

Jeffery Kendall:

It blew my mind that you could somehow have a contractual relationship with someone that would eventually prevent you from growing, or prevent you from exploring, or prevent you from innovating, or prevent you from testing.

James Robert Lay:

Greetings and hello. I am James Robert Lay and welcome to the 173rd episode of the Banking on Digital Growth podcast. Today's episode is part of the New Starts Now series. And I'm excited to welcome back Jeffery Kendall to the show.

James Robert Lay:

Jeffery is the CEO of Nymbus and is committed to helping financial brands delight their members and customers with best-in-class digital banking solutions. Welcome to the show, Jeffery. So good to have you back on as always, buddy.

Jeffery Kendall:

It's always fun talking to you. There's never any shortage of fun things to get into and connect on here. So thanks for having me on again.

James Robert Lay:

No, there's not. We actually just spent 30 minutes. We probably should just hit record. We could have gotten two conversations out of this one. We're going to have to come back and talk about what we were talking about before. And I'm not going to tell anyone what that is because I think that'll make for a really good dialogue and discussion, just like today because you wrote a really interesting article that it hit a lot of buttons and got a lot of good feedback, too.

James Robert Lay:

And before we get there, I want to start off on a positive note, as always. What's good for you, man? Personal, professional. It's always your pick to get started.

Jeffery Kendall:

Oh, man. Well, personal, mention it, today is Valentine's Day. I don't know if we're supposed to say that in case it gets like a week before this comes out.

James Robert Lay:

I think this is going to come out about three weeks later. So, for context, it's Valentine's Day.

Jeffery Kendall:

It's Valentine's Day, which is my anniversary. So that's a fun celebration of 18 years together with my wife. And so, that's what's top of mind for today and looking forward to being able to spend some time together with her tonight after we're all done working, so.

James Robert Lay:

Absolutely. And it is, it is important that we take time to disconnect, to reconnect with those who we are closest with, and spend time with those that you love. And I think this is why I'm going to love this conversation because we are going to spend some time together. It was an article that you wrote, it was called It's Time for Core Vendors to Ditch Exclusivity Clauses. You posted this on LinkedIn, 50 comments, 165 likes, really, really good conversation that was coming from it. What inspired you? What got you to this place to write this, to begin with?

Jeffery Kendall:

It's funny, this has been a sort of irritant, pet peeve, whatever you want to call it, for a few years for me now. And what's interesting is I'm not a career banker. I'm new to the banking gig. And I was in health care most of my career prior to this but about five, six years ago is I started understanding the financial services space and learning more. I started seeing this dynamic where banks were actually having to agree to contractual terms for software usage. This is very unique to financial services.

Jeffery Kendall:

And I remember trying to work with a couple of different banks when I was with my former company, Kony, and we wanted to pursue some new strategies. We wanted to launch a new digital product for one of them. And they came back and they said, "Man, we can't do it." I said, "What's the issue?" Well, we have an exclusivity clause in our contract with Fiserv and they say that we can't use another digital provider to do something. And I said, "Yeah, but it's totally different, that wasn't anticipated. This isn't even really competing." They're like, "Yeah, but the language is so strict that we can put ourselves at risk and be sued by our supplier if we do this."

Jeffery Kendall:

And granted, I was biased because I wanted to do a project with a customer and I was motivated to do that. But it blew my mind that you could somehow have a contractual relationship with someone that would eventually prevent you from growing.

James Robert Lay:

Right.

Jeffery Kendall:

Right? Or prevent you from exploring or prevent you from innovating or prevent you from testing and understanding. And what was so shocking to me about it was that I learned that it's really, really common in contracts, in particular, core contracts but also in digital banking and some other tech contracts.

Jeffery Kendall:

And what always bothered me about this is ... Since it's Valentine's Day, we'll talk about relationships. What if your spouse had to be with you just because of a legal obligation not because they loved you? And that's where I started to dug in and said, "Jeez, wouldn't it be better if this core provider or this digital banking provider," in this case, it was Fiserv, it's like, why don't you win the hearts and minds of your customers by performing well and doing great things and making them love you versus having to go back to a contractual term saying, "This is the thing that prevents you from exploring other alternatives." And I thought, "Something needs to change here."

