

MasterClass for Credit Union Leaders

Avoiding Leadership Failure

M SMITH | LAW_{PLLC}



**2025 Employees
Conference**

CUs Together Conferences

About Maurice Smith

Maurice Smith is the retired CEO of Local Government Federal Credit Union and Civic FCU. Both are financial cooperatives serving the financial needs of employees, appointed officials, elected officeholders and volunteers of local governments in North Carolina.

Smith received his Bachelors of Science in Business Administration from the University of North Carolina at Wilmington and earned a Juris Doctorate from the NC Central University School of Law. Smith is licensed to practice law in North Carolina, the District of Columbia and before the United States Supreme Court. Smith is also a North Carolina Certified Superior Court Mediator.

Smith achieved a NC Real Estate Brokers License, Certified Credit Union Executive Designation and attended several management and marketing schools.

Smith is a self-proclaimed cooperative nerd. He believes that a business model that empowers its members to engage in democratic, self-help, classless principles is superior to other business types. As a fan of credit union ideals, Smith is avid about

his beliefs.

AREAS OF PRACTICE

- **CORPORATE LAW** – Practicing attorney with years of experience in different industries
- **BOARD EXPERIENCE** – Practical experience serving on more than 36 boards for profit and nonprofit organizations
- **FINANCIAL MANAGEMENT** – 43+ years of experience, including CEO of a multibillion-dollar financial institution
- **CONFLICT RESOLUTION** – Skilled with the techniques and sensibilities for dispute mediation
- **LEADERSHIP DEVELOPMENT** – Guiding and advising emerging leaders to excellence

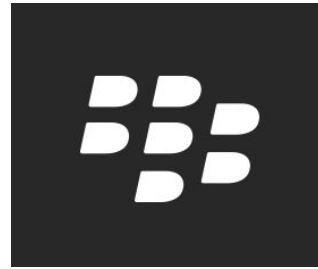


SUPPOSITION #1

Success \neq Failure

Failures Happen

FAMOUS ORGANIZATIONS THAT FAILED

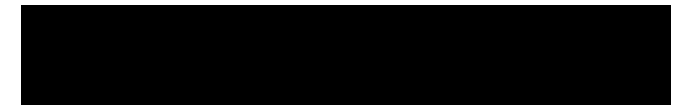
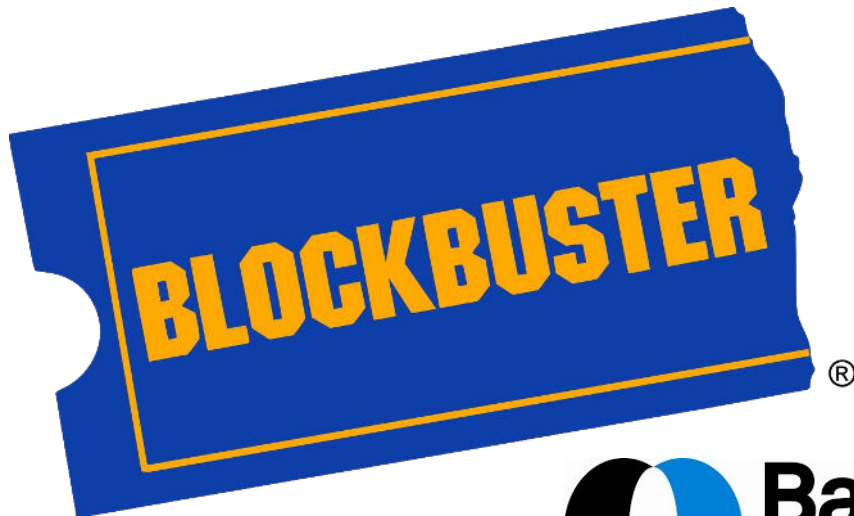


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motorola

CREDIT SUISSE



® RadioShack®

LEHMAN
BROTHERS



Washington
Mutual

BankUnited

Biggest Bank Failures



WaMu

\$417 Billion



\$209 Billion



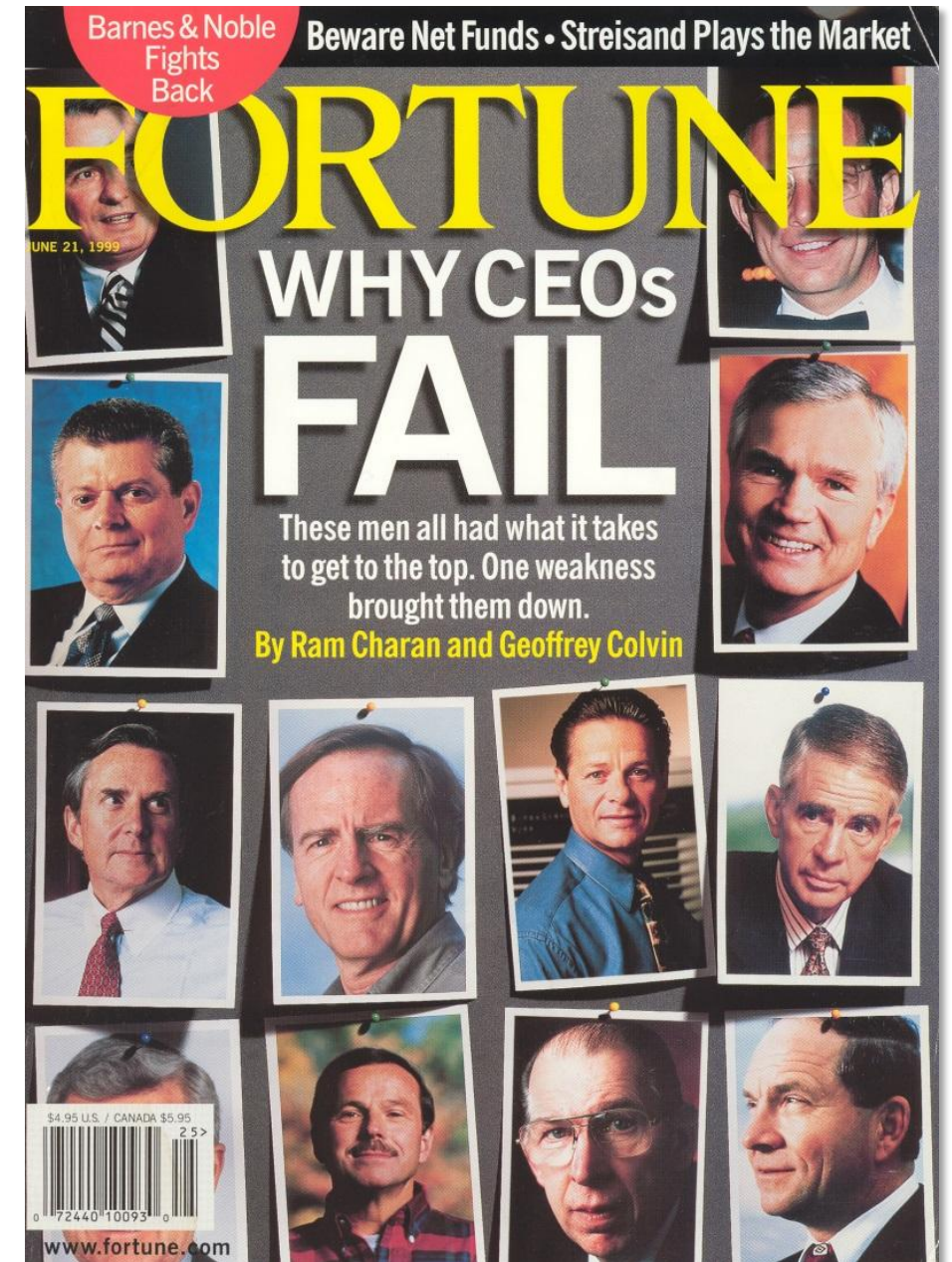
FIRST REPUBLIC
It's a privilege to serve you®

\$229 Billion

Failures Happen

LEADERSHIP SUCCESS IS NOT INEVITABLE.

- This is a 1999 article that chronicles the reasons some CEOs were ineffective.
- These were successful corporate leaders. They did not lack intelligence, a workable strategy, or experience.
- The article teaches us leadership for today is not a guarantee of future success.
- SPOILER ALERT: The Achilles Heel for them was bad execution. As simple as that: not getting things done, being indecisive, not delivering on commitments.



