20 Questions

Industry Thought Leader Interview

MGI Research

Enabling the Digital Business Platform

May 9, 2016

Summary: Today's businesses need to constantly anticipate and adapt to new and existing competitors that are taking advantage of new business models enabled through SaaS based solutions. Navint is a uniquely positioned consulting services business that helps companies develop and transform their business models to leverage these technical capabilities. To give us insight into the dynamics of this growing market, we invited Navint CEO Jim Martindale to join us for 20 Questions – an MGI Research Interview Series with leading technology industry executives, innovators, and investors.

Key Issues

- What new business models are enabled by the cloud?
- What will it take to compete in 2020?
- What new business models are enabled by Agile Monetization Platforms?
- Who are the key players in the agile monetization ecosystem?

Jim Martindale Profile

Mr. Martindale has been in the Management Consulting and Business Transformation industry for 20+ years. Prior to serving as CEO Navint, Mr. Martindale held the following positions:

- Managing Director, Business Consulting Services, Tribridge, Inc.
- Vice President, Business Development, Spry Technology Group

Mr. Martindale holds a Bachelor's degree in Business and Accounting from the University of Hartford. He is also Black Belt certified in Lean Six Sigma.

Andrew Dailey: *Welcome to MGI Research's 20 Questions – interviews with leading technology executives, innovators, and investors. Today's guest is Jim Martindale, CEO of Navint. Jim, give us a quantitative sense of Navint's business today.*

Jim Martindale: We did just about 20 million dollars in revenue in 2015. We hope to grow, about 10% to 15% conservatively this year, obviously hoping to do a little bit better. We have 80 billable consultants, servicing clients across the spectrum of business and technological challenges.

From an industry perspective, we have deep expertise in the media/entertainment, apparel, consumer goods, financial services, and manufacturing/distribution industries.

Andrew Dailey: *What do you see as the major challenges facing companies in those segments today?*

Jim Martindale: I think they have some similarities and certainly some differences by industry. In media and entertainment, the business is being stood on its head. Everybody is scrambling to move to a digital delivery platform, and really struggling with the transition from a traditional broadcast consumer model to a digital on-demand or subscription-based service.

The apparel and consumer goods industries are just getting killed and are transforming rapidly from a traditional brick-and-mortar selling model into what everybody is hoping or trying desperately to get to - the omni-channel world of buy online, return to the store, buy in a store, return online, and then all the pricing complexity that goes along with those models.

Within financial services, regulations and compliance have become a massive driving force inside all the big institutions.

Andrew Dailey: *How are today's business challenges different compared to those of 10 years ago?*

Jim Martindale: The differences are dramatic. Information is very fluid and available to whoever is consuming it in every industry. It's become super competitive, so you either have to be really good or the best at what you do, or you have to be doing something that's innovative and/or dramatically different. If you aren't different and aren't better, you are doomed.

Andrew Dailey: *What are the biggest competitive threats that companies face today? Do you see any difference for the companies that are trying to become digitally enabled versus traditional companies?*

Jim Martindale: I would first ask what a traditional business is these days. Everything is shifting right now. Even the most traditional businesses are moving quickly to be a little bit different or at least perform the same old services or delivering the same old products differently. That said, I don't think every business needs to become a digitally enabled business in the sense that all of its revenue derives from a digital delivery platform. It's just not possible for a turbine manufacturer or a company like Caterpillar. But what we are seeing is that if you don't have really high service levels and if you are not collaborating and partnering with your customers, then you're not going to survive.

Certainly with so many new digital tools becoming rapidly available, it is a real challenge to decide which new technologies to choose and learn how to use them to service the necessary transformations. So no, I don't believe everyone is going to become a full digitally enabled business, but everybody is definitely scrambling. The biggest competitive threat is information. Information is moving around the globe really fast and if you're not moving as fast as or faster than your competition, then you're probably not as good.

Andrew Dailey: *In your conversations with CEOs in industries undergoing fundamental upheaval, what comes up when you discuss what needs to change and what things can stay the same? Where should people be focusing?*

Jim Martindale: It's an interesting question. A CEO's job is to enable people to excel at what they do, and I think that's more important than ever. Organizations need talents and vision, and they need to execute. We try to help our customers focus solely on what makes them better and/or different from their competitors. If they focus solely on that and try to be the best at it, thing else can change. So, if something is non-value add or if it is high transaction cost or if it is non-core to what makes you ter and/or different, then it should be changed into something faster, better, or cheaper. But what you shouldn't change is your

About MGI Research

MGI Research is an independent industry research and advisory firm focused on disruptive trends in the technology industry.

The firm was founded in 2008 by a group of senior analysts and executives from firms such as Gartner, Soundview and Morgan Stanley.

MGI is the only firm with a dedicated practice around agile monetization, including billing, CPQ, financials, and revenue recognition.

