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Leadership & the Recession

Analysts Say Challenge to CU Leaders Goes Well Beyond Balance Sheet

Credit Union Journal | Monday, April 6, 2009

By Matt Blumenfeld, Reporter

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CLEVELAND, Ohio — Effectively leading a credit union in the current environment is about much more than just managing the balance sheet.

Both management consultants and veteran CU leaders told *Credit Union Journal* that members and employees are both looking to management teams to set the tone about the condition of the credit union and what might lie ahead.

"You didn't start this fire but as leaders you're the ones that have to deal with it," said [Jim Cardwell](#), CEO of [Cardwell Group](#). "You have to have a core message and you need to say it over and over."

Many CU leaders have never been through "lean times," and even those who experienced the downturns in the 1980s, early 90s and in the wake of the tech crash of the early 2000s acknowledge they have never seen or even worst-case scenario-planned for the current financial services market.

"These times are unique for this generation of credit union leaders," acknowledged former NCUA chairman [Dennis Dollar](#), who now heads up the Birmingham, Ala.-based consultancy [Dollar & Associates](#). "We have not dealt with issues of this magnitude from a financial perspective in the last 30 years."

[Marc Schaefer](#) has lived in the center of credit union storms of the past, sitting on the board of CapCorp when the corporate was seized by NCUA in 1994, and leading North Carolina-based [AT&T Family Federal Credit Union](#) (now [Truliant FCU](#)) when the [American Bankers Association](#) sued it and the government during much of the 1990s. During that long struggle, which went all the way to the [U.S. Supreme Court](#), Schaefer got out in front of his employees and made them a part of a fight that jeopardized the foundation of many credit unions.

"We communicated to the staff and then enlisted them in the campaign," he said. "When there is an outside threat, people tend to rally. While it was concerning because there was a lot at stake, it was also an opportunity to reinvigorate the reasons we existed."

As another example of leadership in a crisis, Schaefer points to former [FDIC](#) Chairman [Bill Seidman](#), whom he called one of his "heroes," for his management in the midst of the savings and loan meltdown of the 1980s. The [Truliant](#) CEO recalled economist after economist calling the bottom in the market just before the next round of institutional failures. At a certain point it was clear that people in Washington and across the country had no idea how far the sector would sink, but that there was a very real possibility of total systemic failure.

Seidman, who called the current financial fiasco the "challenge of the century" in an October 2008 speech, is widely credited for keeping the financial sector in order amidst a multi-year calamity.

"He didn't try to blow smoke or fluff it up. He just said 'This is the way it is and we're going to handle it,'" said Schaefer. "You could believe him; he was just a straight shooter."

While the judicial wrangling that led to HR 1151 was a major source of concern for credit unions, Dollar believes the questions CUs are asking themselves now about how to move forward are quite different.

"In the late 1990s it was hard to ignore the potential of the FOM impact, because it impacted the ability to grow," he explained. "Today the question is 'Do I have enough financial resources in this environment to invest in growth? Do I continue with my strategic plans or do I postpone them?'"

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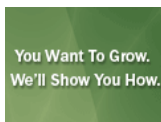


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