CDFIs Making History Interview

Alexander P. Moss
Principal, Praxis Consulting Group, Inc.

Mark Pinsky, President & CEO of OFN, conducted this interview on July 24, 2014.

Mark: I want to ask you an open-ended question: If there's something in particular from your interaction in and around CDFIs that stands out as an event or an accomplishment or an idea or anything else like that that is really significant in the past 30 years.

Alexander: The thing that jumps out at me is concept tied to behavior, and the two of those things connecting to each other. The concept being that OFN is about the CDFI industry, the performance of the industry. And leading that industry to scale was a central tenet of the strategic plan at a point in time that really scared Members. And I have seen you personally, Mark, and OFN as an organization, try to articulate and stand for that principle, that what matters is that we do really, really good work, and we do it really well on behalf of an industry looking forward to having an impact on people, and that's conceptual.

The story that I would tell would be the story of being at an OFN Conference and watching the NEXT Awards consistently reinforce that underlying principle. One of the things that you talked about was the need for CDFIs to understand what they're good at individually, and to collaborate in ways that dramatically increase their impact without necessarily trying to be all things to all people.

I'm remembering the evening when you awarded...you've awarded many things over the years, but the one that stuck with me in this regard was giving an award to Fahe for their lending programs, where they were really disaggregating the different functions that they play, and there were certain pieces of the underwriting process and the servicing process and the range of the lending competencies that they were really good at, and they were then going out and partnering with other organizations.

It seems like such a small thing, and it seems like it's so much in the vernacular now, that organizations should partner with each other. But what is really compelling to me about it, is this idea that you all have articulated, that it's about helping individual CDFIs function together as an industry that is what really matters. That to me really
distinguishes the brand, the identity of OFN from what I expected when I first heard of the predecessor organization and thought of it as a trade association that serves the need of Members; we want a big umbrella, we want all CDFIs to be successful, we want to provide services to them.

As a membership organization, Members want that, and they clamor for it, and they get mad when you don't give it to them. And you guys have always said, "Well, you know, sometimes, yeah, we do provide service, but that's not the point. The point is to articulate what it is that the industry needs, and then to go out there and create that, or to create the conditions by which Member organizations can build it, and to sort of shine the light on the path that isn't built yet." And that's really stuck with me and informed my own thinking about work that I do.

I go back to what I think is really core in the strategic plan, which is, if you start with your values...I struggle with this as I advise other clients in strategic planning around these lists of 45 values and how do you synthesize them, how do you distill them down to things that matter to people?

I think about justice and excellence, and I think, "Wow!" I mean, justice is about doing something that is going to impact the lives of people in the world in a positive way, and excellence means we're not going to do that because we're entitled to do it, we're going to do it because we're going to perform better. And that identity around the confluence of justice and excellence to me, guides you all to not trying to be everything to everybody, but to try to gather best practices within the industry to try to scale the industry itself.

Another specific story is when you talked about leading the industry to scale, and so many Members were so worried that they were therefore being challenged to grow bigger, and that if they didn't grow larger themselves, their organization would fail. That can be true in some circumstances. But I think what you meant, and what was really hard for people to get their brains wrapped around, was that you had to scale the industry. And leading individual CDFIs to collaborate and to work together for the good of the industry, for justice, for the impact that you want to have on access to capital for everybody.

Within that, I think you all have a tolerance for individual organizational failure, not that you would celebrate it or wish it on anybody, but you have a way of thinking about organizations that
don't perform, that don't live up to the value of excellence. That's organic, that's part of the deal, and that that's a necessary experience to go through if we're trying to avoid failure of the industry, if you're trying to build an industry that can scale, and that can really dramatically have a larger impact.

Your focus has always been on how the pieces fit together and on enhancing the capabilities of the organizations within the orbit, rather than making each individual organization more successful. That's just always struck me as being so profoundly different from the identity of a service organization. It's not really paying attention to what's the next guy doing, you just want this guy to succeed, and we'll put him in a training class if we need to, or we'll hook him up with somebody else who can teach him how to do something, so that we all succeed together. I think that tension around being willing to accept failure at the atomic level but not at the system level, and that seems really profound to me.

I think it contrasts with the idea of playing things safe. This is a slightly different concept, but it's another thing that I really think about when I think about you guys, is that you could lower the social impact bar, lower the justice bar, and it would be easier to succeed in pure financial terms. In other words, you could scoop up the bottom end of what banks would do and do safe loans, and, you know, there's, I think, a legitimate criticism sometimes that some CDFIs are successful by being too conservative.

On the other hand, if you're too "out there" and not paying attention to excellence in how you lend or how you encourage other people to lend, then you're not going to be around for very long. And this margin of doing the right thing, being as far out as you can be, whether or not the market's following you, and trying to stand for how to get capital to people that need it, that margin's really hard. And it requires this balance of judgment around how much risk to take and when, and you guys have navigated that extraordinarily well.

I'm not sure how you'd say it. I think that there are moments when banks will lend more into the CDFI space either because they have to, or because circumstances are such that they can make money there, and part of your identity is around attracting conventional financial institutions into the CDFI space so that they will be there, and then we have this tension of "Oh, crap, when things turn around they'll leave, and we won't be there because we will have ceded that turf to them."
There's this constant tension that I see you wrestling with that's around, how do you create something that looks attractive to the conventional financial market without forgetting that it's not your role just to drag them in and hope for the best, it's your role to drag them in, and then, figure out how to be there when they walk away.

Mark: Right. Can I take you back for a moment?

Alexander: Yeah, please.

