

THE WALL STREET TRANSCRIPT

Questioning Market Leaders For Long Term Investors

BTM Corporation



FAISAL HOQUE is the Founder, Chairman and CEO of BTM Corporation (Business Technology Management Corporation). BTM Corporation innovates new business models, enhances financial performance and improves operational efficiency at leading global corporations, government agencies and social businesses by converging business and technology with its unique products and intellectual property. Mr. Hoque conceived and developed Business Technology Management (BTM) to help transform organizations into “whole-brained enterprises.” A former senior executive at GE and other multi-nationals, Mr. Hoque has authored a number of books, including *The Alignment Effect* (Financial Times/Prentice Hall, 2002), *Winning the 3-Legged Race* (BTM Institute/Financial Times/Prentice Hall, 2005) and *Sustained Innovation* (BTM Press, 2007).

TWST: May we start with a short overview of your company?

Mr. Hoque: BTM Corporation is a management solutions provider that innovates new business models, enhances financial performance and improves operational efficiency at leading global corporations, government agencies and social businesses by converging business and technology with its unique products and intellectual property (IP).

TWST: Would you comment on the features of your technology?

Mr. Hoque: The feature of our product is not just the technology alone but it is also the framework, knowledge and the content that brings it all together. It does this by prescribing a set of processes, organizational design and analytics that help companies achieve a better governance process, strategy and plan, enterprise architecture and investment management process. This allows a company to create a holistic view and management process, both from a business as well as from a technology point of view.

TWST: So the collaborative process is an integral part of the solution?

Mr. Hoque: Yes, absolutely. Along with our product, we provide various internal and external practitioners and thought leaders to our customer to bring deliver a full implementation of the solution.

TWST: How is the business model structured?

Mr. Hoque: Our business model is structured in a way that allows us to sell our solutions priced on a value basis. In other words, we don't charge a consulting fee or a traditional software licensing fee. We sell our solution as a program based on the financial return that our customers receive.

TWST: Would you comment on your target markets?

Mr. Hoque: A few years ago, our target market started out with a focus on the Global 2000. That has now expanded to government agencies, NGOs and social businesses. Our next phase of growth will target small to medium-sized organizations.

TWST: Do SMEs also have as broad a need as large enterprises?

Mr. Hoque: Yes, absolutely. In smaller organizations, the challenges differ in the sense that larger organizations have huge complexity, often dealing with consolidation and standardization, for example. Smaller organizations are looking for new ways of

doing business. Business model innovation is a major part of their growth strategy and impacts their top line as well as their bottom line. So the solutions we provide in those areas have a different impact on the small to medium-sized enterprise versus the larger organizations, Global 2000 organizations.

TWST: As IT spending takes a larger chunk of capital budgets, how large can it expand?

Mr. Hoque: This is a very interesting question, and this is why we call it a convergence because more and more, there is no IT versus the business, I mean it is all becoming the same because business models are highly enabled with technology and it's not just technology in terms of information technology, but operational technology and other types of technology as well. So we coined this term, convergence, partly because of the role technology plays in terms of business model innovation and business model operations, and we see that only increasing. So the capital spending on technology is going to grow and is going to have an overall impact on efficiency and cost cutting as well as a top-line growth perspective.

TWST: But you do not see a threshold where capital spending reaches a point of diminishing return?

Mr. Hoque: I don't think there is a question of threshold, it may simply be categorized and looked at differently. But what I'm talking about is a broader context of technology, not just the information technology.

plex. From our own business model point of view, where we have software, knowledge and a framework, you typically think of the traditional software model where you sell licenses. But what has happened due to the buying power complexity of the customer as well as what it takes to implement these programs, we have gone to more of a solution sale versus the traditional route of licensing or consulting. The industry in general is dramatically changing because of the complex nature and sophistication the modern market is reaching.

TWST: What are you seeing in terms of other challenges and your ability to adapt to your customer needs accordingly?

Mr. Hoque: Our challenge in the market ties back to a question you raised earlier about capital spending and justification, all of which have reached a new level of scrutiny and validation. So unless and until there is a financial value attached to your offering, customers are not willing to invest or buy anything. So from that point of view, I think one of our greatest credits or innovation, if you will, is our business model itself — in the way we sell and base our pricing in terms of our customer's maturity level. Based on that level, we can prescribe the things they should be doing to add financial value and then based on that we price our offering accordingly. It's a mentality that we adopted over the years by listening to our customers, and really paying attention to their needs.

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TWST: How do corporations deal with issues such as obsolescence and the disruptive nature of technologies?

Mr. Hoque: It's very challenging. Most of the companies still focus on utilizing technology for cost cutting. So that's how they justify the spending on technology. But more forward-looking companies are looking at technology as a basis of growth because they think they can innovate new business models that can actually cut down on other types of resources to grow the business. But it is very challenging.

TWST: What about complexity?

Mr. Hoque: Complexity is part and parcel of this process because the business models are becoming increasingly com-

TWST: You talked earlier about getting into new markets. What might they be besides SME?

Mr. Hoque: NGOs and social businesses are additional areas in which we see as potential growth.

TWST: What are you seeing in terms of business traction and momentum?

