

Embracing Change: How CEO Bob Allen Leverages Change for Growth at Teachers FCU

This month's CEO spotlight is Bob Allen of Teachers Federal Credit Union. Listen in as this credit union jack-of-all-trades offers up advice on how embracing change can help your CU thrive. These strategies have served him well throughout his 45-year financial services career that has witnessed dramatic changes.

What would bring together a credit union CEO from Long Island, N.Y. with a financial services consultant from Fayetteville, Ark.? The answer is simple: a passion for developing leaders who can fuel growth in the credit union industry.

This month my quest to reveal the leadership practices of some of the leading CEOs in the credit union industry took me to Bob Allen, CEO of Teachers Federal Credit Union (TFCU) on Long Island. TFCU has approximately \$5 billion in assets, and Bob has been there 26 years.

During our conversation, Bob was warm, engaging and full of energy. He attributes much of his success to good health and the opportunity to work in a job and industry he loves. That's why a 10-hour workday does not feel burdensome to him and is over before he knows it.

Throughout his 45-year career in the industry, Bob has seen and embraced an abundance of change, and as CEO of TFCU, he continues to challenge himself and his colleagues as the pace of change accelerates. In fact, I would describe his leadership style as "embracing change."

Of course, the ability to embrace and capitalize upon change is one attribute that separates great leaders from marginal ones, and there has never been a more critical time period to do that than now. Unfortunately, this mindset does not exist in every institution.



Bob Allen, CEO of Teachers Federal Credit Union (TFCU)

For example, recently I was speaking with a CEO and his director of branch operations about their desire to grow their institution by gaining more of their members' wallet share and acquiring new small and mid-market business members. Upon reviewing the proposal I submitted to them, they said many of their managers and lenders are within five years of retirement and would never go for the changes suggested in the proposal.

Refusing to change because key players are within five years of retirement would not happen at TFCU under Bob Allen's

leadership. And if you consider yourself a top CEO, it shouldn't occur under your leadership either.

Here are a few ways Bob has embraced change during his career:

1. View change as an opportunity for growth;
2. Engage in continuous self-development;
3. Understand evolving member needs within a diverse population, and make member value creation the key strategic focus;
4. Maintain financial strength through balanced growth;
5. Be prepared for acquisition opportunities;
6. Actively facilitate the creation of a skilled, educated workforce and leadership pool.

Professional Growth

Throughout Bob's career, the credit union industry has changed dramatically, and as it evolved, he recognized how disruptors such as new products or technology could help him build his expertise and expand his ability to help people.

Early in his career, Bob left his first credit union because of limited career opportunities and went to a startup. Anyone who has ever started a business knows the courage, passion and entrepreneurial chutzpah needed to make it work, but Bob jumped in and made it successful.

Bob attributes a large part of his career success to actions like those that enabled him to get his hands dirty and acquire knowledge across many areas of a credit union. This diversity of experience is why Bob calls himself a generalist and a credit union "jack-of-all-trades."

Even after being a CEO for many years, Bob continues to develop himself and refine his leadership. For example, he told me he still sees himself as a bit too "hands on" and said he has an annual exercise where he determines what not to be involved in and how to provide greater empowerment to his team. He does not want his position to be an obstacle to progress, and he allows trusted subordinates to play ever-greater roles.

Bob's example of continuing to "work on himself" as a CEO reminds me of the Law of the Lid in leadership guru John Maxwell's "21 Irrefutable Laws of Leadership." That law states that an organization can only grow in proportion to the leader's ability to lead. Leaders who continually challenge themselves to higher levels of growth help not only themselves but also the organizations they lead.

Strategy Development

Strategy creation is another area where Bob embraces and creates change. As a teen learning to drive, his father told him, "The faster you go, the farther ahead you have to look." Bob applies that wisdom to TFCU as he and his team look not only to this year but to 2016 and beyond.

That philosophy means finding new ways to serve the three million people in the CU's two-county market area and translating the needs of an increasingly diverse field of membership into services that add value to their lives.

