION

Even before the pandemic, less-centralized workplaces were growing in popularity. Hybrid work, a system where workers split time between the office and home, was becoming more common. By 2019, only about 60% of remote-capable workers—those whose jobs can be done remotely at least some of the time—were fully on-site, while about a third worked in a hybrid plan.[4] The remote-capable population covers approximately half of the U.S. full-time workforce; about 60 million workers report that their current job can be done remotely at least part of the time.[5] Technology and globalization were paving the way for a shift to hybrid and remote work.

Figure 1: Employee Work Locations for Remote-Capable Employees

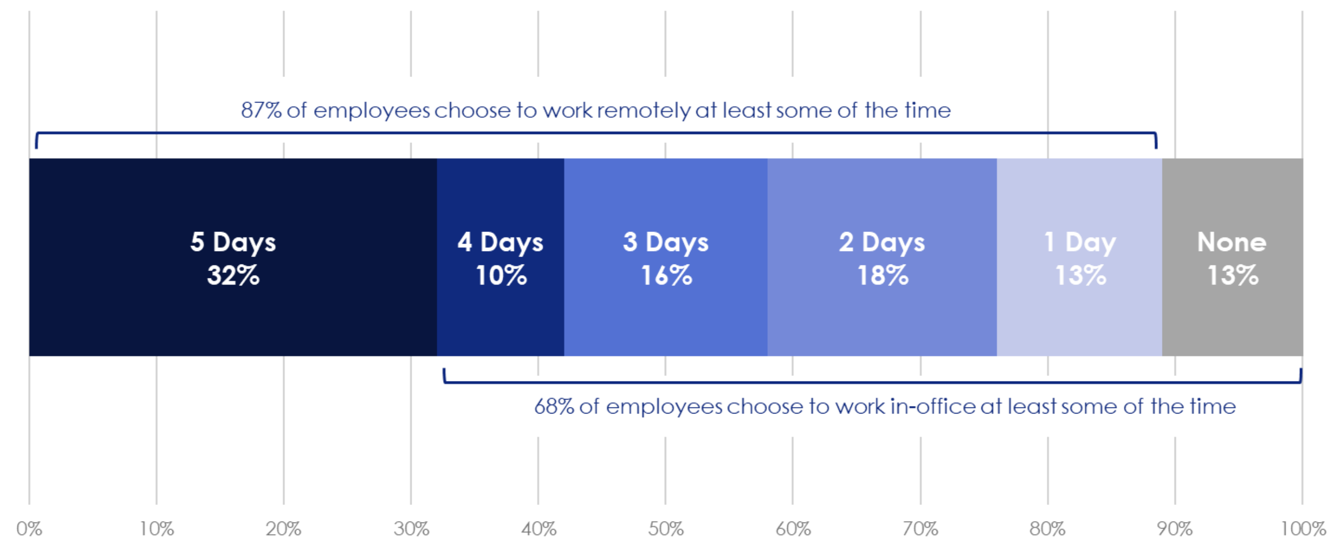


Source: Gallup Survey, (2022). "The Future of Hybrid Work."

When the pandemic began in earnest in the United States in March 2020, the vast majority of remote-capable employees transitioned into some form of "work-from-home." According to a Gallup survey of these remote-capable employees, the share who worked fully on-site dropped dramatically during the pandemic and remained below one-fifth as of February 2022 (see Figure 1). Nearly three-quarters of this population expect to work in a fully remote or hybrid environment moving forward. A spring 2022 McKinsey survey reached similar conclusions: of all workers (including remote-capable and those whose jobs cannot be done remotely), 35% had the option to work remotely on a full-time basis, and 23% had the option to work remotely at least some of the time. Among business and financial operations firms, remote work was even more widespread, with 61% of workers having the opportunity to work remotely full-time and 25% having the option at least some of the time.[6]

IFC members reported that, during the pandemic, many employees discovered that they generally preferred remote work to on-site work. Per one survey, as of February 2022, only 9% of remote-capable workers said their preferred work location was fully on-site, with about a third preferring fully remote work and 60% favoring a hybrid setup. Another study found that, when they had the option to work remotely, 87% of employees chose to work remotely at least some of the time, and 68% chose to work in-office at least some of the time (see Figure 2). A plurality of workers (32%) chose to work fully remotely, but the majority preferred a hybrid setup.[7]

Figure 2: When they have the option, how many remote days do workers choose?



Source: McKinsey (2022). "Americans are embracing flexible work—and they want more of it." Numbers may not add to 100% due to rounding.