Why CEOs Fail

- Sometimes they adopt a **strategy so flawed** that it's doomed.
- They **refuse to confront reality** in their markets.
- They antagonize their boards.
- Failure to put the right people in the right jobs and the **failure to fix people problems** in time.
- Unable to deal with a few key subordinates whose sustained poor performance deeply harms the company.
- Their inner voice is telling them there is a problem, but they suppressed it.
- **Did not seek information from multiple sources.**

- CEO was a victim of "**intellectual seduction**," installing a subordinate so talented that the CEO persuades himself failure is impossible.
- The board began to worry the CEO is **not developing the company's leadership**.
- Decision and Process gridlock paralyzed action.
- The CEO avoided facing market realities.
- **Concocted frequent excuses** and rationalizations that were part of a mechanism for avoidance.

These Problem Led to Ineffective Execution.

Conversations with CEOs

Here's some sage advice I received from CEO colleagues about how to succeed in the role of organization leader.

1 | Find Your Authentic Management Style & Voice

2 | Seek Fair Compensation Philosophy for Credit Union

3 | Hire Direct Reports That You & Others Trust

4 | Show No Favoritism Among the Directors

5 | Show Deference & Respect to the Board

6 | Practice Sustainable Work/Life Balance

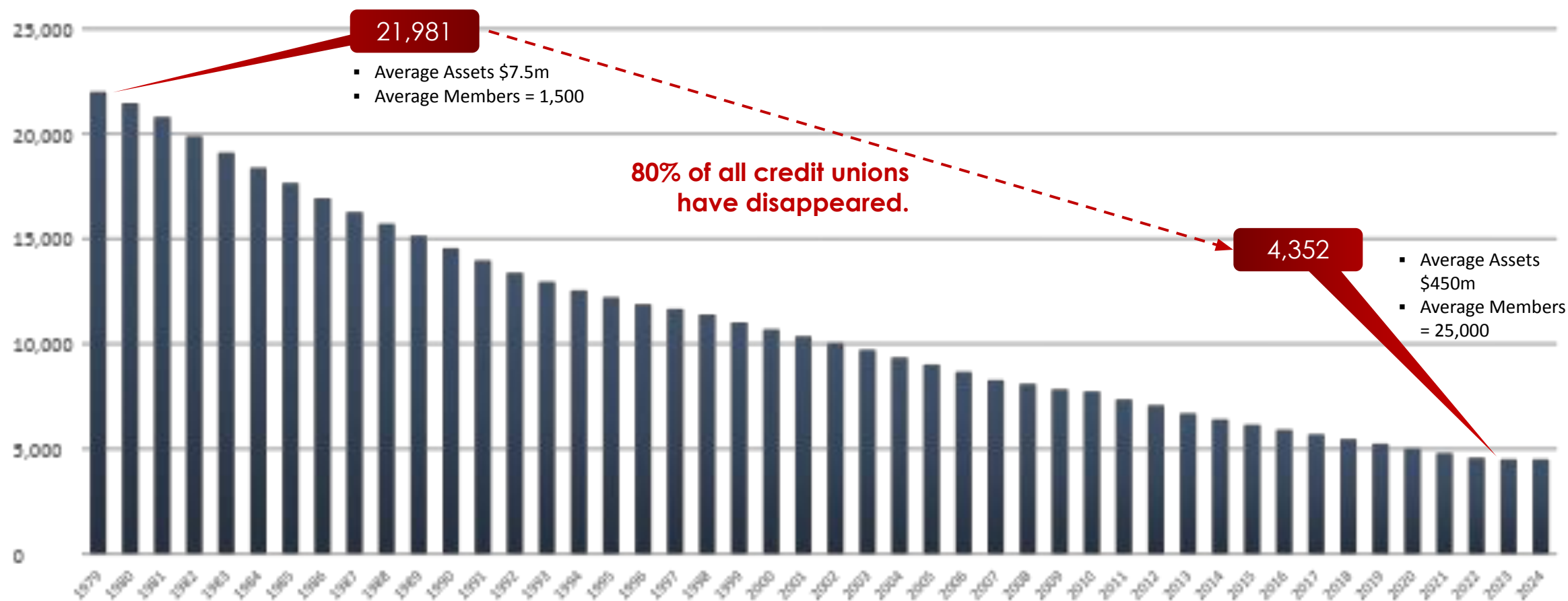
7 | Always Communicate Effectively with the Board

8 | Be Mindful of Corporate Culture & History

9 | Show Humility Respect to Everyone

10 | Build a Diverse List of Advisors & Mentors

Credit Union Consolidation



OIC Material Loss Reviews



- Questionable Management Integrity, Financial Reporting, and Performance
- Weak or Inadequate Board, Management & Supervisory Committee Oversight
- Lack of Regulatory Oversight
- Lack of adequate Board, CEO & Staff Succession Planning
- Loss of Sponsor
- Increasing Competitive Pressures
- Lack of Strategic Planning
- Uncompetitive services
- Governance Issues
- Loan Concentrations
- Weak Allowance for Losses
- Business Model and Strategy
- Excessive Operating Expenses
- Operational Irregularities
- Difficulty of attracting/retaining qualified CEO/staff
- Financial Challenges
- Aging Membership

Ask What People Fail



No Preparation:

They don't adequately prepare, plan, or build the necessary skills before taking action.



Lack of Persistence:

They give up too soon when success often requires resilience through repeated setbacks.



Time Management:

Mismanaging time or priorities can cause people to fall behind or miss opportunities.



External Factors:

Economic downturns, personal tragedies, or other forces outside their control.



Fear of Failure:

Fear can paralyze decision-making, cause hesitation, or lead to self-sabotage.



Poor Relationships:

Burned bridges, lack of mentorship, or failure to work well with others.



Lack of Focus:

Spreading energy too thin across many goals prevents mastery and completion.



Lack of Self-Awareness:

Not understanding one's strengths, weaknesses, or blind spots can lead to repeated mistakes.

Areas Ripe for Disruption



Rachel Botsman is a global thought leader on the power of collaboration and sharing through digital technologies to transform the way we live, work and consume.



COMPLEX
EXPERIENCES



BROKEN
TRUST



REDUNDANT
INTERMEDIARIES



LIMITED
ACCESS

Areas identified include Universities, Post Office, Banking (including credit unions)

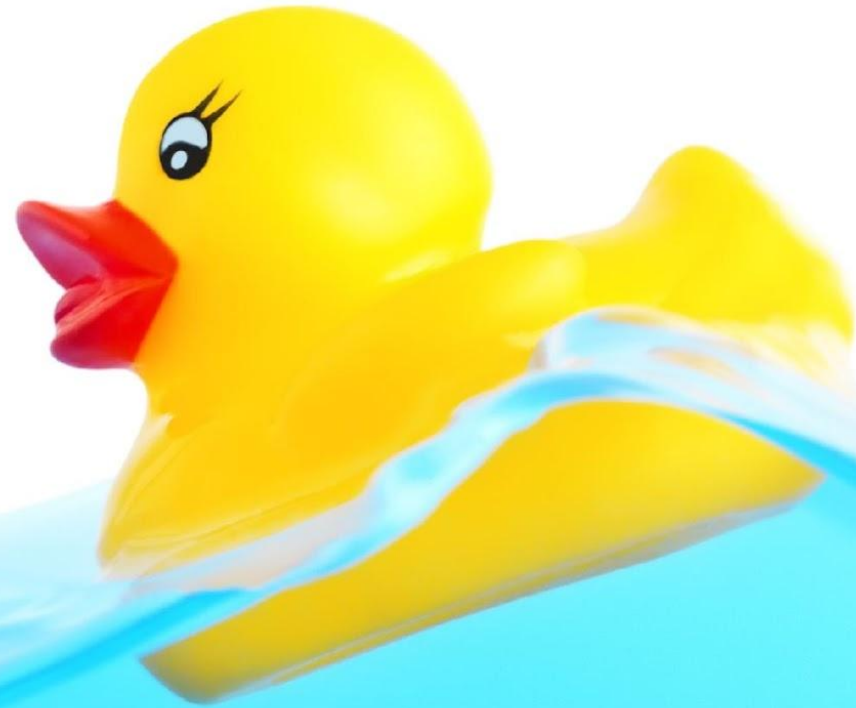
Behaviors that lead to Failure

Procrastination
Growing Too Quickly
Superstition
Lack of Persistence
Financial Mismanagement
Hubris
Ill-discipline
Arrogance
Intemperance
Lawlessness
Prejudice
Habitual Distrust
No Business Goals
Excessive Caution
Perfectionism
Lack Motivation
Egotism
Ineffective Communications
Vanity
Insufficient Education
Inability to Cooperate
Spend
Indiscriminate
Loss Issue
Intolerance
Not Having a Business Plan
Lack of Research
Negative Personality
Volatility
Lack of Vision
Negligence
Aloofness
Ill Health
Failing to Adapt
Poor Marketing
Eccentricity
Poor Reporting Channels
Mischievousness
Passive Resistance
Melodrama
Disconnect
Lack of Ambition
Customer

SUPPOSITION #2

Failure is Often
Predictable &
Foreseeable!

