

With its Cloud-based IT Project and Portfolio Management Solution, Innotas provides the tools to transform IT departments from a Cost Center into a Value Center

**Technology  
 Cloud Solutions  
 (Private)**



**Kevin Kern  
 President and CEO**

**BIO:**

Kevin Kern currently serves as Innotas' President and CEO, leveraging his 20 years of operational, sales and marketing experience with high-growth software companies. Prior to being CEO, Kevin was Senior Vice President of Sales and Marketing and was instrumental to the continued growth of Innotas by significantly expanding both the account base and company revenues during his tenure.

Prior to joining Innotas, Kevin was at TIBCO Corporation, an infrastructure software company, where he most recently served as vice president of sales for the Western U.S. and Mexico. Prior to TIBCO, he previously served 13 years at Oracle Corporation in several senior sales management roles. Kern was responsible for both application and database sales to the mid-market, as well as, to strategic

enterprise accounts in his last position as an area vice president, Oracle Product Industries.

Kevin is a graduate of the University of California, Berkeley with a B.A. in Political Science.

**Company Profile:**

Innotas, a leading provider of Cloud Solutions for IT Management, delivers a seamless way to manage Resources, Applications, and Projects across all IT. Innotas' solutions include Project Portfolio Management (PPM), Application Portfolio Management (APM), and Innotas Integration Platform. A leading technology company, Innotas is the recipient the Red Herring 100 North America award, CODiE award and named "Best Places to Work" by the San Francisco Business Times. It was also ranked as a 'Leader' in Cloud-based Project and Portfolio Management Services by Gartner. Headquartered in San Francisco, Innotas has hundreds of customers nationwide, including Bank of the West, Tiffany & Co., Crocs, Crayola, City of Memphis, RelayHealth, and World Vision.

**Interview conducted by:  
 Lynn Fosse, Senior Editor  
 CEOCFO Magazine**

**CEOCFO:** Mr. Kern, would you tell us about Innotas?

**Mr. Kern:** Innotas was formed in 2006, it was a garage band prior to that. That year, we onboarded our first customers and capitalized the company with the notion that multi-tenant single-instance Software-as-a-Service (SaaS) was not only the way to go, but certainly the best direction to take with project portfolio management,

which encompasses both project management and application management. The overall vision is to empower IT management with better decision-making and visibility into sustaining work, which is application portfolio management, and strategic work, which is project management. Typically, projects tend to have higher value resources allocated to them and tend to be generally more than a week's worth of work. These projects tend to be initiatives that involve moving the business forward on a strategic level. So it's much more of a strategic play versus the application portfolio, which deals with legacy applications and is essentially "keeping the lights on". There is a difference between how you allocate resources to both areas, which is why we built Innotas on a multi-tenant single-instance architecture so that you would be able to access data from anywhere at any time through any browser. Given the technology landscape today with remote product development and the advancement of tele and video conferencing, you have to empower people that can get to the application anywhere while that application has to be a single source of truth, which is what SaaS/cloud computing does. That was always our vision.

**CEOCFO:** What about today?

**Mr. Kern:** It's the same thing. The market and the mentality has certainly evolved but visibility and accountability is still very important to the business and in particular to the IT departments that we serve. With the current Sarbanes Oxley requirements, we typically see CIOs reporting up to CFOs, and now everyone is accountable not just on a sales and financial side but certainly on the infrastructure

side. CIOs have to be accountable for how they spend their money, and we provide that visibility through our application. We allow them to manage, track, trace, and put metrics on all their work, which is being done in across the PPM and APM world through the Innotas dashboards and reporting engine. This is an area where the Innotas solution has always been very strong. The vision has not changed that much, but in terms of the market there is certainly the compliance issue but more importantly the notion of cloud computing being easier, more adaptable, cheaper, and more readily available. It has really taken off over the past couple of years. We just happen to be in the right place at the right time and our vision of multi-tenant single-instance PPM is paying dividends today. There are many vendors that will tell you that they are cloud based, but in fact all they do is put a disk into a server farm and they manage it. That approach creates issues with version control and upgrades, especially when you have integrations to a particular version. If an on-premise vendor releases an upgrade or new solution, you often have to retool all of your integrations to remain compatible, which could be a major investment. That is not the case with true Software-as-a-Service, or native cloud computing, which Innotas delivers.