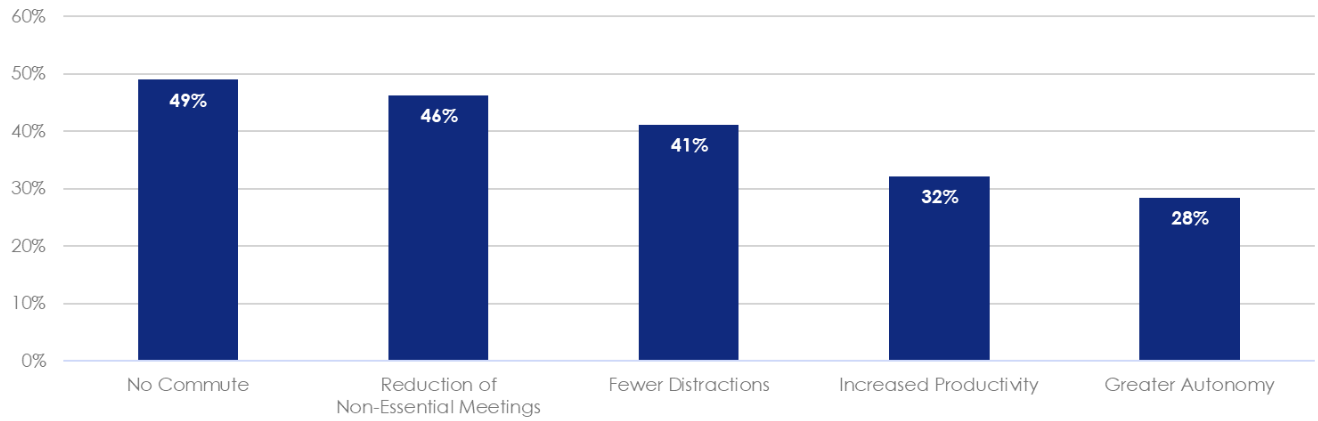
Some executives also prefer a remote workplace. However, many company leaders—including some IFC members—feel that their company culture and success thrive on at least some in-person interaction and collaboration. One IFC member reported that their teams are "not as sharp" as they were when they worked fully in-office. Others pointed to higher turnover among recent hires, which they attributed to a lack of cohesive culture in a remote environment. More broadly, a survey of company executives across industries found that 95% believe that employees need to be in the office to maintain company culture,[8] while other research points to executives' concerns about innovation and creativity in a remote environment.[9]

Leaders in the equipment finance industry have been tasked to develop a hybrid model for their companies, deciding how often their employees should be in-office or remote. Balancing the varying expectations of employees, managers, and executives has proven difficult at times, per IFC member discussions. Industry leaders report that, "Some managers have an 'if I can't see you working, then you're not working' mentality" and want employees to work in-person. Others said they have received significant pushback from workers when they broached a return to the office. Effective policies must account for the differences in employee work styles and preferences while incorporating company priorities. There are pros and cons to every plan, and many industry leaders agree that the hybrid policy they choose depends heavily on the culture their company hopes to build for workers.

THE BENEFITS OF REMOTE WORK

Employee satisfaction is one of the major benefits of remote work. Increased flexibility in hours and locations can often increase employees' quality of life. Remote options can make it easier to care for dependents, run errands, exercise, and balance other aspects of personal life with work. Outside of increased flexibility, remote employees have also enjoyed the lack of commute, reduction of nonessential meetings, and fewer office distractions (see Figure 3).

Figure 3: "What about remote work has worked well?"



Source: Upwork, (2022). "The Future of Remote Work."

Beyond feeling more satisfied, many employees argue that they are more productive when working remotely than they were at the office. In one survey, more than 4-in-5 employees claimed to be as productive or more working from home compared to the office.[10] Further, over half said they work more hours remotely than at the office.[11] Several studies have also found productivity benefits from remote work, though, so far, these have primarily focused on select industries. One study of call centers, for example, found that remote work led to a 13% productivity increase, including more time worked and more calls made.[12] Managers are slightly less enthusiastic about remote work's impact on productivity, but they are more likely to report an increase (32%) than a decrease (23%) in productivity.[13] An IFC member mentioned that, in a poll at a conference they attended, half of companies reported increased productivity following the switch to remote work.

> *"Work should be about amazing outcomes, not output. As long as a worker is completing tasks well, how they get those tasks done and in what capacity matters less."*
>
> *-IFC Member*

One IFC member offered an anecdote regarding a summer intern who hoped to work remotely so he could live with family. The company agreed and successfully trained him remotely. The member connected the intern with the company by sending him to lunch with permanent employees in a nearby satellite office. In this case, the company found that the remote intern was as effective as an in-person intern, and the employee benefitted from a comfortable living situation.

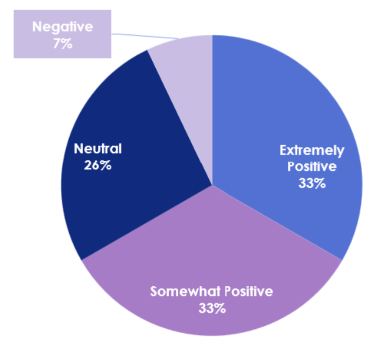
Having hybrid or remote options for workers also has the potential to help with recruiting and hiring. Equipment finance companies can hire qualified workers from across the country, vastly increasing the pool of applicants available to them. Additionally, when businesses choose to forego remote options, it could affect their ability to hire and retain employees. In a McKinsey survey of employees looking for a new job, one in five said a more "flexible working arrangement" was one of their top motivators.[14]

Many employees have embraced work-from-home, and many industry leaders feel that remote or hybrid policies represent the future of the workplace. Successful collaboration does not always require office space or in-person interaction; leaders have been able to foster community and engagement from their workers in the hybrid environment. Many companies have found ways to balance employee satisfaction and productivity, and they have created the culture they need to be successful through a remote or hybrid policy. However, this can be a difficult balance to strike.