Leadership Curve[®] Theory



Leadership Curve Theory

LEADERSHIP IS A MOVING TARGET

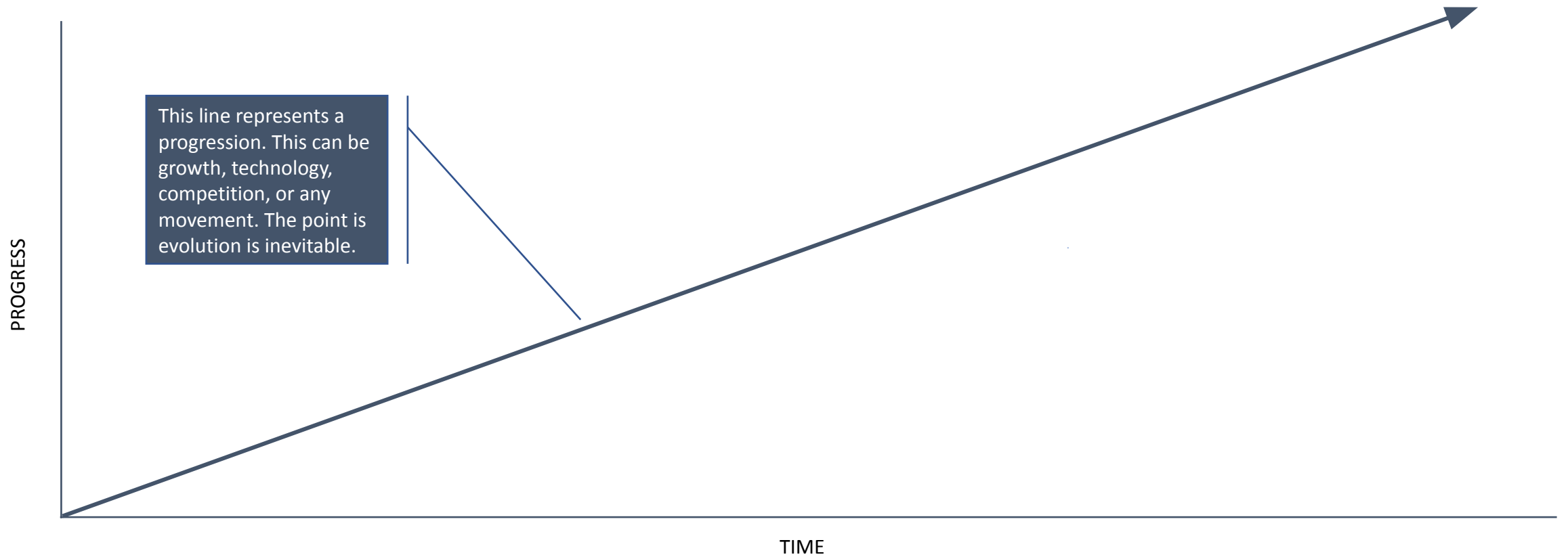
- Whatever you think about leadership today, it will be different tomorrow.
- The secret to becoming a successful leader begins with the understanding of how failure can occur.
- Organizations are surrounded by change from the world, industry, technology, labor forces, societal norms, economics, government regulations, and world politics.
- An astute leader understands the inherent pressures that present natural friction to success.
- The Leadership Curve Theory illustrates the seasons for progress and failure.

THE THEORY

- The Leadership Curve is a way to explain why failure is so prevalent.
- Most failures do not occur summarily. The signs are predictable.
- Here is a theoretical approach to leadership progression and the natural forces that create friction to success.
- The assumptions are built on field observations.
- You are invited to offer peer review to the Leadership Curve dilemma to help validate the assumptions and solutions.