Through its research, ratings, forecasts, advisory engagements, industry studies and conferences, MGI Research helps clients identify opportunities for reducing IT costs and minimize technology risks.

Most MGI Research analysts have over twenty-five years of tech industry experience as IT and/or vendor executives, CIOs, Wall Street professionals, management consultants, and academics.

MGI Research emphasizes the application of highly quantitative and structured methods in creating decision support frameworks for its clients. MGI has built a number of proprietary industry metrics, benchmarks, and indices such as the MGI 10KScore, MGI Cloud30 Index, and the MGI 360 Ratings.

culture, your people, and your focus on what makes you better and different.

Andrew Dailey: *Where do you draw the line in terms of renovating the legacy infrastructure versus building totally new?*

Jim Martindale: It's a huge challenge. We don't advocate necessarily throwing out legacy investments and doing a wholesale replacement. Some of those applications do certain things very well and they do so at low cost. So, if it's not purely transactional or just storing lots of data or if it's serving reports to a lot of consumers, whether they are internal or external to the organization, maybe those are best left untouched. But if there's an opportunity to introduce new cloud or Software as a Service (SaaS) technology that will improve certain functions, then you should absolutely consider a change. Thousands of technology choices have entered the world in the last five or six years, and navigating through these choices is tough.

Andrew Dailey*: There's a lot of pressure on companies to expand their pricing options, - moving, for instance, from a one-time payment option to a monthly or annual subscription or some type of usage-based model. What do you see as the business and IT challenges that companies face as they change their pricing models to adapt to these new pressures from customers and competitors?*

Jim Martindale: This is an area where many companies are struggling today. Whether it is in response to a competitor introducing a new pricing model, or driven by sales or a product team internally, companies are looking at this whole shift from selling a product to selling a solution, and this shift includes new pricing models and new consumption and delivery models. It puts a lot strain on the order to cash cycle. We have customers today working through exactly these problems. Essentially you have business processes and systems that are very traditional, and the organization is under a lot of strain because of the inadequacies of those processes and systems. As you look to address those issues, we think it's important not to lose sight of the opportunities associated with dynamic pricing, creating product bundles, and re-thinking the tools/weapons that the sales teams have. It starts with discovering new product and services possibilities, evaluating a range of pricing models, and then making sure that the entire organization – from sales and product management to finance and business operations have the right tools to bring new product and offers to market at scale. It's a dramatic shift in how the organization does forecasting, cash flow and investor statements, production, customer support and much more. It's an end-to-end transformation when you look at the implications of these new pricing options and to really seize the opportunity, it requires an end-to-end re-engineering of people, process, and technology to make it work.

***Andrew Dailey**: You mentioned the importance of rethinking the relationship between sales and the rest of the organization. How important is it to understand and map that relationship between the customer and the provider to make these new models work successfully?*

Jim Martindale: It's critical. If you've got a business model that is evolving to or moving towards consumption and/or usage-based model, you as a provider need to be very tight with those consumers. You have to meet, adapt, and support their changing needs. The closer you are to understanding your customer, the more likely you will able to further monetize your product or services. You're looking at their consumption, you're adapting your product, you're changing your delivery, and you're doing all the things necessary to monetize your product while supporting your customer.

***Andrew Dailey:** What are the critical skills and resources missing in companies today?*

Jim Martindale: We consult primarily to Fortune 500 to Fortune 1000. In these fairly sizeable organizations, we often see a lot of folks doing their job the way it has been done for a long time. Since they're not familiar with the evolving business models, they struggle with concepts that for many of us have now become basic. I think a lot of businesses are having a tough time understanding that relationship that we just mentioned—the crucial relation between provider and customer. If you are not tight with your customer, you don't feel the pressure to understand and adapt to their changing needs. That's really more on the business side but it overlaps with operations so that there is a lag in keeping pace with the rapidly evolving technologies. Six years ago there was no specific product in the subscription space, but today there are subscription products everywhere. Unfortunately, the core skill set inside many organizations has not been able to keep up. At Navint, we have been in the vendor selection, people, process, and technology space for a long time, so we're very aware of the speed of change. The technology landscape is cluttered with vendors. In the world of SaaS solutions, products can pop up fast and disappear just as fast. It's confusing and many folks struggle with the dual challenge of technology evaluation/section and business process change. Navigating the business change is hard enough, and compounding it is the ever-shifting technology landscape.