**CEOCFO:** Do most people that are going to use your service realize the difference or do they need to be convinced?

**Mr. Kern:** We make it known. There is a certain amount of complexity that prospects are not willing to put up with as it relates to "on premise" software vendors. If they are evaluating software-as-a-service they're all in, it is binary, it is a yes or a no and - it can't be confused with a - hosting play, it is a subscription play. That subscription play is coupled with ease of use and available resources. We typically require maybe a quarter of an full-time employee per year to manage the solution. Generally it's an Innotas administrator but it is really a part-time job because Innotas is so easy to

use versus "on premise" solutions that require a minimum of several full-time resources. If you want to be an efficient IT organization, you have to ask yourselves: Where do I want to spend my time and how do I want to optimize my resources?.

**CEOCFO:** Is security still an issue or are people pretty much over that issue?

**Mr. Kern:** Yes, we are over the security issue. Salesforce.com killed the security question and basically built the trust into cloud solutions. Compliance standards such as SAS 70 and SSAE16 further guarantee that cloud solutions are secure and reliable. When you think about security in general as it relates to the subscription economy, it is pretty much standard now. It is what you would expect, so I do not think that is an issue anymore. Certainly there are some HI-

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PAA compliance issues when you're dealing with healthcare organizations, but at the end of the day, it's not a barrier to entry when we talk with the top tier SaaS companies or cloud computing companies about security.

**CEOCFO:** Are there particular industries that you are focusing on and areas where you would like to have more of a presence?

**Mr. Kern:** Everybody needs to track people, time and money on the work that they do internally. It's a general business problem that is completely horizontal. Everybody needs it and the market has grown. According to a leading research firm, the market for PPM/APM solutions was \$1.8 billion two years ago and now it's estimated to be a \$2.8 billion industry. The addressable market has grown because people realize they just don't have the resources to do all the work demanded. Now more than ever is it

imperative to be able to prioritize all the inbound requests and have a collaborative approach with the business to ensure that business goals are aligned and synchronized with the work that IT is chartered to complete.

Our strongest verticals over the past couple years have been government, healthcare, and education. Government is the strongest representing about 24% of our revenues. The other verticals fall in line and are fairly balanced across healthcare, education, financial services, manufacturing, and so forth. State and local government have been particularly good for us because in order to receive TARP money they needed to build dashboards and have a system in place to show where they would spend the money, how they would track it, and allocate it against the TARP funds. Inquiries for our solution have increased significantly. Therefore we put a program in place to aggressively prospect state, local, and federal entities. The program has been very successful because once you acquire a customer and ensure a satisfying implementation, the renewals follow and that's integral to a successful SaaS business model. If you earn

the customer's respect and fulfill their business needs, the renewals remain impressive, so we continue to enjoy success with state and local government. Our top verticals as I pointed out earlier are government, healthcare, and education but they only make up 35% of our overall revenues because it is a horizontal application. Everybody needs to understand where they are spending their IT money, and how they allocate their resources to achieve efficient use of those resources across the IT domain.

**CEOCFO:** For the most part, are people coming to you these days? Are you marketing in various formats?

**Mr. Kern:** It is still a dogfight and there is a great deal of competition in our industry. We have to be aggressive in our marketing efforts and we will never let up on that. The day you become complacent is the day you get beat. We aggressively market our

solution with advertising campaigns in online media and through events as well as have a sophisticated lead nurturing strategy in place. We also have a lead generation team in our San Francisco office that follows up on every inquiry and every website visit. We are fairly aggressive with our outbound activities as you would expect. Having said that, over the past couple of years we have been enjoying great success with 44% growth last year and 37% the year before. Our goal is 45% to 50% revenue growth this year. People are coming to us but we cannot rest on our laurels. If we want to be the market leader, we have to earn it every day.

**CEOCFO:** You mentioned the benefit to you with the stimulus money and with the downturn in the economy in general. Are people looking to be more efficient?

**Mr. Kern:** Yes, they are definitely looking to mandate more efficiencies through process automation, leveraging new technologies, and driving human capital to higher value functions. On the one hand, what you have is this company called Innotas who has what I believe is a brilliant value proposition. Our solution is it's very affordable, it's easy to manage, there is very little overhead, and that should play in a down economy, which it did. We still grew in 2009 and 2010 and those were the worst years I can recall in a long time. On the other hand, even considering our value proposition, it is every bit as difficult today because there's still uncertainty in the markets. I think there's a good amount of money resting on the sidelines, even though the demand for optimization and efficiency remains high.