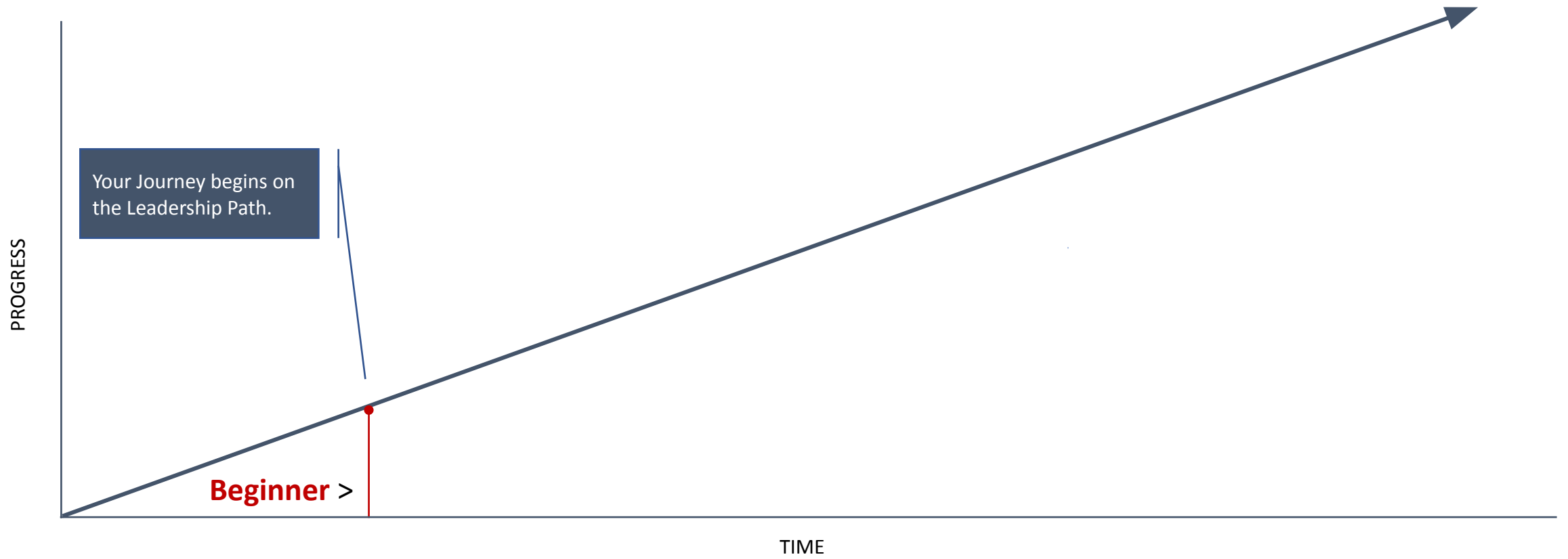
Leadership Curve Theory

LEADERSHIP PATH



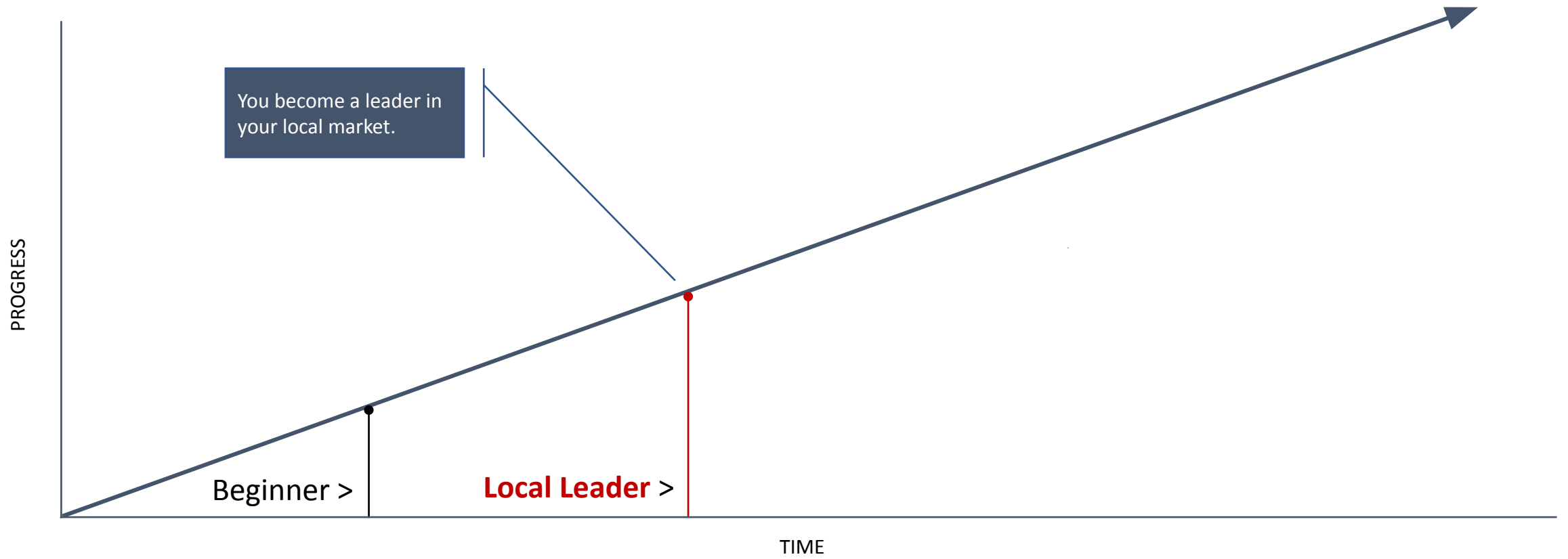
Leadership Curve Theory

LEADERSHIP PATH



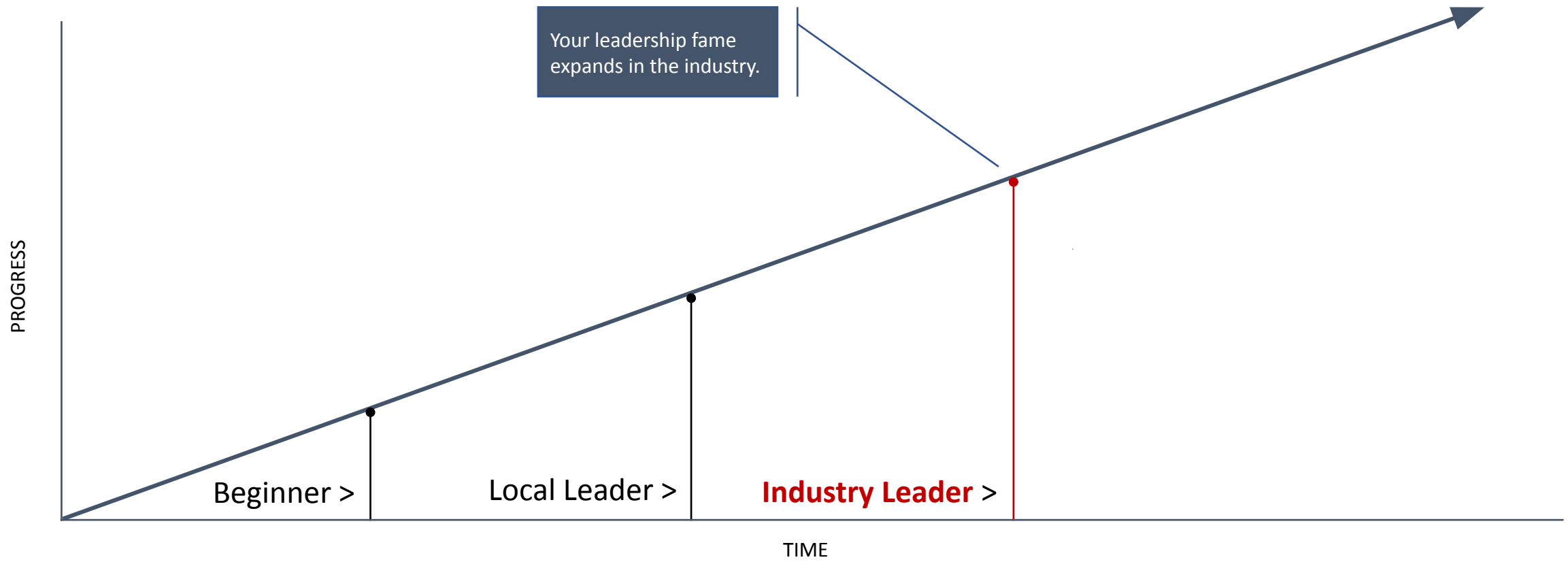
Leadership Curve Theory

LEADERSHIP PATH



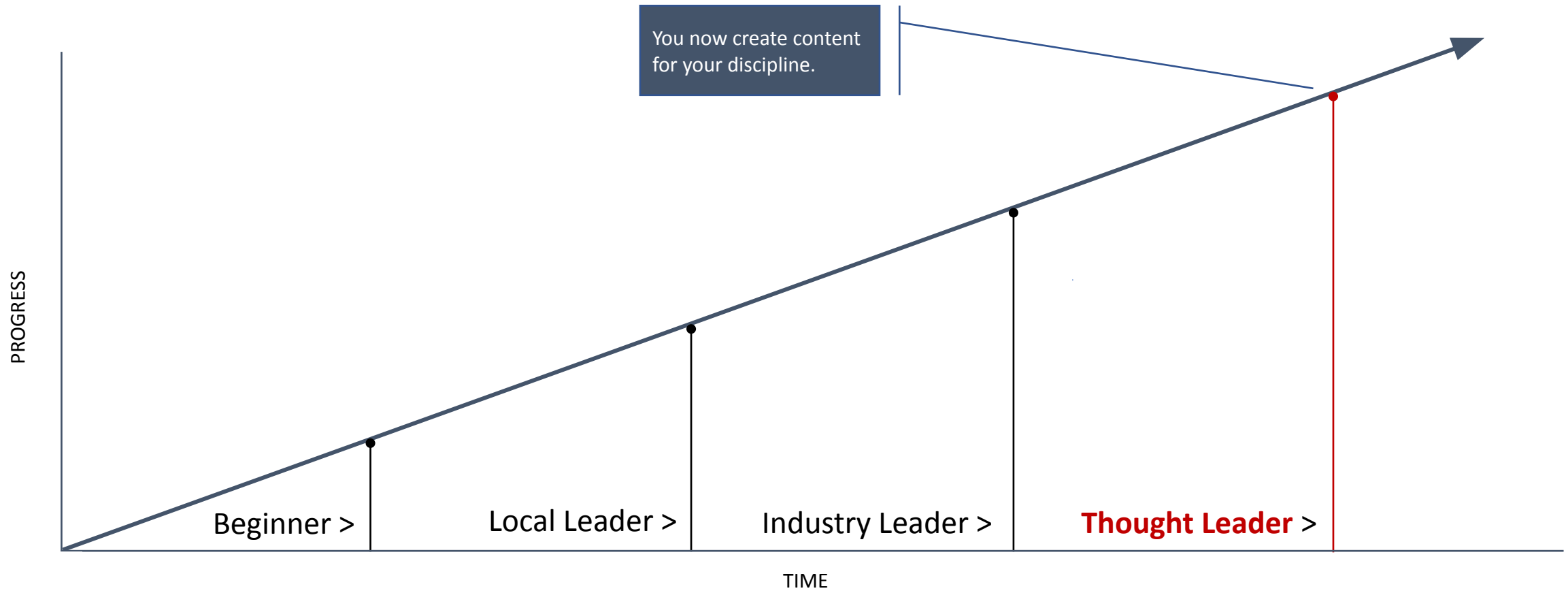
Leadership Curve Theory

LEADERSHIP PATH



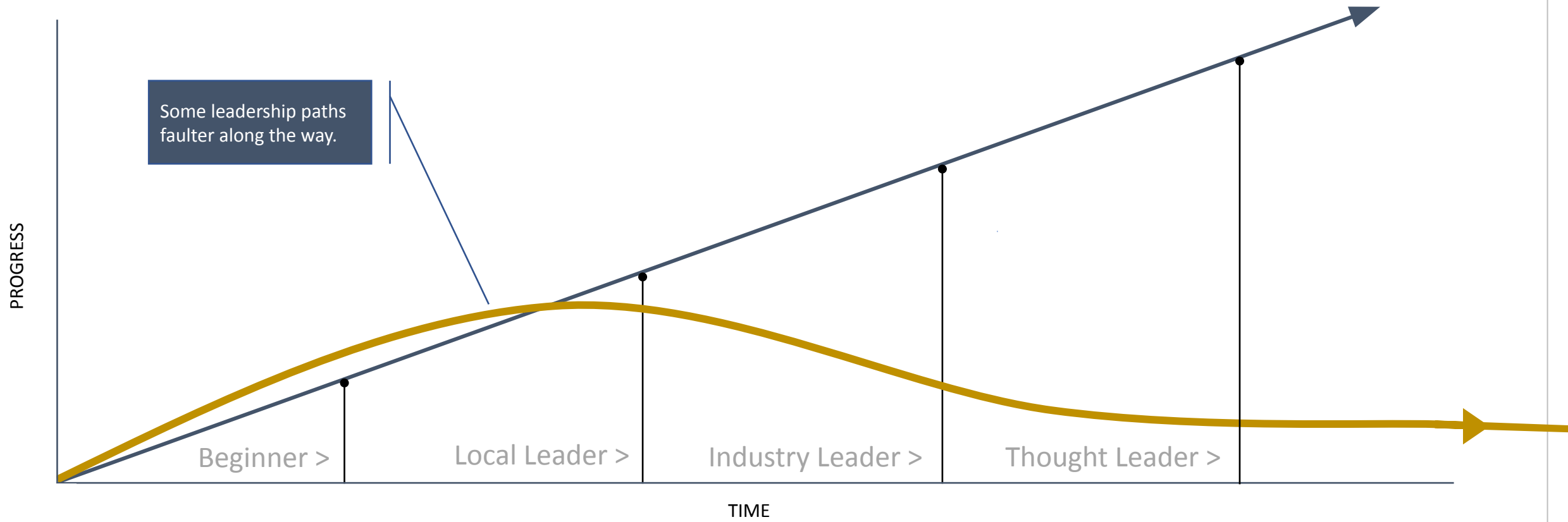
Leadership Curve Theory

LEADERSHIP PATH



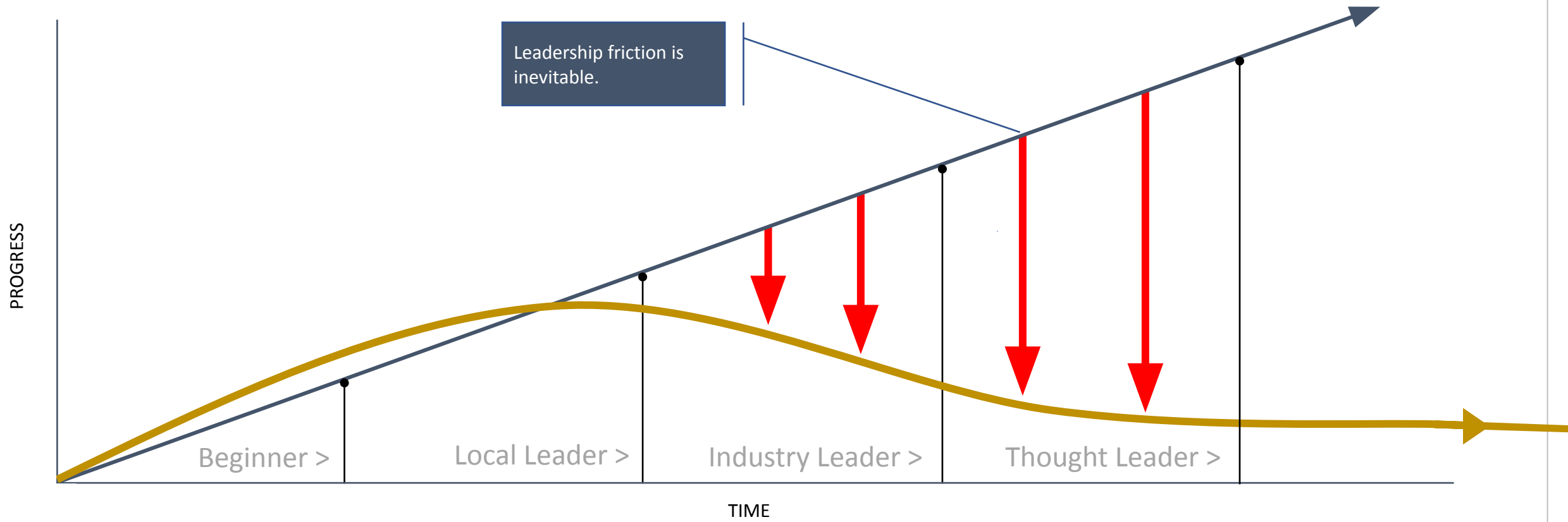
Leadership Curve Theory

LEADERSHIP PATH



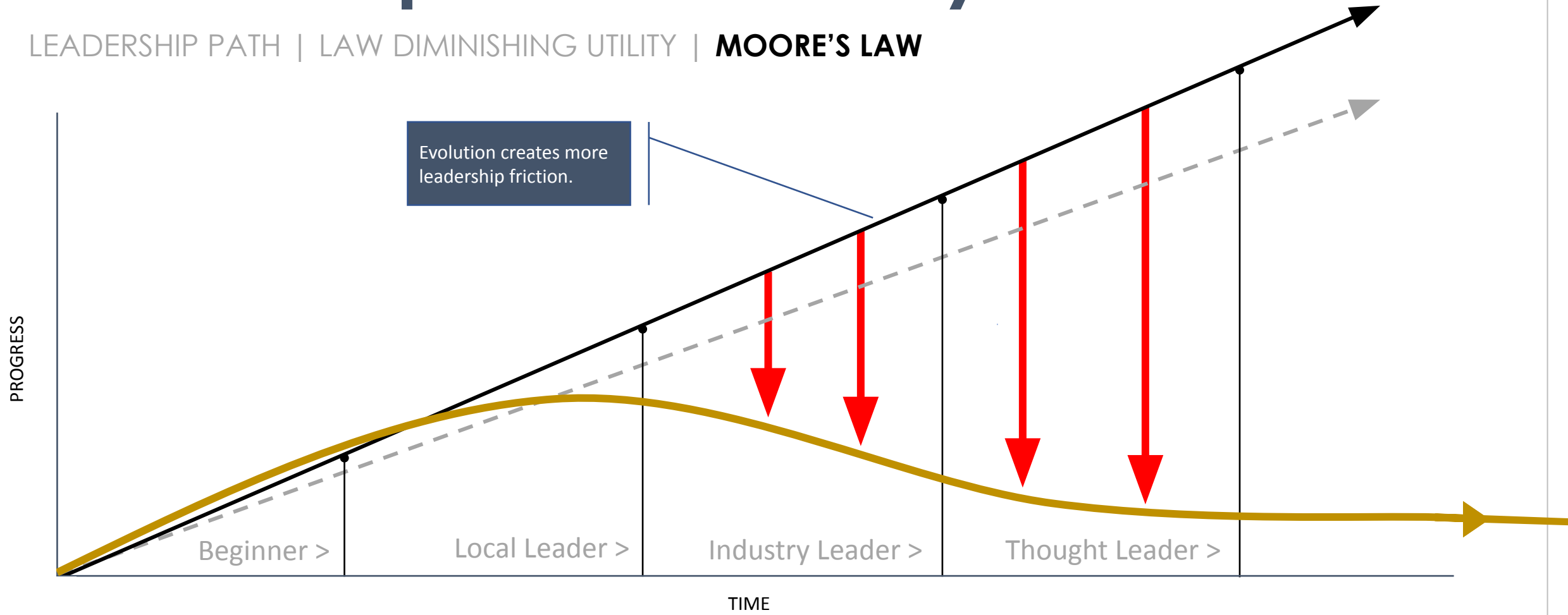