James Robert Lay:

So I think you're onto something because it is Valentine's Day and I like where this is going. And we can go back and we can look at some ancient literature, covenant, contract. And I think this idea of a contract ... Contract is something that you can get in and out of. Covenant is really more of a promise, right? And my wife and I, we do marriage preparation, another Valentine's theme, we do marriage prep with couples. And we talk about this idea of covenant and contract.

James Robert Lay:

And I'm curious here because bringing this back into financial services, into banks and the credit unions, partner and vendor. And you even noted this in the article of your title, these are two words that I hear get thrown around a lot when it comes to technology. For example, tech players, they want to be viewed as a partner. Financial brands, though, refer to that relationship, typically, as a vendor.

James Robert Lay:

And I'm really curious because when I think about vendor, I think about a vending machine, it's transactional or some person at the ballpark selling beer and peanuts. So I got a two-part question for you. What's the difference in your mind between partner and vendor? And then how can financial brands begin to view technology not through the lens of a vendor because I think that is so limiting but more from the lens of a true partnership or even what we were talking about before, a covenant, more of a promise?

Jeffery Kendall:

Yeah. So for me, partnership always comes back to alignment of interest in the sense of saying, "We are both going arm and arm to share success or failure together." And what the vendor-supplier, vendor-customer, supplier-customer relationship often looks like is ... And this is really, really prevalent in software, in particular. I'm sure it's in other industries as well. But, number one, if you look at Harvard Business Reviews around failed IT projects, they're massive, I think. I don't have a data point exactly but-

James Robert Lay:

60% to 85% is typically what we're seeing from like BCG and Bain and all of these other big consulting firms.

Jeffery Kendall:

Right, which is actually worse than the success rate or the probability of divorce coming back to marriage or relationship. The divorce rate is roughly 50%. And what's interesting about that and those numbers is, what does our mindset have to be if we're going into something with a 50% to 80% risk of failure, right? We just tend not to take those kind of odds and risks in life in general. But companies and banks are forced to because that's how they've been trained to buy by tech vendors, by suppliers.

Jeffery Kendall:

And so what bothers me a lot of times and to be open, I've seen this on the software provider side, which is a customer comes in, they spend a ton of appreciable money, and then the software sits on the shelf. The software supplier still gets paid. They still get to grow. They still get to claim it as a customer, as a logo that they have. But there's no real success being driven together by the project.

Jeffery Kendall:

And so when I came to Nymbus, one of the things that was very important to me is I said, "You know what, there's a way to do business different." What if I could create commercial terms and models that said, "You know what, if my customer is not successful, I'm not going to be successful." In order for us to grow as a company in the way that we have our contract structured is, hey, when you grow, we grow. And if you don't grow, then we don't get to enjoy the success of that either.

Jeffery Kendall:

And I've been really proud of the company for doing that because it makes sure that like when we wake up every day, we're actually thinking about how fast is our customer growing. What can we do to help? What can we do to get in? And that, to me, feels more like a partnership because it's not what of my products can I give this person to make them successful. I might grab somebody out of our marketing

team, out of our Nymbus labs team and say, "Hey, we need to huddle real quickly because we need to come up with a new strategy or go to market for this digital bank to get it to grow faster."

Jeffery Kendall:

And I don't think software companies tend to think that way, just because there's no motivation for them. There's no alignment of interest to the customer that would let them make those kind of decisions. And I think it's a travesty.

James Robert Lay:

Yes. And there's that idea of partnership-vendor covenant being a promise versus contract being something that you can get in or out of, covenant being a promise that we're committed to playing the long game here. And so this idea of partnership, I think, closely aligns with another P word that I'm personally very passionate about, which is purpose. Because if we're going to go forward on this journey and we're going to be co-committed to create something bigger than the present moment, as we'll call them individuals, I mean, once again, that's kind of like what marriage is, you're taking two individuals. Man, there are so many Valentine Day themes coming through here, relationship themes.