THE BENEFITS OF IN-PERSON WORK

Plenty of employees and business leaders, including IFC members, feel that at least some in-person work is best for their companies. For example, in-person work may promote company cohesion: in one Gallup survey, two-thirds of hybrid workers said that their sentiment toward socializing with co-workers while working at the office was positive (see Figure 4).

Figure 4: When you are working at the office, what is your sentiment towards socializing with co-workers?



Source: Gallup Survey, (2022). "The Future of Hybrid Work."

For some employees, in-person work is also better for their mental health. According to one report, though remote work can improve work-life balance and job satisfaction, "employees may feel socially isolated, guilty, and try to overcompensate."[15] In one anecdote, an IFC member discussed several employees who had hoped to stay completely remote. As the business introduced one day of in-person work per week, the same workers later said their mental health was benefitting from the in-person interaction.

The empirical literature is divided on how in-person work directly impacts employee well-being overall, likely because different workers' personal needs vary dramatically.[16] Fully remote work can lead to a feeling of being "always on," while in-person work could help draw clearer boundaries between work and personal lives. Based on IFC members' experiences, the greatest problems with remote work emerge when fully remote employees are struggling, either with the work itself or with other aspects of maintaining a work-life balance. Entirely remote work can hinder a manager's ability to see when an employee is stressed or burnt out. Without in-person interaction, it can be difficult to know if an employee needs a better support system through the company.

Fostering a positive team dynamic can also be more challenging when a manager's team works 100% remotely. According to IFC members, some companies lost momentum without internal teams working together, especially between departments. Without the office space, there was little structure encouraging interaction across teams, thinning the workplace community. For a 100% remote environment to be successful, company leaders must intentionally engage with their teams to build a positive work culture. In a remote environment, companies can no longer rely on spur-of-the-

> *"There is a massive difference between completely remote and in-person meetings every now and then."*
>
> *-IFC Member*

moment interactions. They must plan and facilitate collaboration between employees and teams, which can be cumbersome.

Similarly, providing training opportunities is easier for some companies in an in-office environment. IFC members reported that training for "mastery"—training workers to be potential industry leaders—is more challenging for some equipment finance companies without an in-person colleague or client interactions. Employees also lose the opportunity to have face-to-face interaction with company leadership, an important informal mentorship avenue that can be lost in a remote environment. Without adequate training and mentorship opportunities, young employees could leave the industry assuming they do not like the work, when they may just dislike working remotely.

In response to these challenges, some IFC companies have asked that their employees do some in-person work, citing employee wellbeing, training, and fostering company community as their primary reasons.

CHALLENGES IN CHOOSING A HYBRID POLICY

As companies have implemented in-person, remote, or hybrid policies for their workers, balancing the preferences of all involved has been a daunting task. Ultimately, a hybrid plan should reflect the goals and priorities of the company and the executives. IFC members' plans range from 100% in-person to 100% remote (see Table 1).

Table 1: Sample of IFC Members' Hybrid Policies

100% In-Person ⟷ 100% Remote						
Full-time in person; Employees work in one office location, typically with traditional working hours.	Nealy full-time in person, with exceptions for employees out of area. In-person employees have Fridays off.	Hybrid; employees are required to come into the office two or three days per week.	Hybrid; employees are asked to be in person one day per week for meetings or collaborative tasks.	Hybrid; employees may work in person at the office as often as they like. In-office work is encouraged, but there are no quotas.	Full-time remote, except for quarterly, multi-day retreats. Funding comes from what would be spent on office space.	Full-time remote; employees have no in-person obligations.

Given vast differences in work styles and personalities, most company policies will not fit every employee's preference. One IFC member stated simply, "We can't please everyone all the time." Further, given the number of employees who moved to new cities or were hired remotely, companies might not be able to create a policy that applies to every employee. Getting employees to "buy in" to a hybrid plan can be difficult if they feel expectations are not distributed evenly among staff. For this reason, many industry leaders have opted to incentivize in-person work but not require it.

> *"There is no 'one size fits all' hybrid policy."*
> *-IFC Member*

After companies decide on a hybrid plan that works for them, they still face challenges to make a hybrid work environment successful.

- **In-Person Resources:** Equipping hybrid workers with the appropriate in-person and virtual spaces is necessary for a successful hybrid policy. Companies need to provide adequate technology and training to include in-person and remote workers in meetings simultaneously, which takes ample preparation. Further, the office space ought to be tailored to the number of people it serves and how it serves them, and many companies have been shrinking office size or changing office functions in response. For example, if workers are only coming to the office once per week to collaborate, stations in private offices for deep, focused work may not be necessary.

- **Virtual Workspaces:** Even with robust virtual platforms, it can be difficult for managers, employees, and executives to meet in hybrid environments. Asynchronous collaboration like group chats or shared documents are often necessary to plan projects and communicate ideas or progress. Companies may need to invest in new technologies like chat programs, high-quality cameras and microphones, word processors that allow for multiple editors at once, improvements to workers' at-home setups (e.g., external monitors), and project management tools to help intentionally manage work, as well as the training required to use these programs and technologies effectively.

