

## Carl Powell

Director, FRAS

Richmond Fed career: 1970-1996

Interview conducted in August 2012

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INTERVIEWER: We have some biographical background for you, but was wondering if you could tell us a little bit about when you started with the Federal Reserve and kind of career track and what positions you've held along the way.

POWELL: Okay. I started at the Kansas City Reserve Bank in 1970 as a budget analyst. And was there for, I guess, about nine years. I left in the summer of '79 and – I guess when I was in Kansas City I was in the accounting areas, became manager of accounting and then officer of the – what was then the Fiscal Agency department. I'm not sure what they call it any longer. And, uh, became involved with the System Project SHARE, which was really the first resource sharing application development project that the Fed did. And it was being developed, it was a Securities Processing System that probably still is in use in some form, but it was being developed jointly with Kansas City, St. Louis, and San Francisco. And in my work with the San Francisco Fed, some of the people out there asked me to move to San Francisco, which I did, and held various positions there. Culminated, being the first vice president there for about five years. And that's how I segued my way to Richmond. I, uh, as you know, the Conference of First Vice Presidents has many committees and I was involved with the Automation and Accounting committees. And the System – the committee put forth a recommendation that we consolidate our mainframe processing and once that was approved by the conferences and the board, uh, they came to me and asked me if I would consider being the person that led that group as we founded it and put together the project. And I had some personal reasons to move to

the South. My current wife was then located in Winston-Salem, North Carolina, and she didn't want to move to San Francisco, so I thought well, this might be a good way for me to get closer to her. So we did a site study and decided that Richmond was a good place to have the headquarters. And I moved to Richmond and for about six months it was just me, and as you may or may not know, I'm not an automation person. So my role was really more the leadership and political and management side of it, as opposed to coming up with automation strategies. And after the organization got going and things were successfully completed, I took an early retirement and left the Fed after 26 years, so. That's pretty much what happened to me at the Fed.

**INTERVIEWER:** In terms of coming to Richmond, do you remember your first day at FRAS, what was the Bank like then, what was the environment like at that time, what was Richmond like?

**POWELL:** Well, to be honest, Richmond was quite a change from San Francisco. And I believe I moved to Richmond during the summer and it was very hot and humid. And I grew up in the Midwest, so I was familiar with that type of weather as a child and my early adult years, but it had been quite some time since I had been in that kind of heat and humidity. And so that in itself was a shock. Uh, but it was an interesting change. The people at the Richmond Bank were very supportive, very helpful. Jimmie Monhollon was the first vice president at that point and Bob Black was the president. They welcomed me very graciously and really went out of their way to do whatever they could do to make my move and the establishment of FRAS a success. Both personally as well as professionally. Bob Black knew I was a golfer and introduced me to different people that played golf and helped me join a golf club in Richmond when I first moved there. So it was a very welcoming attitude and atmosphere. The Bank had to do a considerable amount of renovation and retrofitting for FRAS to fit in and to absorb the 200 or 250 people that we had when I left. But they did and they did it timely – in a timely manner – and a very good manner, so. It was a positive experience all the way around.

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**INTERVIEWER:** You mentioned over the time you were with FRAS, it grew to about 250 people. What kind of a culture shift did you perceive that to be for

Richmond in terms of bringing on that many more people?

POWELL: [Laughs] Well, I think the number of people was probably not as difficult as the culture changes for the people themselves. And the way that impacted the Richmond Bank. You know, most of the people that we recruited were current Federal Reserve employees and they came from all over the System. And most of them were not familiar with the South and living in the South. And so I still remember vividly people coming to me and saying, what is a fried baloney burger, I don't know what that is. And complaints about the type of food that was in the cafeteria. The way the vegetables were cooked. And it wasn't that they weren't good, it was just a cultural way that was different than most of these people were used to. So I think the cultural impact was probably more on the people that moved there than it was on the Richmond Bank. Uh, although because we came from varied locations and backgrounds, I think we had different perspectives at times on what some policies might be and the way things were approached. And again, Jimmie was very gracious in allowing me to sit in on a lot of the management committee meetings to discuss those issues and to try to find a resolution that was acceptable to both sides, so. We worked our way through any of those issues that came up and I think our relationship was a very positive one during the time I was there. At least it was from my perspective.

INTERVIEWER: In creating FRAS, was there any resistance from the other Banks? I imagine they had to give up some control once the main consolidated mainframe?