Jeffery Kendall:

Great day to do it.

James Robert Lay:

It really is. And, yeah, you take two individuals and you bring them together, two brands, you bring them together to create something even bigger, it's that collaborative model, one that I view as one plus one equals 11.

James Robert Lay:

Let's take a step back because where we've been, historically, has been rooted in a lens of scarcity. I think that's the competitive model here, right, is it's scarce resources so we're always going to be fighting for something. But I don't think that we're ultimately going to win and grow out of that.

James Robert Lay:

What's the opportunity to flip the narrative to go beyond scarcity and competition to one of what I view as a world of abundance where there's plenty to go around? And if we can all operate from that lens, collaboration is just a natural output of that type of thinking.

Jeffery Kendall:

No, I think it is. One of the things that we learn a lot from our customers is our customers introduce us to other partners that they partner with well. And what I love about that is, when you pick the right partner, it's an alignment of the right mindset. It's never about the tech. But this is a hard conversation again as CEO of a software company. I'm like, "Eh." And I say this a little bit tongue in cheek, which is like, I don't really care what our APIs are written in. I don't care what cloud platform it's on. That's all interesting.

Jeffery Kendall:

But at the end of the day, that doesn't make a bank successful or not successful. It may make it easier or less and I'm sure that you could have a debate about that. But ultimately, at the end of the day, what makes a company successful is that they have the right partnership mindset. It means when they come up against something unknown, it's not like there's already a pre-described playbook on how to do it. It's the fact that they're like, "You know what, I care about this customer, I care about their success, I care

that this executive sitting across the other side of the table made a bet of my career on me." You got to feel that in your bones when you're a partner.

Jeffery Kendall:

What we've done a really good job, I think, at Nymbus from a culture perspective is bringing on people into our team who care passionately about, I just looked that customer in the eye, they told me what they needed, and I'm going to do everything in my power to make them successful. And it has nothing to do with the tech. It has nothing to do with it.

James Robert Lay:

I think you're onto something here. And it's something that I've been thinking about when framing out the next book, *Banking on Change*. And it comes back to what we were talking about before with digital transformation projects, historically, having an abysmal success rate or a high failure rate.

James Robert Lay:

And it's because I think the thinking and the commitment has been so much around ones and zeros to where if we flip that and we focus on human transformation, the people side, human transformation must precede digital transformation because digital transformation alone, historically, we've struggled with. But if we can really focus on the human element, human transformation, there's a lot of talk about centered design. And I'm more interested in human-centered growth here.

James Robert Lay:

Where might or what has historically held human beings back from connecting and collaborating with each other? I mean, once again, it's February 14th. Yesterday was the Super Bowl. It was a competitive event. Is this rooted in cultural? I know we're going deep here but it's just these are the things that I think of, this is what keeps me up at night. It's more of the human aspect. Because if we get the human aspect and the human element right, the technology, I feel, will just easily fall into place. And there'll be a tool to make things even that much bigger, better, brighter for us all.

Jeffery Kendall:

Yeah. I mean, I think that ... Well, the competition is when you have competing interests, that can be good in a way for the market, right? The fact that I see Nymbus as ... Part of our value is that we bring good software and good solutions to the market, and I believe that. But part of my job, too, is to push the other suppliers who there are going to be thousands and thousands and thousands of banks who'd never do business with Nymbus.

James Robert Lay:

Yeah.

Jeffery Kendall:

They're going to do business with the legacy players. But the value that I can add to that equation is if I become a gadfly and start pushing the other core providers to do things differently too and to help them change or at least create a voice in the market that says, "We don't have to just take this for granted, we could do it differently." Maybe you're not going to do it differently with us, that's okay.