***Andrew Dailey:** How do you define the markets you address and what do you see as key growth drivers in those markets?*

Jim Martindale: In the '90s we made our mark in helping businesses transform their processes – much of this was driven by the adoption of new business configurations, for example the shift towards focused factories and new approaches to sales and distribution. Underlying these changes was the implementation of ERP systems. For many organizations, it was an opportunity to increase competitiveness, in part by rationalizing their operations, streamlining their costs, and concentrating their IT foundation around a single, integrated application. Our goal today is the same - helping folks re-engineer their business and operations and adopt new technology. We're still talking about business transformation as a leader, technology as the enabler. Today's enabling technologies, however, are vastly different – they give the business more speed and flexibility compared to most systems that were implemented in the 1990s and still in place today. At Navint we stress a couple of key areas. One is in the subscription recurring-revenue space which we feel is making it's way into almost every business model in one way, shape, or form. Whether you're a business that is trying to determine how to move to a subscription based or recurring revenue model or you're a business confused as to how to capture, categorize, price, and account for recurring subscription revenue, that's where can help. Our other core focus today is to help folks navigate through traditional ERP thinking in a big-system world and determine whether to replace it, and if so, with what. As in the 90s, our goal is to help our customers realign their business processes. Today this realignmnet usually means moving into the cloud and subscription recurring revenue.

Andrew Dailey: *What is the unique value-add Navint brings to its clients?*

Jim Martindale: We're transformation specialists. That's why folks purchase Navint's services. We have a broad understanding of the technology space, and we're known for business transformation. Our unique strength stems from the quality of our consultants. We bring a very experienced team--15 to 20 years on average--a hard-hitting, seasoned delivery team dedicated to business transformation.

Andrew Dailey: *Where does Navint fit in the competitive spectrum, relative say to McKinsey and Accenture on the one hand and maybe tier-2 providers on the other? Who are the competitors you see most often?*

Jim Martindale: Accenture does not really fit in our territory because they try to be everything to everybody. And we're not a strategy-only firm, like McKinsey or BCG. Where McKinsey or BCG leave off, often times we enter. So, they might do a high-level business strategy assessment and evaluation and then leave their customers to execute that strategy. Then the company will ask, "Now what do we do?" That's when we enter and begin to help them execute the strategy. So, who are the competitors? We sometimes see mid-size firms that come out of Accenture. We see IBM. If there are particular vendors in play, we always see the likes of Oracle and SAP in large projects and NetSuite and Workday and some others at the lower end. We see Cap Gemini, we see Deloitte. Our customers are predominantly Fortune 1000, so we don't see a lot of tier 2 providers. We think we occupy a pretty unique spot on the competitive spectrum.

Andrew Dailey: *Why do your customers select Navint versus anyone else?*

Jim Martindale: They select us because of our high touch, client-first attitude. A lot of our services are sold to the CEO, CFO or CIO. Often they've tried the big consulting services and they're tired of the churn. They're tired of not knowing who their delivery team is going to be and how it is all going to come about. At Navint we deliver a high-value, client-based team. We work with the customer to do what's right, not only what's in the contract. It's important to note that we're honed in on a few industries—the ones mentioned earlier— media/entertainment, apparel, consumer goods, financial services, and the manufacturing/distribution space. Some of the other competitors do a little bit of everything for everybody. We're focused on a few core industries and really, really focused on digital transformation. We are not tied to a specific software or ERP vendor, such as implementing only Oracle. We help our customers pick the right solution and then help them implement it. That's how we are different.

Andrew Dailey: *What might be the primary concerns for a company evaluating Navint?*

Jim Martindale: Certainly size. As I mentioned, most of our competitors are much larger. Though our project teams end up being fairly sizable, a potential customer may worry about our ability to support the project. Geography is probably the second biggest challenge. We specialize in hands-on transformation, a task that requires on-site, on-premise resources.

Andrew Dailey: *Last year you brought in a private equity partner. Share with us the logic behind that deal. What will that allow Navint to do that it couldn't have done previously? Do acquisitions fit into your future plans?*

Jim Martindale: We have been fairly successful at growing the firm organically, funding growth out of profits. We have a strong customer base. We have great consultants and we've invested in infrastructure, so a sound platform is in place, ready for additional growth. We joined with Boathouse because we find them to be a perfect capital partner to support our growth. We expect to make at least one acquisition in 2016 to help us enhance the service-line focus we discussed earlier. Ideally, our new acquisitions would also give us more geographical advantage so we're looking for something west of Chicago. Although we travel around the world for services, right now, we're predominantly a Northeast US firm. Thus, we're trying to target acquisitions that support our current go-to market strategy and expand geographic reach.

Andrew Dailey*: From an organic point of view, where are you focusing your investments?*

Jim Martindale: We've done a fairly good job refining our infrastructure and back office. Since they are well positioned and tightly run, we are devoting the bulk of our 2016 investments to a targeted selling and marketing strategy. We aim to broaden our marketing and our selling efforts with dedicated sales folks in select target markets.

