Tech Woes Can Provide Your Gain

technology employees

Summary: Thousands of tech workers have been laid off, creating a much bigger pool of available talent. Trouble at neobanks and fintechs can present acquisition or partnership opportunities, as well as laid-off tech workers. CFIs can leverage these trends by scouting newly available workers and exploring acquisitions to alleviate staffing challenges and broaden their customer base.

John D. Rockefeller was playing golf one day in 1923, the story goes, when he hit an errant tee shot that would surely yield a poor score on the hole. Considering his next play, he shared a bit of wisdom with his playing partner. A pessimist, he said, sees disaster in every opportunity, while an optimist sees opportunity in every disaster. With that, he took out an iron and finessed a shot that enabled him to salvage the hole.

For big tech and neobanks, this has been the year of the big retreat as they lay off tens of thousands of workers. But for community financial institutions (CFIs), the situation could be a golden opportunity to snap up tech talent that has been so difficult to recruit.

For years, tech workers have been in such high demand that they could pick and choose employers, and CFIs were not high on their lists. The difficulty recruiting tech talent made it especially challenging for CFIs to expand their digital offerings and keep up with the ever-changing world of mobile banking and digital payments.

But the wave of tech layoffs and the difficulties facing neobanks means the available tech worker pool is suddenly much deeper. Of course, CFIs will still be competing against big banks for these newly available tech workers, but that’s a better scenario than having to compete against some of the nation’s biggest tech companies for talent.

Layoffs for Big Tech and Fintechs

With the possibility of recession this year, big tech companies suddenly realized they may have been too aggressive in their hiring and started paring their workforces. According to TechCrunch, tech companies have laid off 168K employees in 2023 as of the end of April.

At the same time, neobanks have been going through a tough time, with some observers predicting that 2023 will be a year of reckoning for them. Funding for startup neobanks and fintechs, which had been on a tear, began drying up as investors grew impatient with their progress and began pulling back. These newer fintechs and neobanks have had to slim down. Weaker ones are scrambling for merger partners. Some will simply close.

How You Can Benefit

While the neobank problems will make more tech workers available, the sector can also become a source for acquisitions by CFIs. For example, you might research a capability you’re looking to add and find a fintech that already specializes in that type of work. If the fintech is concerned about its finances, its leaders would likely prefer a partnership over having to let more employees go.

CFIs may still be wary of expansion during a period of economic uncertainty, with predictions for a recession this year. But the chance to make headway in the digital banking race through tech hires and fintech mergers presents an opportunity that many will want to seriously consider. Here are some strategies to keep in mind:

1. **Decide what talent you need most.** CFIs that have been unable to fill specific positions may have much better luck now.
2. **Look for areas where tech hires could improve service or performance.** For example, certain tech specialties like artificial intelligence, machine learning, and data science could help you make better use of all the data you collect.
3. **Recruit fintech talent to help broaden your customer base.** Institutions that have been trying to boost appeal to younger customers could harvest tech talent from neobanks who have experience catering to millennials and younger generations through digital channels.
4. **Be careful hiring talent with zero experience in the financial realm.** Workers at big tech companies may not be wired for the tasks that your institution does. Also, the culture at some tech companies may be so different from CFIs that workers may not easily fit in. Assess candidates based on more than just tech skills — make sure they're a good fit for your team.
5. **Keep an eye out for potential partnerships and acquisitions.** A well-researched and vetted partnership might help a CFI quickly expand a digital sector like payments. This approach could be particularly beneficial if you're looking to implement a more difficult solution that requires a team, rather than just one or two individuals. Instead of trying to piece together a team over the course of months, you'd have a full team at your disposal that is already skilled at working together and possibly experienced in delivering a solution you've been seeking.

Tech turmoil has prompted many companies to cut loose thousands of tech workers. This burgeoning pool of tech workers presents an opportunity for CFIs that have struggled to find and retain IT talent. But don't discount the opportunity of simply partnering with a fintech or neobank that has a solid reputation, as you may find you have a lot to offer each other.

ECONOMY & RATES

Rates As Of: 05/23/2023 05:38AM (GMT-0700)

Treasury	Yields	MTD Chg	YTD Chg
3M	5.40	0.30	0.98
6M	5.43	0.37	0.67
1Y	5.11	0.37	0.40
2Y	4.38	0.37	-0.05
5Y	3.83	0.34	-0.18
10Y	3.76	0.33	-0.12
30Y	4.00	0.32	0.03

FF Market	FF Disc	IORB
5.08	5.25	5.15
SOFR	**Prime**	**OBFR**

5.05	8.25	5.07