**CEOCFO:** How do you differ from your competitors?

**Mr. Kern:** In today's technology market, features and functionality can be leapfrogged every six months. We might have a better widget today than our competition but that is not what really sells. What sells is offering prospects our unique understanding of what the business problem is. Why buy anything, why buy now, and why buy Innotas? If we don't understand why a prospect is looking to buy any-

thing and why they might be looking to buy now, then we don't have a chance to sell Innotas. Why are we different and what makes us different? We have great technology, it is multi-tenant single-instance. What we do for one, we do for all and that is powerful because everybody enjoys the enhancements and upgrades at no additional cost. What ultimately makes us different is the clarity of our vision and our design of application portfolio and project portfolio management in one solution, rationalizing sustaining work versus strategic work and providing visibility into both domains. We are going to make this application the very best, most user-friendly and consumable solution out there. We are not going to go out and buy different companies, we are not going to go build ancillary offerings, we will integrate everywhere we can, every API is exposed and people can do anything they want outside of the project and application portfolio. This is what we mean when we talk about the clarity of our vision. We have very deep subject matter expertise around project portfolio and application portfolio management at Innotas. Our engagement managers, which are post-sales implementation and support consultants, have an average of seventeen years experience in the business and at least eight with Innotas. They understand process and understand that what we are ultimately selling is a cultural shift, not just a product. There are thousands of products in the market that can be purchased but how you implement that product, how you bring people on board, and how you adjust and manage cultural shifts for change is huge. That is what our secret sauce is, it sounds trite but it is our subject matter expertise and our people. So again, what makes us different is that we have clarity of vision and great people who understand how to build a project management office with best practices around on-boarding and launching an organization rapidly and cost effectively.

**CEOCFO:** What surprised you most as you developed the company and the product?

**Mr. Kern:** The biggest challenge for me was how long it takes to scale the

business. I don't understand why the whole world isn't using Innotas. That is the one thing that surprised me. We clearly have a great business proposition and there is value. What shocks me is that people choose to do nothing when there is a clear business challenge that has to be addressed, and we are such an affordable solution. That is the paradox. What do you mean you are going to wait? Why would you wait on creating optimization? Ultimately, what it gets down to is you are changing the culture and that can be time-consuming.

When was the last time that IT folks had to be completely accountable? For many years they were like physicians, nobody argued with IT, what they said was the law and they are very intelligent people so naturally they were put on a pedestal by the business. Fifteen or twenty years ago, if you asked for a report, they told you it was going to be three weeks. Today, most people do not bother asking for reports because current technology allows to run a report themselves. Our goal is to provide IT with the tools to move from a cost center to a value center. Why would any organization delay on procuring a tool that would provide for that shift?

It seems to me whether you pick Innotas or pick another vendor, you have to create those efficiencies and provide visibility into the work you are doing, and if you do not, you are going to be extinct. You have to report your progress to the business. Typically CFOs do not tend to get into the detail of the day to day business of IT, they hopefully make the right hires and at the end of the quarter they look at the bottom line and the bottom line is that if you are over budget you're inviting risk. Using our product helps IT manage the process of tracking time, people and money and the by-product is happy management and happy employees.

**CEOCFO:** Innotas has won a number of awards, which is gratifying of course, but was it important in moving the business ahead?

**Mr. Kern:** The awards underscore the external validation by third parties such as Gartner, Info-Tech, Red Her-

ring, and SIIA and affirms that we are a solid bet with a concrete vision. This is also reassuring to customers and prospects. It matters and lends credibility to the company's valuation. I like the fact that we are externally validated but ultimately it is internal hard work and focus that creates bottom line results and that is what people are most impressed with. You have to execute, so I am happy that we have this external validation for what we are doing, but at the end of the day, we still have to deliver results. It is about us executing in sales and marketing, executing with product development and executing on convincing

our prospects that a cultural shift with a product like this is not frightening. We always say: crawl, walk, and then run.

**CEOCFO:** Why should investors pay attention to Innotas?

**Mr. Kern:** Investors should pay attention to Innotas for three reasons: First, the external validation, the awards that we have and the smart people that are validating us. Second, I would look how we have been executing over the last years. I think any company that has been growing over 40% year over year with margins of

70% or more has to be looked at. Lastly, take a closer look at the market. We actually solve a business problem, it is not leading edge but it creates efficiencies in the human supply chain. We consider ourselves a supply chain optimization package for IT. Anytime you can optimize a supply chain, you should be looked at because that creates dollars whether it is top line or bottom line.

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**Innotas**  
**111 Sutter Street, Suite 300**  
**San Francisco, CA 94104**  
**Phone: 415-263-9800**  
**[www.innotas.com](http://www.innotas.com)**