- **Communication:** If an office is a hybrid with some employees who work remotely full-time, the remote employees and managers may feel disconnected from company culture or the decision-making processes. Clear, intentional communication is necessary to keep teams cohesive. For some companies, regularly scheduled check-ins or a slowdown in the pace of decision-making can foster inclusion. For example, one IFC member described how a change in pace helped middle- and upper-managers who did not work in the office feel more connected to the decision-making process. By allowing time to gather appropriate input, this IFC member successfully created buy-in from those who worked remotely or in satellite offices. Some companies may also choose to host more meetings online, even when most of the participants are in-office, to create a similar experience for both remote and in-person attendees.

"Opportunities are different if you're in person."
-IFC Member

- **Proximity Bias:** Hybrid work environments also increase the chance of proximity bias where employers favor employees who are meeting with them in person. While some firms may accept this as inevitable or even consider it a feature or incentive to promote in-office work, other company leaders will try to mitigate proximity bias and distribute opportunities regardless of in-person engagement.

As one IFC member put it, "There is no 'one size fits all' hybrid policy." For most IFC participants, some sort of hybrid approach works best, though how that works in practice can vary significantly from firm to firm. For some companies, fully in-person is the right choice for the company leaders and employees. For others, a fully remote environment is the solution. The workplace will continue to evolve as the workforce does, and the equipment finance industry can expect to see an ever-widening range of workplaces in the future.

Best Practices: Hybrid Work

How do industry leaders choose the best hybrid option for their company and their workers? While specific actions will vary across firms, potential best practices identified by IFC members and through outside research include:

- Set clear expectations and goals for frequency of communication.
- Invest in high-quality equipment and technology to enable remote work.
- Consider surveying staff opinion regarding the appropriate level of in-person and remote work.
- Encourage managers to monitor the stress level and work-life balance of remote and hybrid employees.
- Recruit and hire employees whose preferences align with company policy around in-person, hybrid, or remote work.
- Invest in virtual methods of collaboration, including asynchronous communication, to convey ideas and plan and execute projects.
- Consider whether in-person employees are at an advantage over remote employees. For some companies, this may be an intentional choice; others may want to avoid it.
- Find ways to promote culture among remote and hybrid employees, through periodic in-person social events.

RECRUITING, HIRING & TRAINING

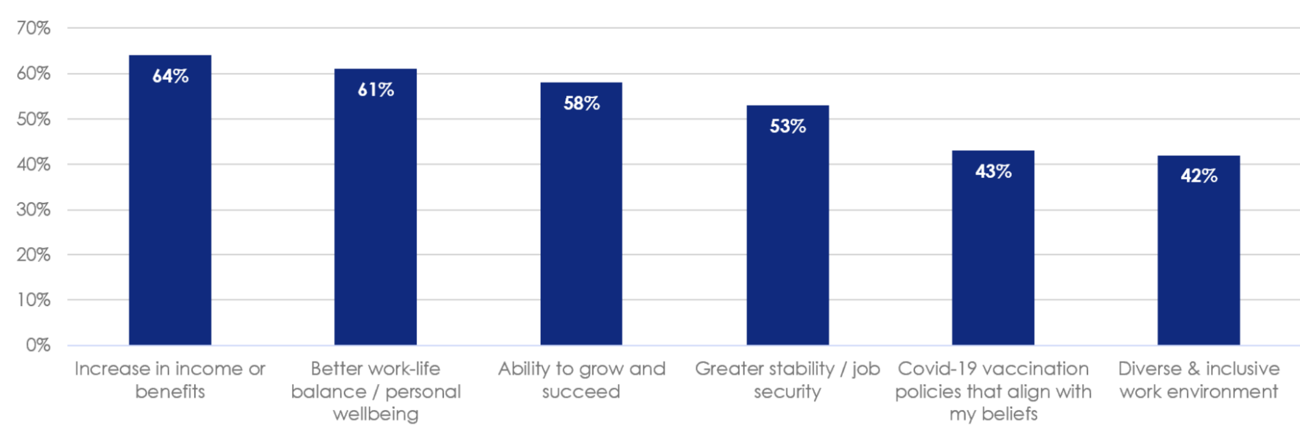
RECRUITING IN A COMPETITIVE MARKET

During the labor market of the past year, nominal wages have grown, benefits packages have become more comprehensive, and a great share of workers have sought new opportunities. Many equipment finance firms, especially smaller businesses, have been challenged to keep pace with the rapidly evolving market. Recruiting efforts became more aggressive; IFC members reported proactively searching for candidates more often than before the pandemic. In response, workers have taken advantage of this highly competitive market: as of August, monthly quit rates have averaged 2.8% in 2022, 100 basis points above their 10-year pre-pandemic average.[17] While some of these developments are a byproduct of tight labor market conditions and may subside, others are likely here to stay, and the experience of recruiting in this competitive environment can prepare companies for future labor market shifts.

Companies that can provide competitive wages and benefits will certainly have advantages over their competitors. For workers who plan to look for a new job, better pay and well-being are two of the highest motivating factors (see Figure 5). However, IFC members also observed that, as one member stated, "An emerging portion of the workforce is looking for work to have purpose" and align with personal values. Indeed, one survey found that more than half of workers said that the pandemic has made them want to contribute more to society and made them question the purpose of their day-to-day jobs.[18]

Industry leaders also described an increasing share of employees, especially younger hires, who are seeking clear career pathways, professional development, and robust training opportunities. One IFC member found that retaining younger workers is "less about pay and benefits; it's been how [to] articulate to a young professional what they can expect from staying in the industry." According to a 2021 survey, skills training is one of the top perks younger workers are seeking in a new job.[19] One IFC member with a small, roughly 30-person business described marketing the size of their company as a training opportunity: "New hires have to wear many hats…[We] help them learn to be entrepreneurs." Providing potential hires with this clear pathway and purpose can give companies a competitive edge in the hiring process.

