McKinsey Digital

Growing an incumbent by building a new business: A conversation with True Digital's Bernd Vindevogel

Building and scaling a corporate spin-off requires striking a critical balance between growing as an independent entity while serving the needs of the parent organization, according to the chief analytics officer at True Digital Group.

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In this episode of *The Venture,* we share a conversation with Bernd Vindevogel, chief analytics officer at True Digital Group. True Digital, a subsidiary of telecommunications conglomerate True Corporation, seeks to capture new growth opportunities from digital and analytics. Vindevogel discusses with McKinsey's Andrew Roth the company's journey to building and scaling an in-house analytics organization from scratch. At the close of the interview, McKinsey's Tomas Laboutka offers his insights. An edited transcript of the podcast follows.

Podcast transcript

Andrew Roth: From Leap by McKinsey, our business-building practice, I'm Andrew Roth, and welcome to *The Venture,* a series featuring conversations with legendary venture builders in Asia about how to design, launch, and scale new businesses. In each episode, we cut through the noise to bring practical advice on how leaders can build successful businesses from scratch.

Welcome to another episode of *The Venture.* Today I'm excited to have on the show Bernd Vindevogel from True Digital Group. True Digital Group is a business unit of True Corporation, one of the largest communications conglomerates in Southeast Asia, based in Thailand, and also a subsidiary of CP Group. Bernd is the chief analytics officer and has built an analytics business of now more than 150 people. Welcome, Bernd. Great to have you on the show.

Bernd Vindevogel: Happy to be here. Thanks for having me, Andrew.

Andrew Roth: I thought we'd open up on this topic about how you got started with True Digital. You mentioned to me previously that your path, your personal journey, started with a single conversation that you had with the chairman. Can you take us back to that conversation?

Bernd Vindevogel: What we wanted to do, outside of True Corporation, was build a company with an analytics capability. Now the project went well, but at some point we started seeing a risk in that none of the True people were really wanting to take ownership of it. By ownership, I mean full-time, giving up your job, doing this, and leading this as a company.

I raised this concern with one of our steering committees. I said, "Look, if nobody will take it over internally, we run the risk of just making a slide deck that will never be used and the capability disappearing." The chairman basically replied, "Why don't you put your money where your mouth is? If you see that's the risk, why don't you come over and do it yourself?"

Andrew Roth: So you were told to put your money where your mouth is, and it was never a part of your plan. You got this one sentence, this one challenge, and then it evolved from there. As you made that transition, what was your vision for the business? And this was not just building an analytics capability; you were building an analytics business, correct?

Bernd Vindevogel: Exactly. The idea was twofold. It starts from the recognition of, as a telco operator, your data might be considered an asset. You can make quite rich profiles out of your customers—you can see their location, their browsing history. A full-plate telco service provider like True, where we have also television or two ID boxes to do OTT [over-the-top streaming] and apps with viewing, can actually monetize this data without selling the data. We don't sell data. You wouldn't do that as a telco operator, selling telephone numbers or something like that.

But in your whole ecosystem, you can use those profiles and insights to do, for example, more targeted advertising and make a valid alternative for something like Google and Facebook. So it started from there: is there a way to see the data as an asset that can be monetized? Can we generate a direct revenue stream in the markets by providing services on top of it?

True is actually a part of a larger conglomerate, CP Group. CP Group is quite a large Asian conglomerate. It has, for example, a large retail unit with 10,000 branches in Thailand alone. So we were thinking, if we have all those assets, wouldn't that be a way to make unique synergies, within legal and regulatory constraints? Could we share data and create a competitive advantage?

So those were the two ideas for originally setting up this unit: trying to monetize the data to make a direct revenue stream, and then, in a creative way, seeing how we, as a conglomerate, could leverage each other's data.

Andrew Roth: You mentioned that you're not selling data; you're offering services. What were some of the services on the business side?

Bernd Vindevogel: One of our service lines is location and site service. We look at patterns, how people move and behave and when they are where. And then we can give recommendations based on that data. You can use it to provide insights for almost any location decision.

For example, retailers use it here in Thailand to inform their decisions on building a new branch to expand their branch network. So any important location decision—opening a branch, opening a railway station, things like that—can benefit from the rich location data that we have. But we don't sell *who* was where at what point in time. We sell how many people were there, how many of them moved from A to B, which is within regulation. The data is fully anonymized.

Andrew Roth: I think that's a key point: data privacy is critical. It's not about sharing personal information but the insights from aggregate data, such as for something like where to put train stations. Then as you were building this business, you started bringing on customers, and it seems like it was very intentional to spin off this group versus having it within the core business. What were some of the reasons for doing that?