Andrew Dailey: *Last year you announced partnerships with Aria Systems and goTransverse in the Agile Monetization market. What are the unique benefits those partnerships bring to your client base?*

Jim Martindale: They are great for us because they are solving a very specific market requirement that we touched on earlier – subscription billing and monetization. Since we focus on the business transformation, and they are a natural complement with their technology solutions that help automate billing. It's also a good fit culturally as we share common goals. They're trying to do what's right for their customers as they're trying to grow. We're trying to do the same. And like us, they're both nimble organizations.

Andrew Dailey: *Where do you see Navint in three years?*

Jim Martindale: If we are able to execute our acquisition plans, we aim to triple in revenues over the next five years. We want to continue to be a leader in transformation but with an eye on a couple of core business process areas and core technologies. Helping clients uncover new sources of revenue and optimize their entire quote to cash cycle is a primary focus. We're increasingly viewed as a thought leader in that area, and we want to sharpen our capabilities even further. We also hope to be a little bit broader nationally, deepening our presence on the west coast and expanding our footprint in the southwest. That's the plan.

Andrew Dailey: *What's your take on the macroeconomic picture? In 2015, everybody was focused on growth and now there seems to be more cautious optimism. Where is it all headed?*

Jim Martindale: It's certainly choppy. Folks in the market are uneasy about large expenditures. Our view at Navint is that it's noisy predominantly because of oil prices. If you look at companies, the markets, the economic metrics like GDP growth, the unemployment rate – most of the key economic indicators point to a healthy economy. We hope that as we push through the election year, the seas will calm, and everybody will look back and say, "Wow! We're doing really well." But it certainly is puzzling. The indicators are all positive, but everybody seems to be shortening their sails. Nonetheless, I think we're going to right the ship here in the next several months, and everybody will be happy.

Andrew Dailey: *Where do you think IT spending and investments are headed this year?*

Jim Martindale: I see three things going on this year. First, IT budgets are contracting a little bit from 2015. It's nothing dramatic, but it adds to the challenges of the CIO who is always asked to do more with less and find ways to recycle budget dollars. Second, there is the issue of capital expenditures vs operating expenses. As SaaS solutions cover more and more enterprise processes, software spending is shifting from a large capital expense to an operating expense. It impacts the P&L in ways that large ERP projects, which were capitalized, didn't.

We're seeing a strong desire for all organizations to push to a more standard delivery platform. A lot of folks allowed their ERP systems to be highly customized – to the point where it is expensive to maintain them, and painful to upgrade these systems. The rise of capable SaaS solutions is pushing folks to rethink this notion of heavy customization across the board. Progressive CEOs are challenging their organizations to focus on the business processes where they can differentiate themselves, and to drive lower costs everywhere else. We continue to see significant technology investment on the revenue side of the business – from chasing revenue (sales and marketing), to managing revenue (billing, order management, and operations).

Andrew Dailey: *How do you see the finance and IT functions evolving? You talked about the desire for a more consistent business platform. What do the finance and IT functions need to be addressing?*

Jim Martindale: Our view at Navint is that these functions should be shrinking to make better core systems. Better information, better reporting, and better analytics should finally get a lot of these organizations out of day-to-day transactions and data manipulation and Excel spreadsheets and Access databases and all the stuff that sits off to the side of these business functions. If they can get to a standard of sorts, both functions should turn from a transaction orientation to delivering more insights (analytics) that support the business versus just accounting for it. That's certainly something that we're pushing folks to consider. We are also seeing folks become more accepting of outsourcing of non-value-add functions. Whereas ten years ago folks resisted giving their data to a cloud-based application, that reluctance is gradually fading. Finance has moved to the front of the business, helping lead the business, helping to apply data and analytics to the business rather than simply accounting for it. The same is true for IT. For the past 20, 30, 40 years, IT had to keep these applications running, write customizations, and support new integrations and perform backups and batch loads and all the other activities necessary to keep the business running safely and reliably. The cloud and SaaS applications are an opportunity for IT to become more visionary. Freed from the demands of simply keeping things running and backed up, IT can reorient itself to address vital questions: “Where are we going next? How can we better support the business?” IT organizations are already becoming leaner. CTOs are coming into organizations alongside traditional CIOs. As the traditional CIOs’ role decreases, the CTOs’ role increases. We’re definitely seeing things moving in that direction.

Andrew Dailey: *And in closing, Jim, share with us a prediction. What do you think will be the biggest surprise in 2016?*

Jim Martindale: People will be surprised at how advanced and how fast and how robust the new SaaS-based applications are. We had a customer just recently, a very high level executive who was adamant that a cloud-based application had no chance of replacing her enterprise payroll and benefits solution. But three weeks into our exercise, she said, “You guys are right and I was wrong, I had no idea.” Folks that continue to implement traditional systems are missing the boat. They need to bite the bullet and get on standard SaaS applications, cut costs, standardize business processes. The sooner they get on board, the better off their business and organization would be.

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