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Mark Pinsky, President & CEO of OFN, conducted this interview on July 29, 2014.

Nicolas: Over the years, one of the people I've often quoted in my speeches is Chester Barnard who is a management guru of the early 20th century based in New York City. His famous quote, which I've used time and time again is, "Survival is the best test of efficiency."

When I think of what happened in the credit crisis and the Great Recession—whatever it is we're calling it—the fact that in large measure CDFIs and their partners survived—not all of them—is pretty impressive.

It sort of demonstrated that while subprime and predatory lending may be bad words, the notion of lending to people who are seen by the general culture as being credit challenged, and businesses that are credit challenged, it still makes sense to do. It proves we didn’t get swept...we had our bathing suits on, to use the Warren Buffett analogy overall.

Mark: Yup.

Nicolas: I can't help but note, just having gotten through that, and just having survived that, speaks eons, speaks large for what this industry is and what this industry is all about, and what this movement is all about.

I'm so impressed that we're moving up the alphabet. When I first got involved with this whole business of community development financial institutions and its predecessor organizations, we were talking about thousands of loans, thousands of dollars. Then, we talked about millions of dollars, and millions of sort of people affected. Now, to some extent, we're talking about billions. That's pretty impressive. I don't know where we go from there. I don't know if we ever get to trillions.

That's sort of pretty impressive that we've done that in a measured way, again, not without potholes, not without some left turns and right turns along the way, but almost always going forward.
After my stint in government in the early ‘90s I started to look more closely at, in that particular case, the nonprofit development community, the Community Development Corporations, primarily, I was looking at. It's also reflecting on my own personal experience with Habitat for Humanity. I was noting the fact that you have such good people working so hard, and yet, not too little comes out of it, but not much comes out of it despite all this effort. They seem to work so hard. What's been amazing to me is how this entity, this organization, this melting pot of organizations have not only... have been able to convert that smartness and that hard work into scale.

Mark: Right.

Nicolas: Not that they weren't smart before. Not that they weren't hardworking before, but we never reached scale. Now we're starting to see scale, and scale opens up new opportunities. It opens up new opportunities of new partnerships. It opens up new opportunities of impact in a large way. It makes public policy arguments more relevant overall. There's a lot of good things to say about the sort of scale that's been achieved in this industry.

I think the challenge for the industry, of course, is how do we make sure—you and I talked about this before, Mark—how do we make sure we keep the nexus to that entrepreneurial sort of community-based spirit?

Mark: What advice do you have for the future?

Nicolas: I don't know if I have... I don't have advice for the future. I do know the other industry I look at is banking and financial services writ large.

Mark: Right.

Nicolas: I've been struck at how those industries have been obsessed with—interestingly and appropriately so—with risk management, with compliance, with those kinds of issues. I think they're going to be looking for outlets to reach sort of broader populations. They're going to need more intermediaries to get to the kind of communities and the kind of people that we want to help and serve.

I think CDFIs are very well positioned to play that intermediary role. I don't know that they all can. Again, I go back to my screen of scale, if you will. I think a number of them can make that, can play that role.
Mark: Yeah. What do you think? Given that you, because you do know financial services and banking—or probably, financial service is a better way to think about it broadly. At the same time that we've moved back to the—for lack of a better term—public utility functions of the financial services industry, there's so much innovation and so much technology-driven innovation going on around that, that sometimes it's hard to tell a bank from a, some other kind of commercial enterprise. I don't even know what to say, right? I just wonder ...

Nicolas: Let's use Walmart as an example.

Mark: Walmart, right. Walmart's a great example, right?

Nicolas: Right.

Mark: How does that—I don't mean how does Walmart change—but how does that trend? Maybe, financial services aren't about banks in the way they used to be. How does that affect, frankly, the communities that we're all trying... we've all been trying to figure out how to serve for all these years?

Nicolas: Ultimately success in business, writ large—This is sort of a generic comment: Success in business, writ large, is who controls access of the customer. That's the key. That's what makes it work. That's how you make money is preserving that access to the customer overall. Not to... “Customer” sounds like a cold word to use, but in terms of the communities, one of our goals is to make the people in those communities customers, if you will, and make the communities customers themselves.

I think CDFIs can perform some of that transformation. I think it's already happened to some extent, but I think that more opportunities, there will be more opportunities ahead. We will be challenged, by a much more difficult political environment.

Mark: Yeah.

Nicolas: How we thread the needle in that I think is going to be a real interesting question.