Figure 5: The Top Six Things Employees Want in Their Next Job



Source: Gallup, (2022). "Top 6 Things Employees Want in Their Next Job."

Finally, as virtual interviews have become more common, IFC members also report that interview cycles have shortened. Companies are more selective about who they bring in for an interview, and many firms have stopped flying candidates into their offices. Human resources best practices suggest extra preparation when interviewing in a virtual environment.[20] These brief cycles leave little room for mistakes, and companies in the equipment finance industry need to carefully plan the ways they will market themselves to job candidates. IFC members emphasized that interviewers must be able to clearly explain the industry, their company, and what their company can offer their employees including and beyond income and benefits.

CHOOSING HOW AND WHO TO HIRE

As the hiring landscape has changed, many companies are rethinking who they hire and why. Several IFC members have changed their hiring model, interviewing different kinds of workers than they did a few years ago. Trends include seeking out qualified candidates proactively, emphasizing soft skills, and broadening company diversity.

IFC members report that workers with ample industry experience who could fill middle- or upper-management positions can be difficult to find and recruit. Recently, more companies are proactively recruiting these employees, seeking out an industry leader they want for a role rather than waiting for applicants. Some companies have even reduced the number of people they hire to increase pay and benefits for these high-priority employees, leveraging technology for the replaced administrative work.

> *"It's less about experience, now, and more about the fit."*
>
> *-IFC Member*

With higher rates of turnover, many companies are also looking for well-rounded workers whose skills can more easily transfer between teams. By focusing less on a candidate's resume and more on their soft skills, companies have more flexibility to find the right fit for their teams. According to an anecdote from an industry leader, her company prioritizes a comfortable, trusting culture based on in-person interaction. When hiring new sales representatives during the pandemic, they recruited workers from outside the industry, focusing on work ethic, culture fit, and expectations for in-person work rather than experience. They then relied on training to bring workers with less industry experience up to speed. In a competitive market where high turnover can be expensive, the "right fit" can be well worth additional training costs.

As discussed in detail later, many equipment finance firms are also looking to diversify companies and leadership teams. For many industry leaders, company objectives and requirements around DE&I in the hiring process have been helpful. For example, some industry leaders require quotas for women and people of color on interview panels and candidate pools (e.g., requirements that the final round of interviewees must include at least one woman). Others provide ample bias training to interviewers and standardize the interview process. With these systems in place, companies can better recruit and hire candidates of different backgrounds.

EFFECTIVE TRAINING

Creating a company that is responsive to labor market changes requires flexible, well-trained workers, and the success of the next generation of industry leaders is heavily dependent upon the quality of the training they receive. In a competitive market where companies struggle to find workers who fit their needs, equipment finance companies can benefit from rethinking the day-one expectations of a new employee to focus more on training. Increasing training resources and opportunities can:

- **Broaden applicant pools**: By allocating ample training resources, companies can hire staff from outside the industry and train them on equipment finance specifics after they are hired. This adjustment gives companies the freedom to prioritize culture fit or soft skills, rather than solely industry knowledge, and it could improve diversity at the company in the long run.
- **Retain employees**: More workers are looking for purpose in their work, and opportunities for professional growth can provide this sense of purpose or personal fulfilment. Offering job skill training throughout an employee's time at a company allows them to advance their career without leaving the company.
- **Promote resiliency in a high-turnover environment**: In a higher turnover environment, training employees in cross-team skills can prepare companies for unanticipated departures. "Upskilling" can help employees move between teams more easily, improving adaptability in case they are asked to change positions or teams, or assume a new responsibility, on short notice.

One challenge to comprehensive training, especially in a hybrid environment, is longer term talent development that enriches future industry leaders. Several IFC members said they found that junior workers were struggling to advance to a level of "mastery" in a virtual setting. Soft skills like client relations, business development strategy, and innovation are often learned through experience or observation, which can be more difficult in a virtual environment.

Some industry leaders have found solutions by providing robust structure to professional development and training to offset some of the losses from passive teaching. Many companies, for example, are encouraging managers to intentionally set aside time to mentor and invest in younger employees instead of assuming they will learn on their own. Other IFC members put more emphasis on establishing clear career pathways, investing in high-quality technical training, and rewarding talent through accelerated promotions and responsibilities.

Best Practices: Recruiting, Hiring, & Training

How do companies recruit and retain worker in a competitive market? How can they improve hiring processes to be suited to a virtual environment and fit their needs? How can training be improved? While specific actions will vary across firms, potential best practices identified by IFC members and through outside research include:

- Provide competitive compensation and benefits like paid family leave.
- Clearly explain the industry, company, and what the company can offer employees beyond income and benefits to job candidates.
- Rethink expectations and priorities for new hires (e.g., refocus hiring on soft skills rather than only technical skills or industry experience).
- Have clear company objectives and requirements around diversity, equity, and inclusion in the hiring process.
- Utilize the ELFA diversity toolkit.
- Expand investment in internal and external training opportunities.
- Plan in advance for higher turnover and train & hire employees accordingly.
- Continually upskill employees so that they have the skills and flexibility necessary to move among teams.
- Consider an accelerated track for new employees with high growth potential.