Jeffery Kendall:

But if I can make your existing relationship better by making that other partner think about partnership differently, then I take success in that. And the only reason I say that is, in some ways, I compete with

those companies and I want to win, and I think that we have a different approach. And that's just natural in business. But in some ways, I kind of feel like I'm helping them.

James Robert Lay:
Yeah.

Jeffery Kendall:
And by calling out some of the stuff that maybe gets in BS. I have to just point out something, I was blown away last week. It was 7:00 at night, I was enjoying a glass of Cabernet and relaxing as the day was unwinding. And I started listening to Jack Henry's earnings call from the earnings call for the quarter. And I was blown away because one of the first things that was mentioned on the earnings call by the CEO, David Foss, was that the company was excited that they had grown the deconversion fee revenue for the company to \$25 million for the quarter. And my head started spinning.

James Robert Lay:
Right, right.

Jeffery Kendall:
I was like, wait a minute, you're happy that, number one, customers are leaving you because when they leave, that's when they pay deconversion fees. And then the second thing is you're totally fine with monetizing the fact that people are leaving to go to someone else because they're unhappy with the relationship that they have. And I'm not picking it. And any of the core providers would have the same sort of structure but I had never heard that before on someone's earnings call that that was like, "Hey, we're doing great, we're growing strength," \$25 million of deconversion fees out of it, like that blew my mind.

Jeffery Kendall:
And what it did is it set up for me going like, "Wait a minute, that's the wrong mindset. That's the wrong attitude." It should be ... In fact, if you have to charge deconversion fees, you should be actually ashamed of the fact that you're getting that much deconversion. And that should be telling you that something's wrong. And it just goes back to the fact that sometimes companies get so big, that everything gets driven by contract versus mindset and partnership.

James Robert Lay:
Yes.

Jeffery Kendall:
Because if you got a partner mindset, you would never ever, ever even think that way. And so that was like a real data point in the world that got me thinking like, "Man, there's got to be a better way for us to do this."

James Robert Lay:
And I think that there has to be an even better way to move forward because there's that phrase, it's one that sends chills down my spine, we've always done it this way. We've always done it this way. And maybe I'm just a contrarian. I've been in the space for 20 years now. There's the old word Robert Frost poem I saw in ninth grade and it would hang in Ms. [Bango's 00:19:20] English class. And it was two roads diverged in a yellow wood and I took the one less traveled, and that has made all the difference.

James Robert Lay:

But I was looking at that poster, I'm like, "I want to go down the middle. I want to go blaze a trail that's never been blazed before." It's probably going to hurt because the path is not clear. I'm more interested in that. And I'm curious because one of the things that you noted in the article, this idea of like industry standards, what can be done to help transform this conversation to go beyond, this is the way that we've always done it or "these industry standards" that have been the status quo for the last few decades? Where do we go next?

Jeffery Kendall:

I think part of it is that the industry needs to start having meaningful dialogue around these terms. And it needs to be done outside of the context of an individual deal or not. And so, in this buying ecosystem, right, on the one hand, you have the banks who need technology, and that's just part of what they need to operate and run their business. You have the technology providers. Then you have a whole army of consultants that are out there.

Jeffery Kendall:

A procurement process in banking, especially in community banking where resources are thinner than mega banks, you're going to see a lot of engagement of consultants to come in and negotiate contracts between a tactical provider and a bank. And I think what needs to happen is there needs to be an honest dialogue between those three groups to say, "Okay, what are we comfortable with, just sort of what are the norms of our industry that we're going to be comfortable with that help elevate us all?"

James Robert Lay:

Yeah.

Jeffery Kendall:

And then what are the things that might prevent competition? And then what are the things that are going to make banks put banks at risk because they're locked into something that's not performance based, it's time based?

James Robert Lay:

Yes.

Jeffery Kendall:

Because that's going to be the preventative to growth. And so, what I've been trying to do is develop relationships with the consulting side saying, "Hey, when you're a consultant, you are trained by the vendors of going into the banks," and saying, "Look, every core provider makes exclusivity part of their contract, I'm sorry, you're just going to have to deal with it."