Leadership Curve Theory

LEADERSHIP PATH | **LAW DIMINISHING UTILITY**



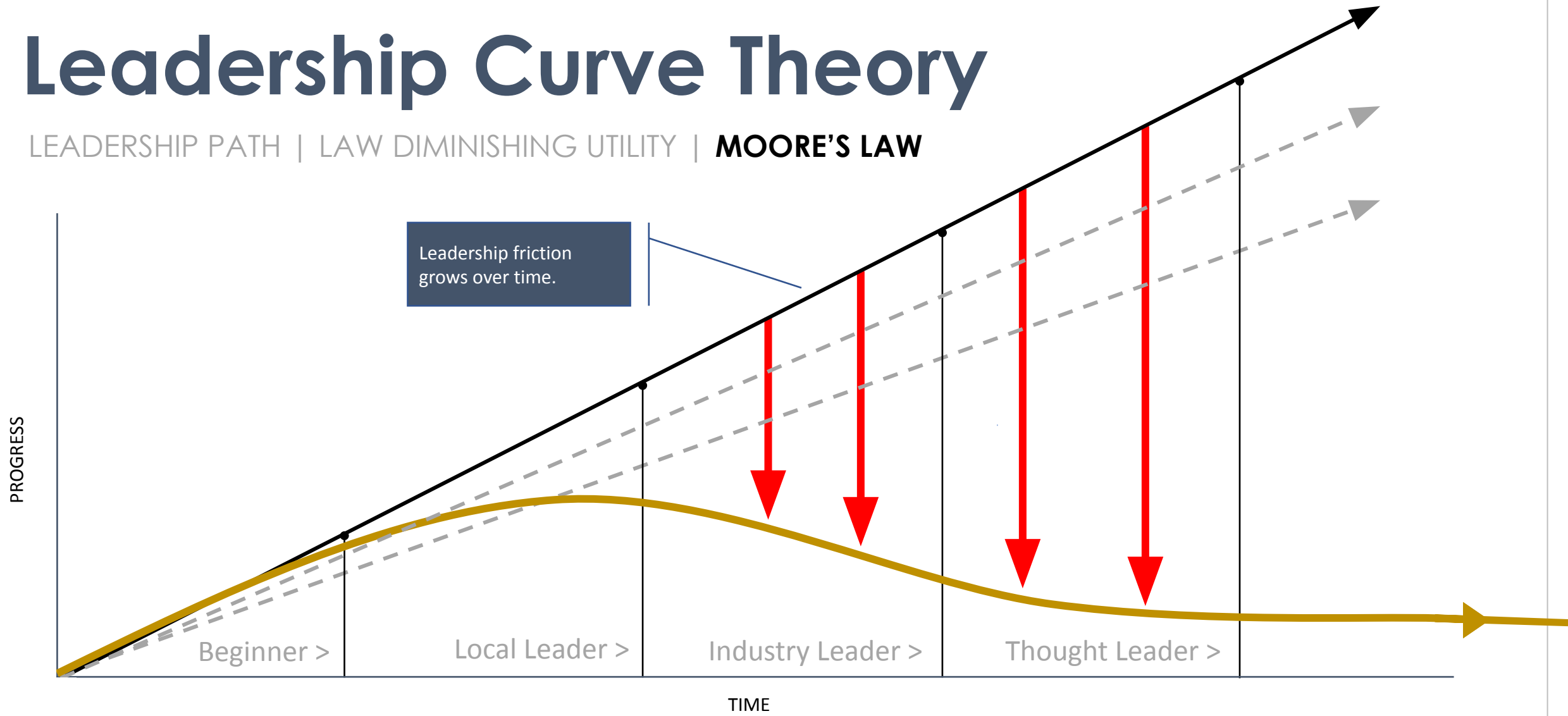
Leadership Curve Theory

LEADERSHIP PATH | LAW DIMINISHING UTILITY | **MOORE'S LAW**



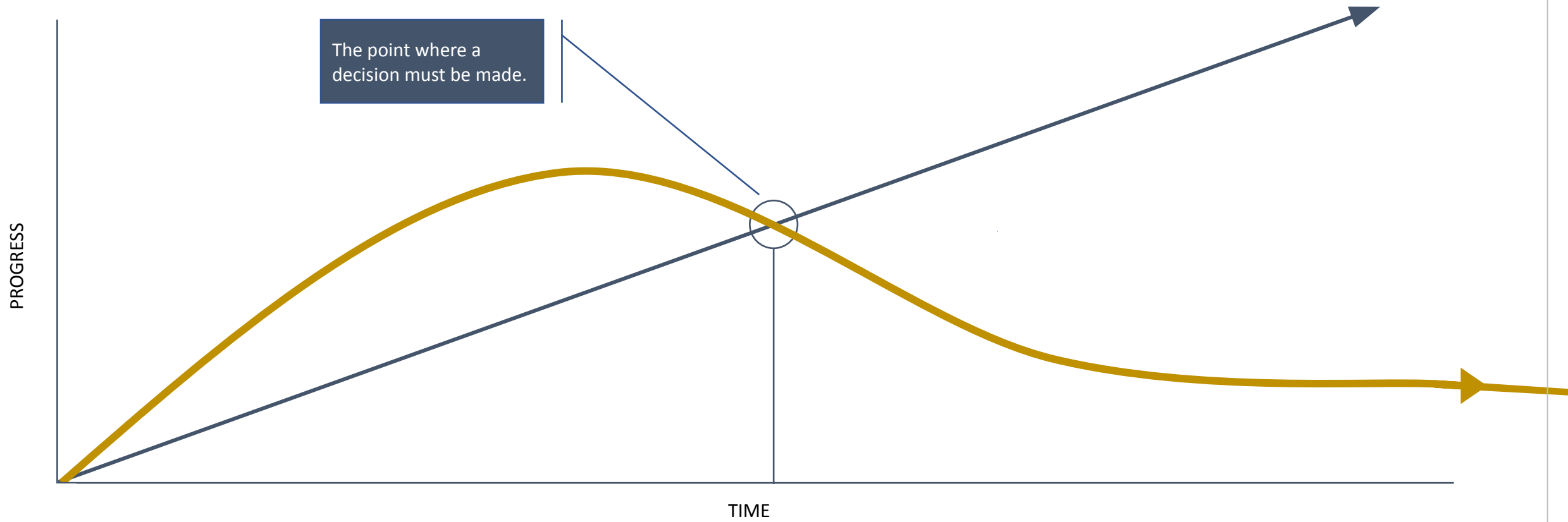
Leadership Curve Theory

LEADERSHIP PATH | LAW DIMINISHING UTILITY | **MOORE'S LAW**



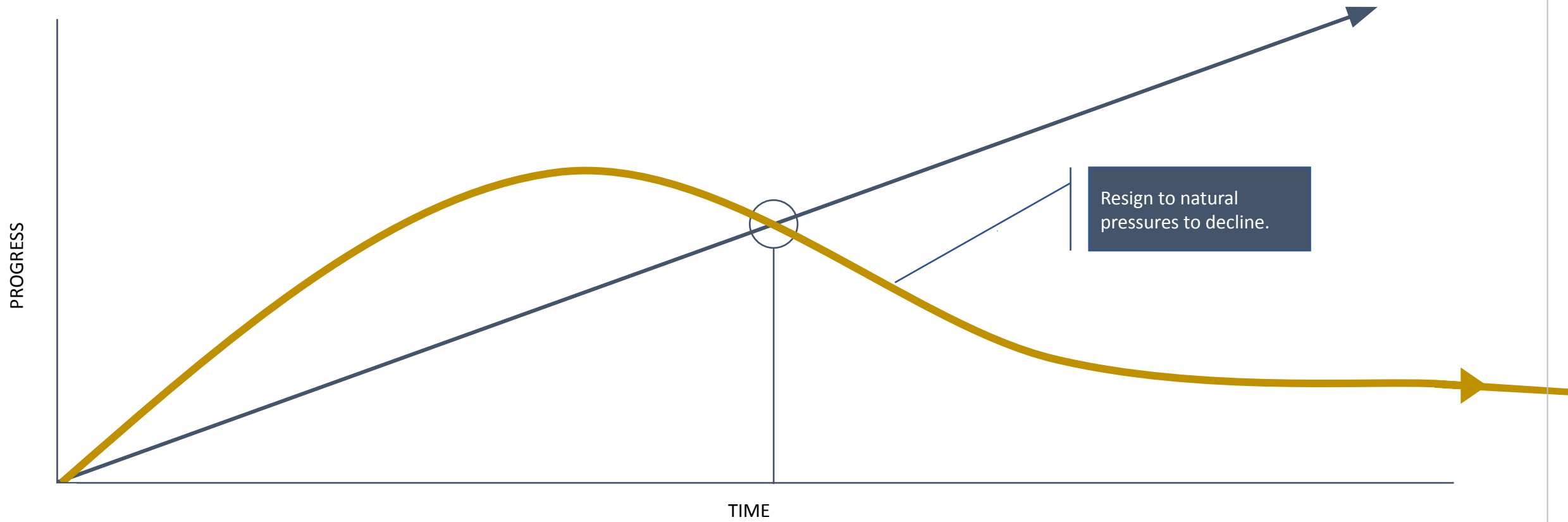
Leadership Curve Theory

INFLECTION POINT



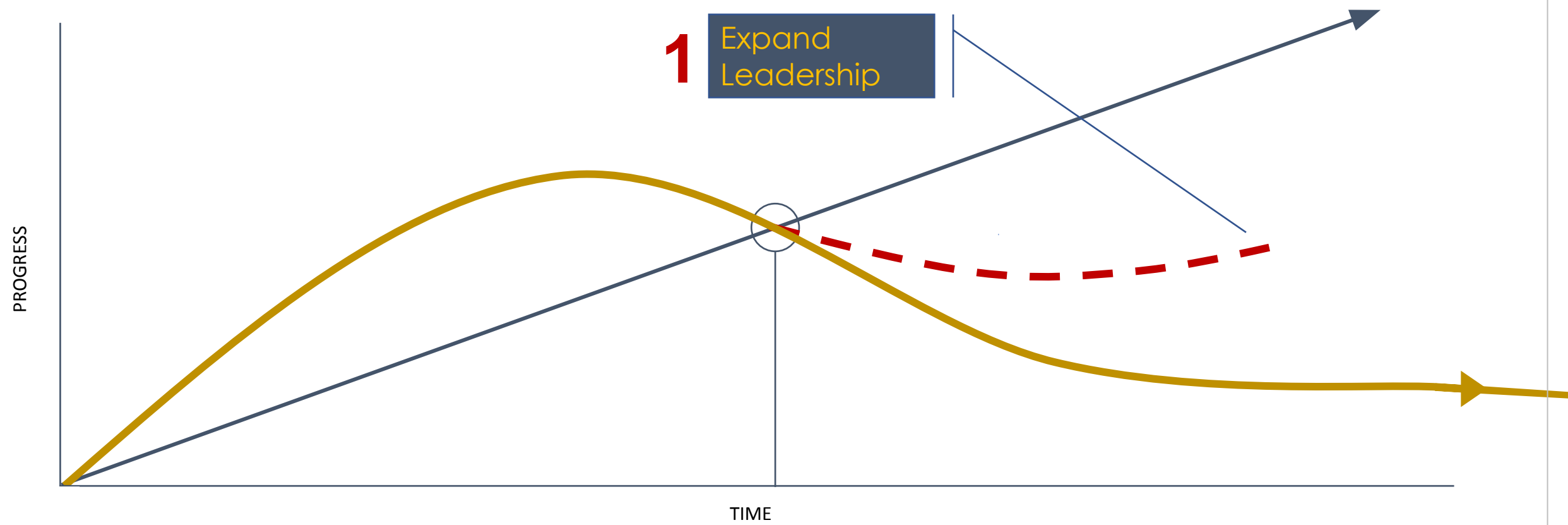
Leadership Curve Theory

INFLECTION POINT



Leadership Curve Theory

