

By Using Imaginatik's Idea Central Collective Intelligence Software And Services As A Community Application, Blue Chip Companies Are Significantly Increasing Their Employee Engagement, Solving Problems Faster And Seeing Real Financial Returns

Technology
Collective Intelligence
(IMTK-AIM)

Imaginatik

6 Wessex Business Park
Wessex Way
Colden Common
Winchester SO21 1WP England
Phone: +44-20-7917-2975



Mark Clifford Turrell
Chief Executive Officer

Company Profile:

Imaginatik (AIM: IMTK, OTCBB: IMGKF) is the leading provider of Collective Intelligence solutions, including Collaborative Innovation, Open Innovation and Idea Management technology and services. Some of the world's leading companies use our Idea Central software platform to identify and develop the important ideas and strategies that will drive the future of their business. For more

than 10 years, Imaginatik has helped customers including CSC, Pfizer, Boeing, Chubb and Cargill achieve outstanding results with the experience of its consulting team and highly configurable web-based software.

Interview conducted by:
Lynn Fosse, Senior Editor
CEOCFOinterviews.com

CEOCFO: Mr. Turrell, what was the vision when you founded the company and how has that changed today?

Mr. Turrell: My vision for the firm started almost twenty years ago, and that is how can organizations tap into the brainpower of large numbers of people to go and do 'stuff', whether it is giving employees a voice to share their ideas, or encouraging a large number of people to implement internal programs or even find products. This whole vision was really around how do you tap into mass brainpower, what we call **Collective Intelligence** to go and do 'stuff'. That was the vision. In terms of where we are at right now, given that vision I had during my doctorate, we have gone a very long way toward turning that vision into reality. That vision now has been fleshed out with software and technology through professional services and through our client base of 50 blue chip customers around the world across a range of different industries.

CEOCFO: How do you achieve that? Would you give us a case study of what you do with a particular company and how it makes a difference?

Mr. Turrell: The key is leadership and engagement. Certainly, if you have no leadership involvement you have no good

direction and you have no commitment to follow it. For example, Pfizer is one of our clients and they have been using us now for four years, mostly in R&D, but other areas as well. What their leaders are now getting comfortable doing is using Collective Intelligence to solve their problems. So instead of relying, say, on the insight from just a few scientists working on a problem, they can now immediately ask 1,000 scientists or more, to see what their ideas are to increase the diversity of the thought. In practice, employees might receive an email, some communications with their corporate portal or some other form of internal communication, maybe backed up by management weekly meetings. The communications would describe the challenges for the month for people to work on in volunteer time, and highlight that there are leaders waiting with evaluation teams and budgets to implement the best concepts. One of the specific challenges that Pfizer used Imaginatik's Idea Central software for was trying to find additional indications for drugs going through clinical trials, so that instead of having a drug merely for diabetes you will be able to do different things. They already know this by having a broad range of people look at some of the evidence that is coming out. In another case, they have been using our software and methods in their industrial chemical sites to make changes to chemical reactions at massive scale, which helps save millions of dollars off the cost, or allow for making the drugs more affordable or increasing profitability. Also, they have used the same software to improve HR and employee engagement. Pfizer recently went through a restructuring and they closed down a number of R&D centers. Normally in that process

they can make offers to their staff to try and keep them in the office or to relocate or caught up and the small percentages of people that you want that actually stay on. By using our system almost as a community application, having lots of people, they managed to significantly increase their retention rate of employees, which really has a very large financial benefits and great cultural benefits as well.

CEOCFO: What is your role when you are working with a company like Pfizer?

Mr. Turrell: We have advisory services around the use of this 'human brain power', covering topics like change management, employee engagement, leadership, evaluation workflows and reward and recognition. Then from the technology perspective, the technology for this is absolutely essential. As the CMO of General Electric told me, "you can't put 300,000 people in the room," and technology is essential for doing that. We have a software product called Idea Central, which is really a software platform. We work with organizations to understand the type of problem they need to solve with Collective Intelligence and innovation, then customize that environment to fit. A company like Pfizer has tens of different customized versions of our software running, supporting different parts of the business. Once we have delivered our initial consulting services, we then continue to support our clients with advisory, with training and fundamental capability enablement so that they are able to integrate it into the fabric of daily business over the next two to ten years.

CEOCFO: What is the competitive landscape like for you?

Mr. Turrell: The largest competitor that we have always has always been apathy. Even though innovation seems to be important, many firms would rather do nothing. Apathy fortunately has been losing market share. Our primary competitors are very small companies that are very software centric and are trying to do pieces of this Collective Intelligence, primarily in an area called Idea Management. We do see a number of competitors such as IBM, Oracle, and Microsoft.