Jeffery Kendall:

Well, if I can raise my hand and educate the consultants and be like, "No, actually, we don't require it," then it gives them the power to go, "You know what, you should negotiate that out because even if you don't buy from members, they're willing to do it." So I think the more and more of the startups and the early-stage companies like ourselves, who challenge the status quo and stop being afraid of the big legacy players, I think that's where true change can happen.

Jeffery Kendall:

So if you're a bank, start betting on the earlier players who will partner with you. If you're a consultant, do your research and find those. And if you're an emerging company, don't follow the big guys, do things

green bar

differently, right? Make it so that you're more aligned with your customers and that's where magic will happen.

James Robert Lay:

I think another output of this idea of collaboration, back to your point of just having conversation, having some dialogue, having some discourse, and doing it in a way that comes from a place of positivity, not of like ... The world is full of negative. I mean, I even open up the conversation, I always open up every conversation, what's been going well, what's good for you, because you can literally change the energy of a room. And I've seen it happen so many times to where the conversation will always go positive.

James Robert Lay:

I think about all the time, there was a financial brand I was coaching. And their CFO came to me, it was a private dialogue with her. And she was like, "I just had like the worst conversation with my CEO about something." I don't remember what it was but I remember this. And I said, "What happened?" And so she told me, I said, "Did you start off by asking what's been going well?" She said, "No, you're right." It was like that moment of self-awareness that that one simple question could have transformed the entire dialogue that transpired after that initial question.

James Robert Lay:

And so, I can see another opportunity here is not just the ideation and really the rapid turnover of new ideas but accountability can come through collaboration as well. Thoughts on accountability?

Jeffery Kendall:

Oh, man, it's so magical but it's so hard to commit to because you're being accountable, right? It's taking a bet and saying, "Hey, I'm going to do this, and if I don't, then there's real consequences for me." I don't get the customer. I don't get the contract. I don't get paid. You can't go on. There's real things there.

Jeffery Kendall:

And I think when you lean into saying, "You know what, I'm not going to make someone else hold me accountable, I'm going to hold myself accountable," that's where real power comes from. So, you can't make someone else accountable.

James Robert Lay:

Yeah.

Jeffery Kendall:

I'm a believer in that. It has to emanate from within themselves to truly come out that way. And so I think that's something that we, as an industry, need to work on. It's just, I don't know, maybe pointing out our own BS a little bit more. Again, I'm on the software vendor side and this is probably one of the guilty parties in this equation is just, we're really trying to sell stuff. We're trying to make new solutions or we are trying to help people but there's a lot of mistrust of vendors and suppliers. And I think owe it to ourselves to hold ourselves accountable to get rid of some of that perception in the market that's out there.

Jeffery Kendall:

And I think it comes from having open honest dialogue. I made a post on LinkedIn last week after Fiserv announced the acquisition of Finxact and Jack Henry had made an announcement. And I just gave my take on it, which I tried to not be just attacking people but I try to call it as I see it and say, "Are we really having the right conversation as an industry?"

Jeffery Kendall:

The amount of people that came to me in person ... I went to a conference actually. I was at a conference during that. Two days later, another CEO of a software company came up to me, he said, "Man, you nailed it, you have the right thing, I'm so glad that you had the guts to say that." And I was like, "Oh, yeah, yeah." He's like, "I don't because I'm a partner of one of those companies and they would have dumped all my business." So I was like, "Well, that's what's holding you back from telling the truth and having this hard conversation is that you're afraid of that?"

Jeffery Kendall:

And I made a commitment to myself that I want to be respectful and I don't want to be a jerk but I want to make sure that this industry is having the right conversations. And I'm not going to succumb to the fear of pressures of larger companies and things like that. I think if we want to make a change, we have to take an approach like that.