POWELL: Uh, resistance is a pretty light word actually. It was probably, up to that point, the most dramatic organizational infrastructure change that the Fed had ever undertaken. We eliminated, I don't remember the exact number, 600 to 800 positions throughout the system in the IT departments. And um, had a lot of resistance in terms of approach to things and how we were going about our business. I tell people – I've told people in the past and I still do, when the topic comes up, that starting FRAS was probably as close to being an entrepreneur as you could do in the Fed. And from that standpoint it was exciting, but it didn't fit in with the Fed culture very well.

INTERVIEWER: Yeah.

POWELL: You know, there were some legitimate concerns that consolidating anything of that magnitude within the System might have an effect on the District autonomy and both from just a management perspective as well as from a monetary policy perspective. So it was a major change. And people were cautious, um, and as the Fed does things, tried to overanalyze a lot of the things we did. But we had a lot of support from various leaders throughout the System and at the Board of Governors, which allowed us to successfully move it forward, so. It was an interesting, interesting project for everyone that was involved.

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INTERVIEWER: From a management perspective, from a technical perspective, from a political perspective in terms of being in the Fed, I would imagine you were kind of juggling all these on a regular basis. Could you describe a typical day or kind of those different areas that you came to have to navigate and provide that strategic direction over?

POWELL: Well, I'll start with the technology piece because that really is what drove a lot of the other pieces. At that time it was not – we were trying to attempt something that had not been done before. We worked very closely with IBM to develop the technological platform that would allow us to do the consolidation and we had some great, great thinking people from within the Fed and outside of the Fed, that were very innovative in the approaches they took to the technology. Um, we had a lot of critics in the Fed. Not necessarily from the concept of doing what we wanted to do, but not knowing if we could accomplish it or not. We set a very aggressive time frame. My experience with the Fed told me that if we didn't do it quickly, that the bureaucracy could overwhelm us before we finished. So we were very, very aggressive in our timing. Uh, people didn't think we could accomplish it, but it was really one of our number one goals and everything we did was to not slip schedules. And a lot of the people at FRAS were not happy with me about that particular goal from time to time. But in the end I think everyone agreed that because we were able to perform as we said we were going to and in the time frames we said we were going to, it allowed us to minimize the impact of our critics and to show that we really could be successful and that this would work. So that's kind of the technology side of it.

The political side of it, once we started going and showed some successes, the politics kind of died down a little bit. There really was no choice for anyone. People disagreed and argued from time to time about what we were trying to do for their particular District and what it meant and the way we coordinated things with them. But the overall concept of what we were trying to do, people bought into. There was a lot of support, as I said, from people in Washington. And that helped drive the Banks, even though they didn't like it sometimes. It really forced them to comply with what was going to happen.

So the biggest part of it for me on a day-to-day basis was dealing with other first vice presidents and presidents and people at the Board, to make sure that we were able to do the things we needed to do, and that we had the funding we needed to have, and that we were able to meet the schedules we wanted to meet.

As we first started, as tended to happen in the Fed in those days, if you came up with a plan, everybody wanted to come up with an alternative plan to tell you that it was a better way to do it. And Ed Boehne, who was then the president of the Federal Reserve Bank of Philadelphia, was the chair of my parent committee. And he and I came up with a strategy that told everybody we don't want you to come up with another way to do this. If what we're planning will not work, tell us why it won't work and we'll fix it. But we think the plan we've come up with is the right plan, so either tell us it won't work or get on board with us. And Ed was a master at dealing with those kinds of controversies and really was a key in making FRAS a success. So once we kind of reached that plateau of understanding with most of the System leadership, things really moved much smoother and we stopped second-guessing everything that we were trying to do and looked at it more critically in terms of can this work or can it not work. And unless people could find reasons that it wouldn't work, then we pretty much stayed with the plans we developed unless wisdom showed us through advice and comments from others that there could be a better way to do it.

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INTERVIEWER: I remember when email was coming into use and I kind of remember what it did in my previous positions to – kind of the culture of communicating within an organization.