Mr. Hoque: There are two levels. First, we have always been conscious of a strong brand strategy that promises a high quality of intellectual capability. We've seen a great deal of momentum building around our brand and our concept of business technology convergence. Second, we have taken on a fundamental strategy of collaboration and partnership with major players in the industry. We

have established a number of partnerships with academics and industry practitioners as well as organizations including IBM, Northrop Grumman, and others on the commercial side.

TWST: Does BTM Institute operate independently of the corporation?

Mr. Hoque: Yes, it does. It is a non-profit and completely independent. Everything produced by BTM Institute is publicly available for all parties interested in learning more about BTM.

TWST: Who is your competition and what makes you unique?

Mr. Hoque: We sometimes face competition from consulting companies as well as some software companies. However, I have yet to come across another player in the marketplace that has brought all of these things together in one place to offer the one-stop solutions we provide to our customers.

TWST: Which aspect of your solution do you believe stands out the most?

Mr. Hoque: A combination of the management framework created and developed over the last nine years, combined with the analytics of our software, best practice knowledge, and then the ability to bring on industry and academic experts from outside for additional support. I don't think anyone has been able to pull together such a full-scale solution, all the while enhancing the financial performance of the customer. That's pretty unique.

TWST: How would you characterize your current rate of growth?

Mr. Hoque: We're growing at a comfortable level. We've been focused on the fact that whatever we do has to have referenceability and whatever we do must demonstrate success. So we've been more focused on that than growth for growth's sake. Quality is more important to us than quantity because of our constant focus on brand reputation.

TWST: Would you comment on your challenges and hurdles to success?

Mr. Hoque: The market that we are going after is still rather nascent — in fact, it's a market that we have somewhat defined and are leading. From that point of view, it is very challenging in a market so young in terms of maturity to get adoption of these kinds of offerings and the next level of sophistication that we're bringing to the space. Also, this is a very fragmented market. Understanding the market — from a customer point of view — is a real solution, and defining that brings great value. So those are the biggest challenges for us.

TWST: How do you reach out to your potential customers?

Mr. Hoque: We use a number of approaches to reach out to potential customers based on a variety of research and educational programs leveraging our intellectual property, our specific industry

partners — both industry leaders and niche players — and, of course, direct sales. Overall, it's our brand that plays the most integral role for us in those channels.

TWST: Who are your key partners and customers?

Mr. Hoque: Our customers have included Marriott, Northrop Grumman, Paccar, JP Morgan, and PepsiCo, to name a few. We have also done work within government agencies, such as the French Social Security Service and the US Treasury Service. In terms of the partners, we have a very wide range of partners. We have boutique consulting companies in the US and Europe, as well as large partners such as IBM. For our BTM Agrim, we have a partnership with Grameen Bank to focus on our social business offering. We have diverse partners in the commercial sector and, as I mentioned, we have deep relationships with academia.

TWST: Typically do you establish customer relationships on a multi-year basis?

Mr. Hoque: Yes, they are all multi-year programs because most of the work we do is transformational in nature for our customers, and therefore long term in nature of the relationship.

TWST: Do you reach out to international clients?

Mr. Hoque: Yes, we have both international partners and international clients and most of the global companies we work with are all multinationals. We've done work a great deal of work in Europe, and the opportunities there as well as in Asia are growing rapidly.

TWST: But the majority of your business is in the US?

Mr. Hoque: Yes.

TWST: Would you comment on the key members of your management team including yourself?

Mr. Hoque: We have a very diverse management team who come from Fortune 500 companies, for example, GE, PepsiCo, UBS and others. But we also have tremendous background in product development, technology product development and management science. Along with our core management team, we have an expanded group of Board and advisory members who hail from Fortune 500 companies, investment banking, venture capital and academia.

TWST: What occupies most of your time with the company?

Mr. Hoque: The BTM brand is extremely important to me, so driving that along with the direction of our intellectual products has always been a major focus for me — and I'm sure it always will be. Relationships are a fundamental part of this business, so I also like to stay involved and be available for our customers and partners at all times.

TWST: How is BTM financed?

Mr. Hoque: BTM is financed by private investors. For the most part, we (the management team and employees) are the investors in the company, but over the years we have taken private financing.

TWST: What are your key target benchmarks?

Mr. Hoque: The way we measure the company is from three perspectives. The first is how well the brand is being recognized in the market. The second benchmark is how well our innovation is in the areas of our products, services and solutions. That's the second criterion because that also drives the brand. Third is how well we work with our customer in terms of adaptation, pricing and delivered value. Collaboration with our partners and our extended network of experts is also key.

TWST: What is the long-term vision for your company?

Mr. Hoque: We are building a space and a company simultaneously, so our goal is to become the dominant player in the space we call business technology management (convergence).

TWST: Do you have any final thoughts?

Mr. Hoque: We're enjoying our ride. We've taken on building this space as a kind of "life mission" and we won't stop until we achieve that goal.

TWST: Thank you.

FAISAL HOQUE

Chairman & CEO

BTM Corporation

2777 Summer Street

Suite 702

Stamford CT 06905

(203) 969-9030

(203) 969-9031 – FAX

www.btmcorporation.com