James Robert Lay:

It's something that my wife and I in Episode 167, she came on. And it was all about truth and truth-telling. And even Brene Brown, I mean, she writes, ""You can choose courage or you can choose comfort. You cannot choose both." And it's this idea of two paths diverged in a wood. And I didn't take the one less traveled. No, you blaze your own trail down the middle. And it's one that does take some courage to make that commitment. But to me, that's where the really big transformation happens.

James Robert Lay:

And really the three keys that I see for any type of transformation, start, number one, telling the truth, no matter how uncomfortable it is, about where you've been, where you're at, where you can grow next. Number two, getting the training and education to help others see what they can't see just yet because you're seeing something a little bit different. And then the number three, simply taking time to just think about those next best steps forward based upon what you've learned because it all comes down to a shift in perception. You see something a little bit different, that will then help you think differently, that will then lead to different feelings and emotions, which will ultimately lead to different actions, behaviors, habits. And that then leads to the whole new future, I think, we're all working to create.

James Robert Lay:

We want something better for this industry. It all comes down to, I think, back to the word that you mentioned, which is, in fact, trust. Next steps going forward. For the dear listener, when it comes to what we've talked about today that they can do something small to make some progress on their own journey of growth and around the ideas that we've been talking about here, what would be something small that they can commit to do next?

Jeffery Kendall:

Look, for me, it's starting the conversations and sitting down with the people who you consider to be strategic partners and saying like, "Look, are we both really committed to this relationship?" And I'm talking about the person who might be wondering, "Should I continue doing business with this partner or not?" Right? And maybe you're already there and you have a great partnership, and that's amazing and keep that going. But have those regular conversations about it that says, "What is it about this partnership that is either working or not?"

Jeffery Kendall:

And it's almost like ... I think a key to a healthy marriage is to have check-ins.

James Robert Lay:
Yes.

Jeffery Kendall:

And it's got to be done during a time when there's not a problem. That's like one of the most important things I've learned about having conversations in marriage is like, if you try to address the problem that you're feeling the pain with right now, it becomes very hard to be objective about it. You have to create some distance between what happened and then being able to really look at it and have a open dialogue.

Jeffery Kendall:

I think that's, a lot of times, where vendors are. So don't try to have that conversation when somebody just messed up and there's an issue that has to be taken care of but sit down on a regular basis with your partners and just say, "What are you getting out of this? What do you want me to get out of it? And how do we make sure that our interests are aligned?"

James Robert Lay:

So my wife and I, one of the things that we said early in our relationship before we got married, and we had a formal six and a half year courtship, are we doing this because we're comfortable? Are we getting married because we're comfortable? And it was really just the honest conversation. And then after that, we had some challenges and struggles in marriage and we get into marriage counseling. And then back to your point, it's having those continued check-ins. Even now, we'll still go see the marriage counselor.

James Robert Lay:

And it was so funny, like one time, we were going to go ... And it was just a check-in. And then some conflict popped up and I'm like, "Are you serious?" We have to go now deal with this conflict because we were just going to go check-in. But I think that's another key takeaway with all of this. Sometimes an objective third party can help facilitate a dialogue to where we're just so close to whatever it is that we're dealing with in a relationship, and that's what this is all about. It's just about relationships.

Jeffery Kendall:

I think you have a new business model there, by the way. I'm just going to say that I think you could be the third party helping bring partnerships together with banks and partners, so.

James Robert Lay:

Well, that's something that's ... Yeah, it's definitely in my mind because it's all about connecting people to do even better. One plus one equals 11.

James Robert Lay:

Jeffery, great conversation as always. If someone wants to connect with you, continue the dialogue, the discussion that we talked today, what's the best way for them to do that?

Jeffery Kendall:

[crosstalk 00:31:04] on LinkedIn. LinkedIn, that's the easiest way or email jkendall@nymbus.com.

James Robert Lay:

Connect with Jeffery, learn from Jeffery. Jeffery, always a pleasure, man. Thank you so much for joining me in another episode of Banking on Digital Growth.

Jeffery Kendall:

Hey, thanks a lot, James Robert. Have a great day.

James Robert Lay:

As always, and until next time, be well, do good, and make your bed.