However, the marketplace is a very big attractive market for a company of Imaginatik's size. In reality it is probably not big enough yet for those larger companies to really invest in it, but it is going to mature over the next couple of years.

CEOCFO: How do you reach potential customers or are they coming to you at this point?

Mr. Turrell: One of the interesting things is that Imaginatik really created this industry about ten years ago as an enterprise capability and business in this area has been driven by two key factors: desperation and enlightenment. Desperation meaning that firms really recognize serious problems, they have tried everything else and an executive is desperate for anything that will help solve the problem. Enlightenment is the realization by leaders that this is a huge organizational asset that can be tapped into. Up until two years ago 90% of our business was driven

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through desperation, where they tried everything else, so they should try us. Right now its 40% desperation and 60% enlightenment. I think what is now happening is that the market dynamics have changed. Before we had to convince companies that our Collective Intelligence concept was an idea worth looking at, and then convince them to work with Imaginatik. Now there is a lot more acceptance that Collective Intelligence and crowdsourcing will become part of the organizational fabric, and our challenge is now persuading firms to choose Imaginatik as their enterprise-scale vendor.

CEOCFO: What has been the effect of the current economy on Imaginatik?

Mr. Turrell: The economy has had two effects for Imaginatik. One effect that we had is that most of our customers almost switched to the use of our software overnight from being more innovation and product development to being more cost reductions and process improvement.

What it meant was that a lot of companies who felt that their innovation programs were at risk -and many were genuinely at risk - were still able to use their investments in their infrastructure and their investment into Imaginatik to help drive up cost reduction, process improvement, etc. It really allowed us to help our existing customers justify continuing their investments, and drive new business to us in terms of cost reduction as a message. The second thing is that it did slow down our sales cycles for probably about sixteen months. We had several contracts, which vanished almost at the last minute and it was deeply distressing to find great companies and great teams simply cancel innovation initiatives wholesale. Now though in 2010, we do see organizations that are beginning to come out the other end in terms of beginning to invest again in innovation, beginning to invest again in something like this Collective Intelligence.

CEOCFO: You seem to go across a wide variety of industries, is there any particular focus?

Mr. Turrell: Historically we do have many different industries. We have pharmaceuticals, insurance, high-tech, and government clients; a range of industries in a range of countries. Going back to the company history, one of our marketing strategies was to publish in the public domain a lot of our case studies and research reports. This attracted firms who were looking for solution to their problems to come and find us. So to an extent our client base, and particularly our historical client base, reflects those companies and those individuals that perceived the need and perceived that our type of solution earlier than others.

Our strongest areas are in pharmaceuticals, insurance and other financial services, high-tech and manufacturing. Specifically organizations where there are a large number of people who would be called knowledge workers, so they have access to computers on a pretty consistent basis. Quite often those organizations are growing; they may be profitable or at least wants to be profitable again. They also have management that tends to be

driving forward to the future a little bit more than some other industries.

CEOCFO: Are there geographic areas you would like to make some inroads into, or does it make a difference where your clients are located?

Mr. Turrell: About 80% or 85% of the revenue generated from primarily the United States. The balance is primarily coming from Europe, and that is the United Kingdom, Northern Europe and Germany. We do have some customers in Australia and it is primarily being English speaking parts of the world. We do however have systems that are in operation all over the world. Cargill for example is one of our larger clients has been using our system across eleven Eastern European countries, all in Eastern European languages, but still having this common infrastructure provided by Imaginatik. We even have organizations in the food and beverage sector in China and Japan, to develop working systems around the Chinese and Japanese. I think in terms of international expansion, we already have some decent footprint into other countries. Most of our expansion geographically will come through partnerships, because there are clear differences not just in language but in culture and the way that we go to market. However, we do believe that the US market, the UK market and parts of our European market, so if you like, our home market, have a huge amount of potential. So I am always quite cautious looking at overseas expansion and are we distracting resources that might be more usefully applied in 2010 and 2011 in our home market.

CEOCFO: What do you look for in your people, what do they have to know and understand to help other companies?

Mr. Turrell: I am looking for great people. As a company I am really characterizing it around people that are smart and I am looking for people who are caring and really want to help. We as an organization focus on customer intimacy, to deeply understand the problems that our customers face and then work at how we can help fix them. This is an attitude that we make sure is there in our hiring and training process for our people. The other thing is we look for people that are smart

because there are a lot of counter intuitive aspects to our area. Our clients are very smart, and they are looking for smart people to help them accelerate their learning process. One of the ways is that we actually went through a branding debate within our organization about whether we would be the ‘crowdsourcing’ company, which is a popular term these days, or the ‘Collective Intelligence’ company. In working with enterprises, they really were beginning to see crowdsourcing as more of the ‘power of the mob’. It is not necessarily something that could be directed, guided, steered. This is where intelligence really implies enabling and then it is evidence and reality. It is a relatively small area, so really we have been looking at making sure we have very smart people and there are a lot of our employees that have post graduate degrees. They have really invested in their own education to have good understanding of whether it is human psychology, or financial reporting; sort of deep smarts. So those are the key things we look at in employees and we look at maintaining through our activities around boosting our human potential.