LEADERSHIP

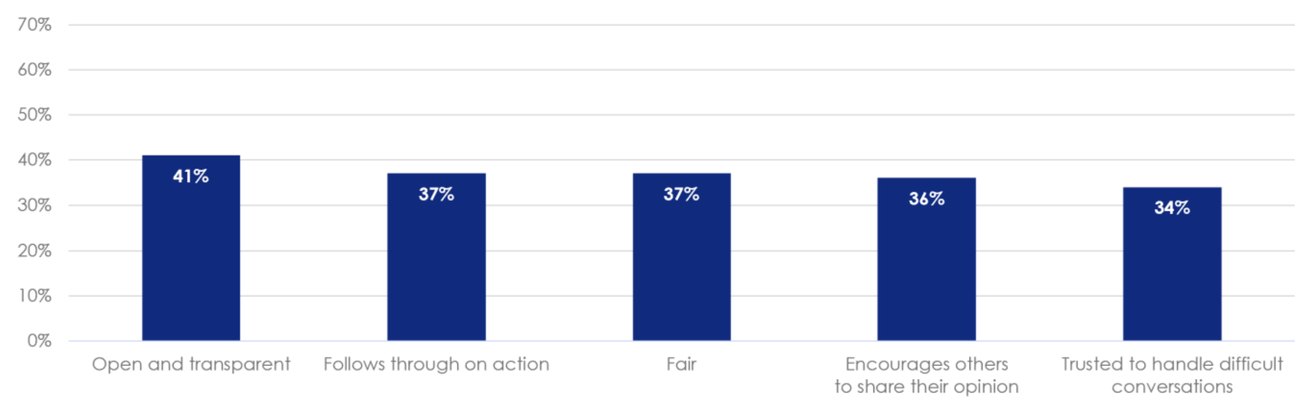
EMOTIONALLY INTELLIGENT LEADERSHIP

Even prior to the pandemic, IFC members noted an evolution in the qualities important to managers in the equipment finance industry. Leaders saw an increased need for emotional intelligence and soft skills, which have been shown to help managers successfully coach teams, manage burnout, provide feedback, and collaborate with others.[21] Many executives across industries are now ranking soft skills such as leadership and critical thinking slightly above hard skills like data analysis and coding.[22] As one IFC member put it, "You can train technical skills, not emotional intelligence." Empathetic leaders who can listen to and understand their employees are better able to work with them through stressors, both at work and in their personal life.

> *"Nimbleness and purposefulness in how [we] lead...really does make the business better."*
>
> *-IFC Member*

Transparency, fairness, and follow-through are important to empathetic leadership, according to a survey of workers (see Figure 7). Employees notice the actions of company leaders and if they match the mission of the company, and they expect leaders to follow through on their promises. This kind of leadership can increase employee satisfaction and retention, and according to one survey, more than 80% of workers said empathy in leadership can also increase their efficiency and ability to innovate and create.[23]

Figure 7: What qualities do employees look for in an empathetic leader?



Source: EY Americas, (2022). "How empathetic leadership can fix the Great Resignation."

During the pandemic and transition to remote work, the ability of managers to exhibit emotionally intelligent leadership—particularly, their ability to demonstrate trust in employees—became even more essential. IFC members observed that some managers struggled to trust staff to complete tasks properly without the supervision of an office environment. To lead in a hybrid environment takes what an IFC member called "a different kind of trust."

With remote workers, some IFC members shifted to a results-oriented, rather than performance-oriented, mindset. Managers put greater emphasis on the results they got from employees rather than the methods used or time spent. One study of remote workplaces found that, with creative projects, the fewer restraints put on a project, the faster it will be completed.[24] Even if a manager has a preferred way of doing something, as long as the manager sets clear expectations for what they are looking for in an end product, yielding creative license to their employees can benefit the team and the project in the long run.

"Micromanaging is no longer rewarded."

-IFC Member

When asked about productivity-tracking tools (e.g., mouse movement trackers, live activity monitoring, and website monitoring or blocking), which increased in use during the pandemic, IFC members agreed that these tools often create an environment of distrust between employees and managers. Indeed, research shows that if employees feel they are being over-monitored, it impacts their job satisfaction and causes them to mistrust managers.[25] IFC members instead advocated for increased, standardized communication and information-sharing to manage remote employee productivity. At one IFC member's firm, teams are encouraged to "never let more than 48 hours go by without connecting." Collaborative goal-setting can also boost productivity with empathy; if employees feel bought in to their goals, they may have higher internal motivation to complete tasks and projects.[26]

Emotionally intelligent leadership also creates room for greater flexibility with employee needs. IFC members gave examples of managers providing flexibility for parents to attend school events during the workday and encouraging them to take time off when children were sick. One randomized field trial showed that providing this flexibility leads to higher employee job satisfaction, with employees in the flexible group reporting greater feelings of control over their own lives, lower stress, and lower burnout than the control group. Importantly, managers in the pilot flexible group received supervisor training to encourage support for personal lives and professional development.[27]