POWELL: Well, email was obviously present and we used it. I think the one thing it did for us is it made us more cautious. People who first started using email back then were not always as wary of the way they said things, and there are so many nuances in the written communication, as you know, that the way you state it can be interpreted many different ways. So we kind of had a policy at FRAS that we tried not to communicate important issues with email, we tried to do it in person. Either on the telephone or in a face-to-face meeting. Because we did not want to take the risk that people misinterpreted what we had said in an email and all of a sudden it was spread around the System and could hurt us from a perception standpoint, and people would misunderstand what we were trying to accomplish or how we were trying to accomplish it. Clearly, personal communication by email and smart phones and so forth that we have today was not in the cards at that point. And the server environment that you have today was just barely starting down the path. So we were still a mainframe-centric organization and there was not the same reliance on email and individual communication mechanisms as the world has today, clearly. So I can't really say that email was a major factor for us. If anything, it was something that we – that caused us to be a little more cautious.

INTERVIEWER: Given the evolution of technology and you referenced smart phones and servers and cloud computing, those kind of things, technology may change, but I was wondering do you see any common threads or challenges between what you were dealing with at that time and, based on your understanding of what the Fed is dealing with in terms of cyber security and mobile computing, any kind of common challenges or considerations there?

POWELL: Well, I think the challenges today are probably greater because of the capacity that everyone has in their hand every day, to access systems and data and to manipulate it in ways that they couldn't do back then. I mean, we had to worry about security obviously, but it was at a different level. You still have those levels today, but then you have these hundreds of thousands of people that are trying to hack things through their mobile devices and so forth. So from a technology capability perspective, I think we're light years ahead today. Um, from a management perspective, I think a lot of the same issues are still present in the things the Fed's working on today. You know, whether FRAS was the, uh, the elephant

that created this major change or not, is debatable. But it at least was the first major component of System consolidation and elimination of individual District, uh, control over certain aspects of their operations. And that's continued with your functional offices and product offices and so forth. And we kind of started it with FRAS because we saw that we needed a different type of infrastructure for the business units to be able to deal with a centralized utility. So we kind of started down that path and looked at the functional management. I mean, I started functional management at the San Francisco Fed when I was there. So I was familiar with the concept and I believed in it. So FRAS tried to start that organizational shift. And it's continued today. So I think from a management perspective those issues are still the same. They may be more intense today or less intense, I don't know. But a lot of the same basic District autonomy, loss of fiefdom, so forth and so on, they still exist.

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INTERVIEWER: Yeah, that's for sure. Functional management, I'm not familiar with that. Is that something that – theory or philosophy that's still in use?

POWELL: Well, I think you've got it – basically what it is is that there are certain people who are responsible for the policy and oversight management of each of your functions, your cash function, your check function. We don't do much checks any more. But all of the different products – I don't know what's in Richmond today. But I know each District has responsibility for certain business functions and business and service lines. And that's really what I'm talking about.

INTERVIEWER: Oh, okay. So in Richmond, for example, the National Procurement Office...

POWELL: Exactly. Yeah. What I did in San Francisco when I was first vice president is I – I appointed a senior officer to be responsible for the policy and business direction of checks, cash, electronic, so forth and so on, and the support functions. And they didn't necessarily have daily operating responsibility for those units, but they had the responsibility to provide the business strategies and the oversight for those functions, and to make sure that they were planned properly and that at the end of the day they were executed properly. And that's the same basic concept that

the System is following today.

**INTERVIEWER:** To follow up on that with San Francisco, how hard was that to implement? They knew we were doing an interview with you today and they asked us to ask a few questions. But didn't have time to send me any. So since you were already talking about you had to implement this functional management program in San Francisco, was there a lot of push-back, how did the transition go?

**POWELL:** It was what you would expect, you know? What I did was I used each of the five branch managers as functional managers and then some other people, too. And it was the same thing you hear from Consolidation, how can I be held accountable for this activity when I don't manage it directly? And it just took a while for people to see that the concept made sense and that it was workable and that it was more efficient than having five different people manage the same function and try to come up with their own policies, when you could centralize that activity and have one person do it for the System. And it created a teamwork environment that we didn't have before, in that the check person needed to rely on the automation person to get what they wanted, and the automation person needed to rely on the accounting person to be able to do what they needed to do. And so it really kind of shifted the focus of how those people worked together. It eliminated some of the branch-to-branch competitive issues and created more of a team function, of where they knew they all needed each other to be able to do what they were assigned to do.

So it took a couple of years for people to work through the psychological loss of operating – what they considered operating control. But after two or three years, it became pretty ingrained in the environment and was, I think, successful.

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