When discussing technology as a means of creating value for members, Bob pointed out that the capital the credit union works with belongs to its members. So wisely investing in the right technologies and partnerships is a critical piece of stewardship for him and his team. That's why they take a disciplined approach to technology instead of jumping on "the next great thing."

The "look farther ahead" philosophy also means maintaining the financial strength of the organization. When Bob came to TFCU, its capitalization ratio was about three percent, which is very weak. Now it is a healthy 12 percent, but it dipped to between eight percent and nine percent during the 2008–2009 recession due to rapid growth. That experience emphasized the need to grow capital and assets in a balanced way, and Bob has made it a cornerstone of the TFCU strategy.

Branching

The TFCU approach to branching is a good example of using member money wisely while meeting changing member needs and working toward financial strength.

TFCU has had success in building its branch network by acquiring bank branches that were sold as part of mergers. Those acquisitions have proven very economical since they came fully furnished. Essentially all Teachers FCU had to do was change the signs.

New branches have been located in strip centers, and the lighter footprint has helped save land, construction and operating costs. Bob still views branches as essential for the CU's members with more complex needs, such as lending and small business services, which are strong sources of growth for TFCU.

The Next Three to Five Years

While Bob expects TFCU to grow organically over the next three to five years, he also believes acquisition opportunities will appear as the industry consolidates. In particular, credit unions that have not emphasized balanced growth as part of their strategy may be acquired. In other words, as rates increase, some institutions will price their deposits ahead of their existing loans and will find themselves in a position of financial weakness that only a strong acquirer can rectify.

Another avenue of change Bob sees is the evolution and increasing acceptance of electronic services like remote capture and the electric wallet. He mentioned that the key in this area is trying to discern which of the electronic banking providers have staying power and which will remain and make good strategic partners.

Leadership Development and Communication

Bob knows that a large credit union like Teachers needs fresh ideas and a skilled workforce to continue growing. In addition to his empowerment of executives, Teachers works to develop new leaders by encouraging employees to further their formal education.

Along with the credit union’s tuition assistance program, a local college also conducts degree classes and programs at Teachers’ headquarters so employees can go straight from work to class with no time lost to commuting. This forward-thinking idea provides the credit union with an educated employee base while giving employees a great incentive to remain with TFCU.

Gathering employee feedback and using it to create change is another hallmark of Bob’s leadership style. He gains vital information from his quarterly breakfasts with employees as well as from his “pop-in” visits to front-line employees who can speak directly to what members are telling them.

How Teachers FCU Fuels Growth by Embracing Change



Challenge Questions for You

Now that you have seen how Bob Allen has embraced change, take some time to review the following questions to see how you are embracing change:

1. What three to five changes do you need to make as a leader that will allow your credit union to grow faster and serve members better?
2. Who are you speaking with to help you understand and make those changes?
3. How are the needs of your member base changing, and what are you doing about it?
4. What are the strongest growth opportunities for your credit union, and how are you addressing them?
5. How will you make your credit union a survivor if a wave of consolidation occurs?
6. What are you doing to ensure the development of new skills and leaders in your credit union?
7. How can the insights of your front-line employees inform the way you create value for members?



Scott McClymonds is a veteran leader in the financial services industry and an expert at helping chief executives create and execute profitable growth strategies. His company, CEO Velocity, equips CEOs of financial services firms and mid-sized enterprises to create greater member

loyalty, profits and value. You can reach Scott at 479.263.0774 or scottm@ceovelocity.com.



Scott McClymonds and CEO Velocity help financial institutions like yours increase earnings, member loyalty, and employee productivity. Scott has helped hundreds of CEOs and senior managers find answers and solutions to tough questions like:

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- Where can you find more of them? Are they already doing business with you?
- How does your strategy need to be adjusted to improve your results by 20% or more?
- What technology updates will give you the highest payback?
- How should you develop your most promising leaders?

Email scottm@ceovelocity.com to request a free paper on how to find and close earnings gaps in your credit union.

*"Scott McClymonds is one of the most creative strategists in the financial services industry."
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