

BUILD

ACTIONABLE
INSIGHTS TO
ACCELERATE HIGH
GROWTH

NEXT LEVEL

DISRUPTIVE MINDSETS



When Paul Hutton, Joel Stransky and Bruce Arnold launched Pivotal Group in 2012, they did so with a wealth of experience and business relationships on their side. But it was still a start-up. They worked from home and then the SLOW Lounge, and they raised some angel funding, accessed personal capital, significantly reduced monthly income and took out personal loans to make it work. They had a vision, and they were determined to be disruptors.

Here's how they've built what they believe to be the foundations of a successful group of businesses in five years. **BY NADINE TODD**

HOW DO YOU build a disruptive business while also focusing on growth? Disruptive ideas are by definition new and unknown to the market. They defy traditional and established solutions and ways of doing business, and they require the market to be educated before you can really onboard clients or even sell your product or service.

The answer is to build parallel solutions: Business units that bring in revenue while the more disruptive ideas are being developed and introduced to the market. Here are the four top lessons the founders of the Pivotal Group have learnt while building their business and pursuing disruptive opportunities simultaneously.

1 Know who your competitors (and potential competitors) are

Great ideas that are economically viable and solve a need that consumers are willing to pay for are few and far between. Great ideas alone are a dime a dozen, but if you've spotted a need, chances are someone else has as well. You then need to step back and critically evaluate why someone else hasn't done this before; if they have done it and they've failed; or if you're entering shark-infested waters riddled with competitors.

Once you've determined there is a gap in the market, you need to evaluate who your potential competitors are, and the impact if they suddenly started offering a similar solution to the market.

For Paul Hutton, Bruce Arnold and Joel Stransky, the founders of OneVault, competition was always a factor, particularly as a start-up, and given that potential competitors included Bytes and Dimension Data, this was a very real factor to consider.

After careful analysis, however, the founders decided to go for it. Their differentiator was their business model. They wouldn't be selling OneVault as a software solution, but as a service.

The idea had taken root while Paul was still CEO of Transunion Credit Bureau. "I came across voice biometrics in Canada. There's been a surge in identity fraud around the world, and I really understood the value of voice recognition as a verification tool," he explains. "It can't be faked, and it's the only remote biometrics solution available, because you don't physically need to be there to verify yourself."

Paul had presented the idea to Transunion's global board, and while they were intrigued, nothing came of it. "Transunion's model is to buy companies that are experts in their specific fields, not launch a new disruptive division from scratch."

But this meant there was an opportunity for Paul to pursue the idea independently. Joel (former MD of Altech Netstar and CEO of Hertz SA) and Bruce (formerly Group CFO of Transunion Africa and CFO at Unitrans Freight) were immediately interested in partnering with Paul. Both wanted to pursue entrepreneurship, although neither could do so immediately. The commitment was enough for Paul to get directly involved and start working on the business while he waited for his partners to join him.

In January 2011, Paul and Joel travelled to the UK and started investigating voice biometric solutions. "Voice biometrics was fairly new, but good technology was available, and there were global leaders in the sector," says Joel.

It was important to choose the right product for the South African market, as this would form the basis of their offering. A contact at Dimension

PHOTOS: DEVIN LESTER

Data [one of whom became an investor in the business] offered this simple and straightforward advice: When you're choosing a technology partner, go with the company whose tech you're confident in, and whose leadership is stable. You're basing so much on this company and their longevity, so don't disregard this criteria.

For Paul, Joel and Bruce, a US-based company, Nuance, ticked those boxes. But, from a competitive perspective, OneVault wasn't the only potential player in the market. "Neither Bytes nor Dimension Data had gone into voice, but they had the potential to do so," says Bruce. "The products were available to them through their partners."

To mitigate this very clear risk, the founders made two critical decisions. "Our intention was to sell voice biometrics as a service, instead of a software solution that customers bought and owned, with the necessary infrastructure to go with it. The idea for OneVault was that there would be one place where your voice print lived, and different

very appealing culture and a strong recruitment strategy. "We focused on what we wanted from our work environment, and then applied the same rules across the business," says Joel. "Our goals were to drink good coffee, have no leave forms – ever; be able to take the time to ride our bikes and watch our kids play sports. If someone can't make it work, or takes advantage without putting in the work, they come and go, but on the whole, we've had extremely low churn, and we've attracted – and kept – incredible talent."

This differentiator would prove to be important for two reasons. First, two and a half years into the business, with investors on board and having pumped a significant amount of their own capital into the business, the team hit a major stumbling block. For a few weeks, they didn't even know if they had a business.

"We had been operating on one major, and as it turned out, faulty, assumption," says Paul. "We thought South African companies had the right telephony structure to

the best of the best on board. "We didn't interview," says Bruce. "We approached people whom we knew. We approached the best in the industry, and convinced them to take a chance with us. There was risk, but there were also rewards." One of those people was Bradley Scott, a brilliant engineer who both Paul and Bruce had worked with at Transunion.