INFLECTION POINT | COURSE CORRECTION







Success Begins with you

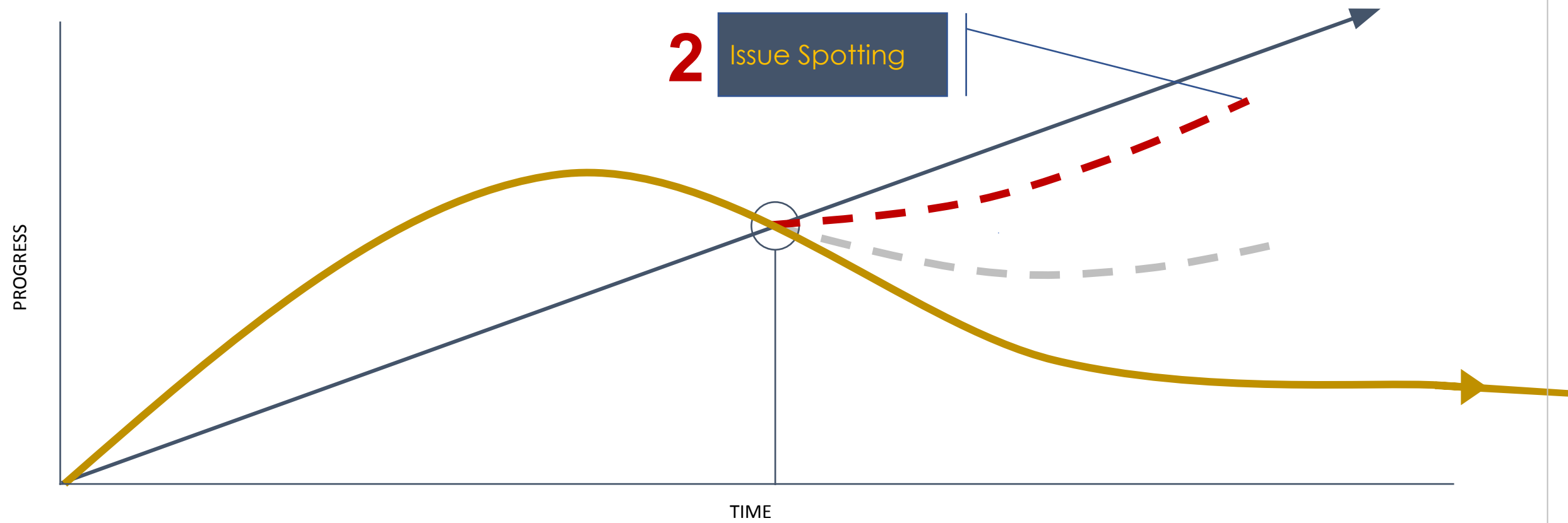
NO MATTER HOW YOU ANSWER THIS QUESTION.

- There are lots of books written on how to be successful.
- Your success leads to the ultimate success of your credit union.
- If you fail to reach self-actualization, then the credit union fails to reach corporate-actualization.



Leadership Curve Theory

INFLECTION POINT | COURSE CORRECTION



IRAC

ISSUE: This is the problem to be solved. Watch out for red herrings to stay focused on the matter at hand.

RULE: Identify the law, statute, policy, regulation or other governing document. Only consider the rules that can impact the decision. List all external and internal rules.

APPLICATION: The fact pattern is compared to the rule for applicability and reasoning. Methodically survey each bit of evidence and facts to make sense of what applies to the prevailing rules.

CONCLUSION: The results of the analysis leads to a structured decision. Make a judgment call on the weight of all evidence presented.



What Keeps You Up At Night?