CEOCFO: What is the financial picture like for Imaginatik?

Mr. Turrell: We are a public company and our ticker in the UK is IMTK.L. We are traded on the London Stock Exchange and then we have a OTC quote in the United States [Pink Sheets: IMGKY]. We have been public for three years and last year we posted our maiden profit as a public firm, before stock option costs. We have grown four-fold over the last 4 years. We were recently nominated an EMEA Deloitte Fast 500 Company for technology. The bulk of our revenue comes from annual subscription licenses from our software and then we have an income stream from our consulting. The market expectation for the firm is under 6 million pounds sterling of revenue for this year, so just around \$10 million US, growing to GBP 7.9M next year. From my perspective as a CEO looking at the markets that we are in, Forrester Research recently predicted that the market for what they call Idea Management, a subset of our area, is growing 50% year-on-year. So I am actually looking at boosting the revenue growth rate and the

profitability rate of our company. The other thing though is that our goal is to create a much larger independent software and services company and at the moment at the level of revenue at the last 10 million going on 15 to 20 million, I don’t believe yet that we have sufficient scale in our business to switch over from growth to profitability. The intent is to grow at break-even rates but grow the top line potential so that we can get more scale. Therefore, those are the things that I am working on with my board of directors and the people on the ground over the next two years.

CEOCFO: You seem to have a steady stream of new contracts that you are announcing!

Mr. Turrell: We do indeed and this is interesting being a public company in that we will be communicating the new contracts in the material for our business. We also have other contracts that we are getting into. It is good news because it generates real revenue. It is also good news for investors because having a company that continues to generate new revenue and bulk up on recurring revenues is clearly a good investment proposition, particularly when you are operating in a market that has the kind of potential that we have with Collective Intelligence. However, it is in the early stages, so we are in a very good place.

CEOCFO: Do you focus on addressing the investment community?

Mr. Turrell: For me personally as the CEO of a public company, it is an important commitment. In addition, the people in our organization work with the investment community as well. We have a regular outreach every month, we have also recently invested in sponsored research so that not only do we have our own broker NOMAD in the United Kingdom (Arbuthnot), which is our investment bank, but we have also contracted independent sponsored third-party research to be able to convey messages of our business out into the investment community. The public market is important because more than 50% of the shares are in the public’s hands, so this is very much a public company. I think also that as an organization that is growing, to be able to use public markets for growth

capital is one of the reasons why we went public. In August 2009, we raised \$2.5 million US, three-times over subscribed at practically no discount to market because of new business plans that we had that our investors and new investors believe are very attractive. Pretty much since we have been public, almost every year we have gotten new growth plans to raise investment capital, so therefore having a good understanding of what the market needs is important, regular communication with the information they need is important. The fundamental is clearly to focus on the business and let the share price take care of itself. It is therefore essential that myself, my board and my management team really focus on doing fantastic work for clients at a good profitable growing rate. It is fundamentally the business that will drive investor interest rather than the other way around.

CEOCFO: In closing, why should potential investors pay attention, and what might people not understand that they should know about Imaginatik?

Mr. Turrell: The first thing is the marketplace; how to use Collective Intelligence, tapping into the brainpower of the masses is the new business intelligence. If 'business intelligence' is the ability to generate management insight through massive amounts of data, collective intelligence is the market that we have been creating and we are doing that for people. We believe that the Collective Intelligence marketplace will be huge, as powerful as business intelligence and this should give investors an idea about the type of rise that we are onto, albeit just about early stage.

The second thing is that Imaginatik as a company has a tremendous track record of delivering high-quality solutions, so we really have done what we said we were doing. We have that track record of blue chip corporate clients. Even if our revenues haven't quite caught up to the quality of clients that we have, there are major corporations from Whirlpool to Xerox to Chevron to Pfizer that have really understood what we have. So we

have a stellar client list and we have really only begun our expansion, and that should give investors a lot of confidence.

The final thing is just in terms of where we are at in our development. We've listed early, and revenues are up four-fold over the last four years. The share price has fairly significant volatility, which is normal for a small cap stock, but a tremendous amount of upside.

Certainly to those investors that have a good interest in technology that can really sense that there is a broader need with an organization to take advantage of this type of tool and to respect the fact that a company has actually been delivering, albeit at a \$10 million level, so at a small scale, clearly have a huge opportunity for upside as well.



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Phone: +44-20-7917-2975