Today, OneVault is one of the most specialist companies in the world, and often asked to speak at events in the US.

Being the niche specialists paid off, and OneVault achieved the almost impossible. But this had its downside.

Once you've shown something can be done, the bar of what's impossible moves. Competitors enter your space.

This was the second reason why being such focused, niche experts paid off. "We demo'd the solution for a large local corporate, they loved it, and then went to a 'then' competitor to implement it," says Paul.

"We always knew this was a real danger. Players like Bytes and Dimension Data have solid,

OneVault has become a partner, rather than a competitor, of some of the largest players in the industry.

2 Understand the nature of disruption so that you can prepare for it

In today's ever-changing and fast-paced business world, most business experts are in agreement that as a company, you're either the disruptor, or you're being disrupted. The problem is that disruption comes with its own set of challenges.

"Our entire business model was built around a subscription service. Instead of a company buying a software solution, installing it and running it internally, we would do all of that. We would carry the infrastructure burden, and the high upfront cost," says Joel.

In theory, this sounded like a clear win for businesses that would benefit from a voice biometrics solution. The reality is never so simple, particularly when you're a disruptor.

"The software is expensive, and so we thought this would be seen as an excellent solution," says Paul. "Instead, we faced a lot of reticence over the cloud. Businesses didn't trust it yet."

On top of that, first movers are often faced with a lag in corporate governance guidelines. As technology becomes more sophisticated, so governance guidelines change – but it's a slow process, and the lag can impede disruptors.

"You also can't give proper reference cases, because it's all brand new to your market," says Paul. "The best we had was a case study of how well it had worked in Turkey."

To compound matters, proof of revenue is essential for businesses wanting to trade with large corporates, but non-existent in the start-up phase.

So, what's the solution? According to Joel, Bruce and Paul, it's all about being patient, NEVER giving up, building gravitas and getting a few clients on board, even if it's free of charge to build

"You can't be an expert in everything – when you specialise you will always be more successful. The trick is to partner with other experts."

businesses could plug into our solution."

The business model of large technology players in South Africa is to sell integrated software solutions, so OneVault's business model was a differentiator. The next differentiator Paul, Bruce and Joel focused on was becoming specialists in their field.

"This is Paul's baby," says Bruce. "We've needed to build up a niche, expert team that specialises in voice biometrics. Because we aren't generalists, 100% of our focus goes into this, instead of 5% or 10%."

To attract the best in their fields, the founders needed a

implement our solution. We'd been building our solution on top of Nuance's software, and were ready to start piloting the entire system with a few key customers, and we found out that in order to meet global voice biometric standards, the telephone technology had to be G711 compliant. South Africa was operating on G729."

This was OneVault's make or break moment. The team had six weeks to come up with a solution that ensured we met the necessary levels of accuracy. Without a highly skilled team this would have been impossible.

Even as a start-up, the strategy had been to only bring

existing client relationships with the same companies we're targeting."

18 months later the project still wasn't working. "This is deep specialist knowledge," says Paul. "Knowledge we built while we created our offering." OneVault won the contract, and developed a partnership with Bytes at the same time. Today, OneVault works with all the major software integrators in the market. "We're a specialist service they can offer their clients, without needing to put the same time and energy we needed to put in to become the specialists."

Through a focused strategy,



VITAL STATS

COMPANY: Pivotal Group
PLAYERS: Bruce Arnold, Joel Stransky and Paul Hutton
WHAT THEY DO: Pivotal pioneered voice biometrics in the financial and telecommunications market. Over time, the company has grown to include nine divisions across multiple sectors.
LAUNCHED: 2012
VISIT: pivotalgroup.co.za

up your reputation and prove your concept – and bringing in revenue from more traditional channels to support your disruptive products and solutions.

"Disruptive solutions are by their nature new and different, which means change management for your customers. This makes the sales cycle long and complex, and you have to be prepared for that," says Bruce.

Don't stop laying your groundwork. While disruptors are ahead of the curve, you need to be ready for the uptake when it arrives. "We've now concluded a partnership with South Africa Fraud Prevention Services," says Paul. "When an imposter calls we won't only terminate the transaction but we will alert the identity being compromised in the attempt and we will actively prevent fraud by contacting Fraud Prevention. The ultimate vision is for every South African's voice biometric signature to live in our vault, and we are already receiving imposter information."

3 Cultivate additional revenue streams

So, what do you do while you are living through the extremely long sales turnaround time of your disruptive, game-changing solution? Bills still have to be paid and investment is needed to develop truly disruptive ideas.

First, the team realised that while an annuity subscription service was their ultimate goal and where the industry was heading, initially they needed to be able to sell and implement the software.