Regulatory Shock	Talent Development	Interchange Fee Income	Portfolio Risk	FinTechs	Social Media Disaster
Recession	Flight to Quality	Corporate Governance	Liquidity Risks	Credit Union Taxation	CECL
Security Mishap	Low Innovation	Industry Consolidation	Open Field of Memberships	Data Breaches	Economic Inequities
Amazon	Pandemic	Vendor Failures	Scalability Limitations	Net Worth Management	Charter Limitations
Operational Challenges	Payment Disruptions	Changing Demographic	NCGS \$159.30	Affordable Housing	Climate Warming



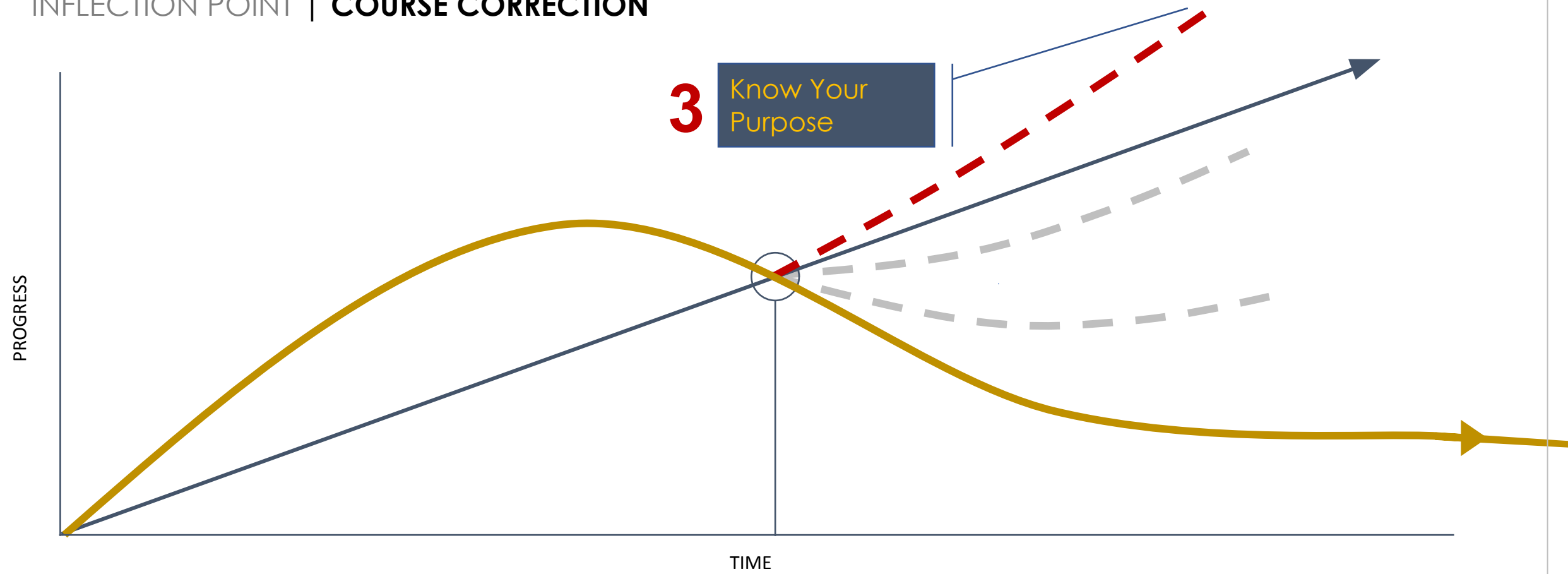
Black Swan Event

- The **black swan event** is a metaphor that describes an event that comes as a surprise and has a major effect. The term is based on an ancient saying which presumed black swans did not exist, but the saying was rewritten after black swans were discovered in the wild.
- What is the unthinkable event that could cripple Skyla that you may have overlooked?
- This is the issue spotting exercise that may deserve management's attention.



Leadership Curve Theory

INFLECTION POINT | COURSE CORRECTION



Your

Purpose

Your purpose is a key success factor for Your NorthStar Credit Union.

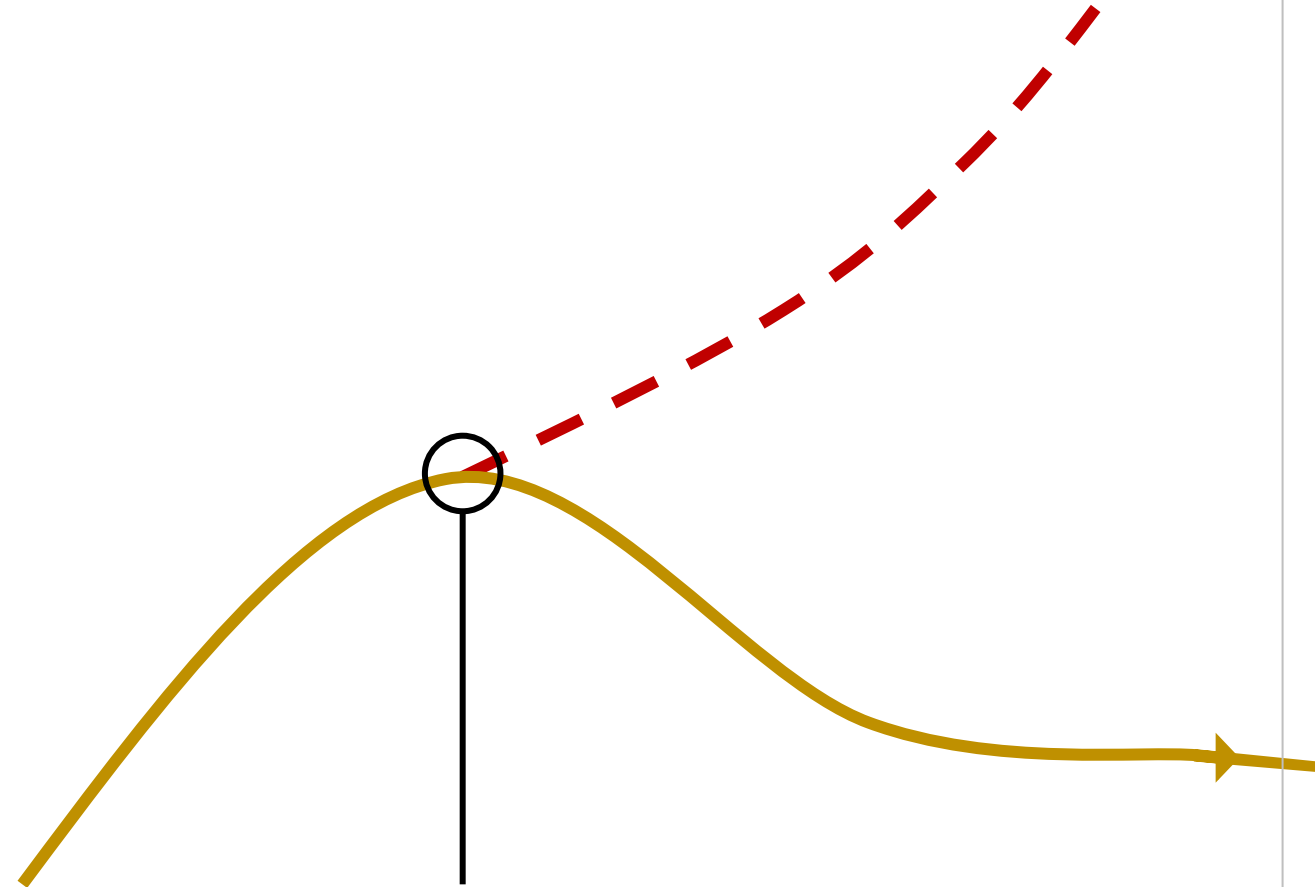
- Your Purpose is your NorthStar... it guides your way.
- The right purpose gives you a competitive advantage.
- Tonight at 9:00 pm.



Leadership Curve Theory

DEFEATING THE INFLECTION POINT

- Whatever you think about leadership today, it will be different tomorrow.
- The demand to be a successful leader begins with the understanding of how inefficiencies can creep in.
- Organizations are surrounded by change from the world, industry, technology, labor forces, societal norms, economics, government regulations, and world politics.
- An astute leader understands the inherent pressures that present natural friction to success.
- The Leadership Curve Theory illustrates how failure occurs... more importantly how success can be attained.



Questions & Comments



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