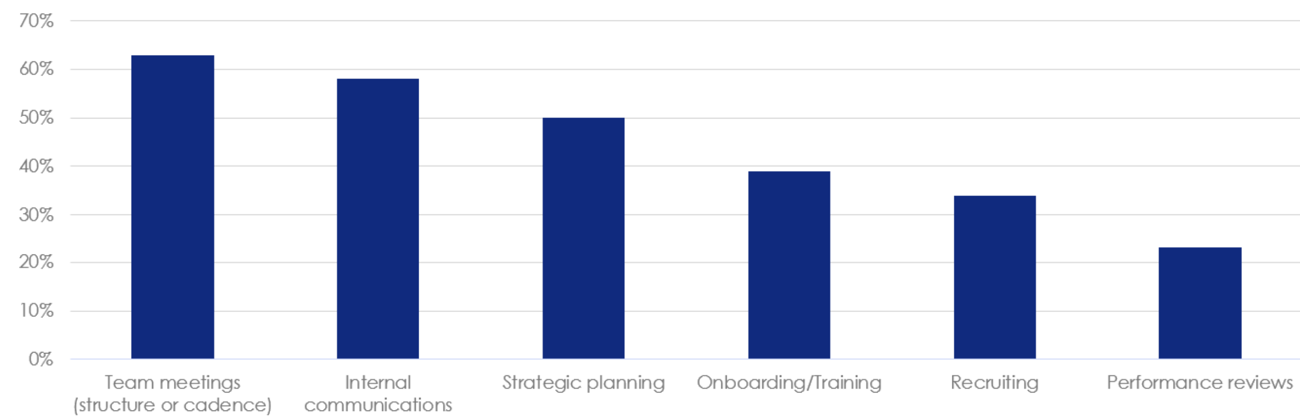
One IFC member advised peers to be flexible when employees need help: "When you're a good employer, workers see that. When you invest in your employees [through higher flexibility], you get their best out of them." This job satisfaction and loyalty can be especially important for promoting retention in a high-turnover labor market and changing economic environment. Leaders often ask their employees to demonstrate flexibility through picking up new skills or changing teams, adapting quickly, and performing unfamiliar tasks at a high level. When managers show flexibility in return, they promote the success of the employee, the project, and the team.

INTENTIONAL COMMUNICATION AND FACILITATION

The pandemic and related workplace changes pushed many companies, including in the equipment finance space, to fundamentally rethink their approach to team communication and meeting facilitation. In 2021, one report found that two-thirds of businesses had changed long-term management practices more than in a normal year, going beyond temporary adaptions to company-wide, structural changes.[28] Some of the most common adjustments included modifications to the structure or cadence of team meetings and changes to internal communications (see Figure 6).

In a decentralized workplace, company leaders must be intentional about employee engagement. In person, IFC members reported, some managers can rely on company structure, other managers, or unplanned hallway chats to communicate ideas or foster engagement, but these techniques are less useful in a remote or hybrid environment. As managers were thrust into hybrid work during the pandemic, many were forced to adjust their styles, sparking company-wide structural changes and new expectations for managers and leaders. For some companies, expectations for managers have broadened from exclusively managing work to managing people and teams as well. Some IFC members expressed concern about the increased responsibility of managers, particularly those in middle management roles. Without support from executive leadership in the form of training, mentorship, or changed expectations, these members warned, middle managers could face higher rates of burnout, and the industry could lose potential future talent.

Figure 6: "What changes have you made during the pandemic that will be kept in the long-run?"



Source: Upwork, (2022). "The Future of Work."

In the hybrid environment, effective communication and facilitation is essential. For hybrid meetings, particularly larger, company-wide meetings, leaders must have a plan to engage both in-person and remote participants. Many companies have used this new environment to explore and experiment with meeting design, facilitation, and collaboration. IFC members reported that when managers are innovative with even small details—like how they start hybrid meetings, for example—they can change cultural norms to better foster employee engagement.

Leaders can learn to replace some benefits of in-person engagement, like body language, with virtual facilitation tools like the chat function on team calls or by starting a meeting with individual updates. Several IFC members also suggested asynchronous collaboration tools like ongoing team chats and project planning software. Ultimately, engagement in a hybrid environment requires deliberate planning, clear objectives, and a strong vision of successful hybrid leadership.

"You can't wing it in mixed modes."
-IFC Member

DIVERSITY, EQUITY, AND INCLUSION IN LEADERSHIP

Equipment finance industry leaders have made it a priority to increase DE&I in the industry. Beyond promoting fairness and equality, strong DE&I efforts can lead to better business decisions,[29] stronger hires,[30] and improved financial performance.[31] Primary strategies used by IFC members include diversifying middle and upper management, providing benefits like paid family leave, and intentionally building intergenerational teams.

- **Diversity in Middle and Upper Management:** Companies with middle and upper management who span a wide range of backgrounds, races, and thoughts can greatly improve a company's work environment and their ability to hire and retain women and employees of color. As one IFC member put it, "Diversity of thought makes our business better." However, as previously mentioned, it can be difficult to find high-level women and candidates of color with experience in equipment finance. If diversifying management is important to a company, they may need to offer more competitive packages or look outside the industry for possible candidates, as some IFC members have done. An IFC member pointed out that, since workers seek firms with a sense of purpose, employers "have to actually act on that purpose" by hiring diverse executives, even if that means paying them more.