Mark: When we rolled out the strategy in 2003 in New York, we knew we were pushing some limits and things, but you, along with Adina, and Nic Retsinas, and maybe one other person, went on stage at that Opening Plenary to try and sort of talk about it. Do you remember that?

Alexander: I do, I don’t remember exactly what we said, but I remember Kirsten...

Mark: Moy, Kirsten Moy.

Alexander: Moy, exactly, yep.

Mark: Do you remember that experience? I'm just wondering, because that was a case—usually I'm pretty good at anticipating how people are going to respond—I did not anticipate that people were going to react as—my term—dramatically, emotionally, strongly, as they did, if you remember. And I'm just curious—maybe you don’t remember it that way or maybe it wasn't your experience—I'm just curious what it was like, being on stage as that was going on, because, as I remember, you were sort of moderating the whole thing...

Alexander: Yep, yep.

I don’t remember the harsher push-back in the instant, in the moment. I speak at a lot of conferences, and I'm on stage a lot, and I'm used to people smiling and nodding happily. And sometimes it makes me worried that I'm not telling them something that they don’t already know, that it's a little too easy. A lot of times what I'm doing is I'm cajoling them to do things that there's already in the ether an intuition that you're supposed to be doing. So a lot of people around the room are trying to do it, and other people around the room know they're supposed to be doing it, and we're kind of saying, "Take your medicine, it's good for you, and you'll be better."
What we did at that meeting is we said, "There's a new kind of medicine, and we're going to ask you to be something different than what you've heard before." And that really scared people. And, at first, I think some of the reaction was hostile soon after, but my recollection of the initial reaction was more "deer in the headlights" kind of, "I don't know what you're telling me." It was more of a, "Really? What does that mean?"

And I'm thinking of the “grow, change, or die” mantra, that people felt like we were telling them they had to grow or that they were doing things all wrong. There is a way in which we were, but we weren't pointing fingers, we were saying, as an industry, we need to scale up our impact; value, justice, if we want more of it, we have to do more of it, otherwise we'll keep getting the same results.

We were challenging people to reach beyond, and not just by doing more of what they're already doing, but by changing how they work together, and changing some the nature of what we do, we OFN, speaking as we, changing some of what we do in leading that. That kind of change, I don't think they saw it coming. I think it was much more of a, like, "Holy crap, what are you talking about, and are you telling me that everything I'm doing is wrong?"

It was also at a time when you had a number CDFIs that had been in financial difficulties or were in financial difficulties, and I think people heard it in some way as a threat, that if you don’t do this dramatic change that you too will fall into that pit. I think that that implication that, "Your organization will die if you don't change," wasn't the message that we were trying to get across. It could be the case that that would happen. But the message we were trying to get across is if CDFIs don't work together differently, and we don't scale up our impact as a collective whole, then the industry won't survive. And the individual organizations won't really be impactful, because as an industry we won't be bringing capital in service of our mission in a way that matters and grows and affects more and more people and brings them to economic security.

Mark: Yeah, and if you remember, it was really this idea that there was an economic self-interest for people in trying to figure out ways to collaborate.

Alexander: Yeah, but I don’t think that part sunk in immediately, other than for a few people. If you go to the next strategic planning meeting, and the Fahe guys, and Jim, I forget his last name, King? Jim King?
Mark: Jim King, yeah.

Alexander: There were a couple of other guys—I forget exactly who—who said, "That meeting, the last time around, changed the way I thought about our growth trajectory."

Mark: Yeah, that's right.

Alexander: That, to me, was very gratifying, not that they heard something I said, but that the thinking that you had done and that the Board had signed off on, really caused people to understand the arc of their own organizations in a different way. And you all then, of course, because it's who you are, you then deliberately went out and celebrated that.

That's where I started was, sort of, you then focused your NEXT Award wins on those kinds of organizations that were picking up on that theme. There's kind of a coherence in it that's very impressive and that I think represented not a 90 degree curve, but it was a real, more than a couple of degree shift in strategic orientation.

Mark: Yeah, no, that's right, I don't think there would have a NEXT Awards had we not gone through that grow, change, or die conversation and committed ourselves to it.

Alexander: Yep.

Mark: Anything else? I mean, this is awesome stuff Alex, I mean just... [CROSSTALK]

Alexander: Well, the other thing that I think is really, really important—I think it ties into this, but it's a different micro-point—is I remember the tension around connecting to the brand.

Mark: Yeah.

Alexander: I think, in my own career, had a less sophisticated understanding... I always understood brands to be, you know, consumer brands, and different products underneath the corporate umbrella. And it's not that I hadn't ever thought about it differently, but the import of that hadn't sunk in to me. And as I heard... who is it? Lina, Lina Page. The way she talked about it encapsulated this idea of connecting to the values of justice and excellence, and connecting your organization to something bigger. And I think the Members at first saw that as, kind
of, OFN wanting to get their juice, and that it was OFN trying to capture their brands for OFN's benefit.

It took a little while for people to start seeing that the individual organization is connecting to something bigger, it's articulating a way of going about something that isn't done as well somewhere else, and if you're connected to this OFN brand, you're part of that. What the substance of that is, both the individual contributions of excellent CDFIs, but also the collective knowledge that you all bring together that none of the individual organizations has.

In a way, it's just a different way of saying you're an industry leadership organization rather than a trade organization, it's that old message. But, the branding piece of it in particular was really meaningful to me, because it sort of said the industry can stand for something and you can represent that only if you bring these different best practices together and start to call them something that has an identity.

Mark: Mm hmm [AFFIRMATIVE]. I appreciate that a lot.

Alexander: OK, good.

Mark: Thank, Alex.