It's worth noting that one of OneVault's earliest customers who bought the software has since launched a new business, which is on OneVault's annuity service model. The shift has just taken time. "The change is happening, but it's been slower than we anticipated," says Bruce. "We needed to accept that fact and sell the software to bring revenue into the business while we were waiting for the market to catch up."

It's an important lesson. You don't want to get distracted from your vision, but you need to be bringing in revenue, even if that means your short-term strategy differs from your long-term goals.

"It took three years before we really started seeing a move towards hosted solutions," he adds. "Outsourced and offsite solutions are opex environments, not capex. They are more cost-effective for customers, but they require a shift in thinking. It's a move away from how things have always been done, and that takes time."

But, while Paul, Bruce and Joel were learning the art of

patience, they also needed to start bringing revenue into the business.

"It was clear that we needed to find other opportunities," says Joel. The result is the Pivotal Group, a diversified holding company with different businesses that are interlinked and complementary.

The group's first business outside of OneVault, Pivotal Data, was based on a large call centre contract Joel, Paul and Bruce secured. "You can't be an expert in everything – when you specialise you will always be more successful. The trick is to partner with other experts," says Joel. In this case, three entrepreneurs were opening a call centre – this was their area of expertise; they were absolute subject matter experts. What they weren't experts in was technology or facilities management. Instead of doing it themselves, they were looking for partners.

"We manage everything aside from the people element," explains Joel. "We found and leased a building, built the bespoke workspace, put in the

technology, and managed the facility and IT on an opex basis back to them."

The business immediately had a good anchor client, and Pivotal Data has built on that. The annuity income has supported further growth.

"This was a base for us, but we've acquired a few businesses on the back of this success, and created our own cloud contact centre solution – which also feeds into what we're doing with OneVault," says Bruce. "Our vision is to create a technology stack that's world-class and provides a range of services that no other businesses provide as a single solution."

Because of this pivot into call centre management, a new opportunity has presented itself, and Pivotal's ambition has grown to include a solution that calls, authenticates, and then analyses all the data that is collected during those calls.

"Through partnerships, my team has developed a predictive analytics system that gives contact centres deep diagnostic tools. We can predict why agents are having the conversations they have, and what to tweak to improve them. We see the agent's problem before they do. This isn't just value add, it's a revenue generating tool if it improves lead conversion rates and customer service. It's also all geared to lowering call volumes.

"We know we need to keep looking forward. OneVault is starting to gain real traction, but we need to be working on the next disruptive solution and model. We can't sit back and relax," says Bruce.

"Three years ago we said that's it; no more start-ups or investing in pre-adoption phase businesses. From now on, everything we do will be revenue generating," says Paul. "We'd stretched three years of runway to five years in OneVault, and we didn't want to keep doing that. We wanted instant revenue businesses. And the very next thing we did was invest in a start-up. It's a crazy space, but it's also very rewarding."

To sustain it, the group continues to grow, focusing on investing in businesses and entrepreneurs who are subject matter experts and therefore already know and understand the market, and then positioning each new business or service to plug into the current offering.

“Data is our golden thread – technology and the disruptive space,” says Joel.

intelligence solution that focuses on recruitment, talent management and career guidance. The solution screens, ranks and matches candidates against a job profile, or a number of profiles. It’s a multidisciplinary platform that predicts the performance of the individual in a role.

“Our partner is a former Accenture consultant and a leader in this field. His focus is on the IP and

“We’re in charge of our own destiny, but it’s not comfortable or simple. We came from corporate. Big machines that you need to direct and keep on course. This is an entirely different challenge and we are still learning.”

4 Be open to new ideas and opportunities

Integral to the Pivotal Group’s positioning is Paul, Bruce and Joel’s focus on supporting other business owners whose offerings align with the group’s own growth goals, and who would benefit from joining a group.

“If your goal is to be disruptive, you need to be open to all kinds of new ideas,” says Joel. Some will be better than others, and the co-founders have made the decision to focus on the ‘jockey’ rather than the business as a result. Business offerings and ideas need to pivot. If you have the right partners, finding a solution is all part of the challenge.

Pivotal’s move into the world of Artificial Intelligence is due to one such partnership. “One of our clients approached us with a concept. But he needed a partner to develop it into a proper AI solution,” says Joel.

It’s an augmented

science of the product, ours is on the business component.”

The challenge is how to commercialise and scale the business in as short a time frame as possible. Like many disruptive products, the adoption process is a stumbling block. “We invest at the pre-adoptive curve – not at the revenue generating stage, which means a big focus is always on how we can take an idea and build it into a revenue generating business,” says Bruce.

The business uses capital selectively. “We want to invest in and drive our own agenda,” says Paul. “We’re in charge of our own destiny, but it’s not comfortable or simple. We came from corporate. Big machines that you need to direct and keep on course. This is an entirely different challenge and we are still learning.” **EM**