- **Paid Family Leave**: Greater flexibility for employees with children can improve DE&I in the workplace. IFC members repeatedly emphasized the need to provide paid parental leave or other flexible options to support employees who are parents, especially women. One IFC member has found that providing support for mothers (e.g., paid leave, in-office or subsidized childcare, and flexibility) can be one of the best ways to keep female workers on track for middle and upper management positions. Another member credited the ability to bring her baby to work as essential to keeping her role as an executive at her company.

  Beyond maternity leave, other forms of family leave—such as time off for adoptive parents, time off for the partner of someone giving birth, or time off to take care of older relatives—have further potential for increasing inclusion in the workplace. When fathers take parental leave, for example, it can shrink the gender gap in the workplace.[32] Multigenerational households also benefit from family leave. In this way, family leave has the potential to increase diversity across a company, as people of color are more likely to live in a multigenerational home (a quarter of Black, Asian, and Hispanic people compared to 13% of the White population).[33]

- **Intergenerational Teams:** Generational differences are not always front-of-mind in DE&I planning, but intergenerational teams bring a diversity of thought and experience that can lead to better outcomes. In one study, more than 80% of workers said they were able to come up with more innovative ideas and solutions because they were on an age-diverse team.[34] Leading these teams, however, can pose challenges. In the same study, nearly half of workers said their greatest challenge on a multi-generational team was not being able to communicate. For example, one IFC member observed that, on intergenerational teams at their company, younger employees have been more inclined to share ideas and opinions than older employees. Still, through intentional communication, flexible delegation, and programs like sensitivity training, emotionally intelligent leaders can find solutions to these roadblocks.

Best Practices: Leadership

What qualities must the next generation of leaders have to be successful in the changing economy and workforce, and how can companies recruit and retain high-quality, diverse leaders? While specific actions will vary across firms, potential best practices identified by IFC members and through outside research include:

- Hire and train empathetic leaders by focusing on soft skill development and emotional intelligence.
- Reward trustworthy, flexible leaders.
- Invest in internal and external training and mentoring for employees with high leadership potential.
- Encourage managers to promote productivity through frequent check-ins and collaborative goal-setting.
- Provide benefits like family leave or in-office childcare to support working parents (especially mothers).
- Have clear company objectives and requirements around diversity, equity, and inclusion in the hiring process.
- Utilize the ELFA diversity toolkit.
- Build effective intergenerational teams through intentionality and communication.

CONCLUSION

The pandemic and related labor market disruptions have presented a challenge to the equipment finance industry, but companies have found ways to adapt and thrive in this new environment. For example, many companies are rethinking their policies around remote and hybrid work and finding the right balance that works for them. For some firms, this has meant a full return to in-person work, but most have moved to a hybrid or fully remote environment. These decisions directly affect the recruiting, hiring, and onboarding process: firms that require in-person work need to recruit workers for whom this is desirable and may need to make fewer changes to training and onboarding practices, while those that institute hybrid or remote policies may have a wider pool from which to recruit but may need to direct additional resources toward virtual training and onboarding. Regardless of which hybrid setup they choose, companies must increase intentionality around team communication and meeting facilitation to promote effective collaboration.

Equipment finance firms have also adjusted the ways that they recruit, hire, and train workers. Some companies have leaned on proactive recruiting of top industry leaders, but others are placing a greater emphasis than ever before on hiring for culture fit and soft skills, even if this means a new hire has limited industry experience. Several IFC participants emphasized that the experience gap can be overcome through training and noted that the industry is investing more in both new hire training and on-the-job continued learning given their importance to the newest generation of employees.

Finally, the industry is changing the way that it thinks about high-quality leadership. Emotional intelligence and empathy have emerged as essential in the remote and hybrid work environment, and the best managers are prioritizing intentional communication and facilitation to lead their teams. The industry is increasingly valuing diversity, equity, and inclusion, with pushes to hire more diverse middle and senior management as well as policy changes to programs like family leave and intentional encouragement of intergenerational teams. Firms can promote the success of future leaders through strong investment in internal and external training and mentoring, as well as by creating opportunities for modeling good leadership, even in a hybrid or remote environment.

As the workplace and workforce change, the equipment finance industry must continue to evaluate what employees want and need in a work environment. The future of the equipment finance industry depends on those it employs and the leaders that many will become.

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APPENDIX

METHODOLOGY

This report was written by Keybridge, a boutique economic and public policy consulting firm. The content was based on input from IFC members across several meetings and a survey conducted between May and July of 2022, along with outside research on workforce issues. These meetings included a full group brainstorming session, which informed a survey that asked members to rank various workforce topics in order of importance. Based on the topics of interest indicated in these results, the group was broken up into three smaller, focused groups on the three themes outlined in this report. Each of those groups had a structured discussion about their assigned theme. Keybridge then compiled notes from these sessions and used them to develop the themes, challenges, opportunities, and best practices laid out in this report. Keybridge also supplemented this input with academic research and human resources best practices.

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ENDNOTES

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