Bernd Vindevogel: To answer that, you have to think about how a corporate works versus, say, a decently funded start-up. If you are a founder or CEO running a start-up, with some funding, you will typically end up in an operating model where you have the business plan, you have engagement from your boards and funders on the direction, you have money in the bank from your funding, and you have revenue targets, to make sure you don't burn out too fast. And then, as an entrepreneur, you start running. You maybe update your boards every month, but within the funding you have, you don't have to ask permission for every level of spend or for every level of recruitment you do to onboard a new partner or to do a new product. You have a lot of empowerment as an entrepreneur. If you stick to the business plan directionally and listen to your board when they give you another strategic direction, you're good. And you have the drive of the market to make sure money comes in, or you will stop existing.

Now, compare that with a corporate. Even if you wanted to set up this large liberty, such as taking somebody on a unit and saying, "Here is $15 million. Great business plan. Let's do it. Update me every month," while it sounds like that would be great, you can't really do it, because corporates are so big. You almost cannot organize it without all the checks and balances. You need to have some kind of procurement system that looks at whether you are really taking the best ones or are you just taking your friends? Are you using our money properly? You cannot easily say, "I'm recruiting somebody for a role, and I'm going to pay him double the normal salary." In a corporate, those things start conflicting with the system too much.

Andrew Roth: And that adds up in terms of time and speed.

Bernd Vindevogel: Time and speed is one. That's a very big one. Also frustration. The system frustrates you and kills energy. But then, if you want to change that in the core and say, "We should have less governance to become more agile," you will typically find yourself half a year later with a lot of faults, a lot of things that are not aligned. So the bad ones would be ruining it for the good ones, and then you revolve backwards. The size of such an organization almost prevents you from saying, "Let's work as an enterprise. You've got funding, we'll make sure you get money, and we'll check in every month." It's fairly utopic. But if you spin it off, you can actually do that.

Like in our case, the chairman of True Corporation would then also be the chairman of the units. In my case, I presented my business plan, and he released the funding. He's almost like my funder then, and I go to him every three weeks to ask for direction and update him. But I wouldn't have to ask, "Can I hire this assistant?" or "Can I go with this vendor?"—as long as I don't spend money without getting revenue in. So that's the second one. If you, as a corporate, spin off and build a capability, you must monetize externally; you really have to chase revenue. You create a market mechanism.

I also lead the analytics team, for example, that serves True Corporation. That's quite a challenge. It's really hard to assess whether we are really doing the right thing. It's like you have one client, which is the business itself, and the business has one vendor, which is you, so you're stuck to each other a bit. You try to do the right thing, but it's hard to really know [if you are]. Whereas as a corporate spin-off, you will see. If nobody pays for your service, that doesn't fill a need or you're doing something wrong.

Andrew Roth: So you were very intentional in building an analytics business, having the autonomy by spinning it off, and having the market pressure to put yourself out there. That is what then enabled other things. Once you have that pressure, there's nowhere to hide. Then you have to hire people, and you have to figure out how to grow and how to add value back into the core business. What was it like recruiting talent?

Bernd Vindevogel: Spinning off indeed gives you a bit of an edge in recruiting, especially in my business, for the data scientists and engineering. But for top talent from the larger technology businesses, it's very hard to convince them to come to companies in the sectors of banking or telecom or even government. Real top talent in technology is driven by passion. You don't become a good data scientist if you're not interested in it. The really good ones are hyper passionate. And they see a risk of ending up in an environment that doesn't challenge them.

But if you spin off, even if you stay under the same brand and umbrella, when you recruit, you're substantially more confident to say, "No. Things will be faster. Decision lines are shorter. We will give you the autonomy to deliver. We will give you the tools to be successful." You're more able to take that position. I have been very lucky here in Thailand to have found really, really good talent, very passionate people driving the business

Andrew Roth: So pulling that hard to find talent, especially in analytics, I would guess this spin-off helps in expressing the culture. You are working more independently rather than being associated with the core business. Was there an initial difficulty, where you had to overcome certain objections, or were you finding success from day one on recruiting talent?

Bernd Vindevogel: Well, you have to ramp up. On day one, we actually focused a lot, first and foremost, on hiring the leadership: the head of analytics, the head of platform, the head of product. I actually see many companies trying to do the opposite, especially in data science.

They are challenged to start a department with 30 data scientists, but what you will easily find are junior data scientists; there's actually many, many of them.

So finding junior data scientists is actually very easy, while finding senior data scientists is difficult, because ten years ago, there was only a small group working in that space, and now it's really become a profession. So my advice to people who set up an analytics team is to spend the time to find your good leadership first, and then they will hire your data scientists. If you do the opposite, you'll end up very fast with a team, but they will all be too junior. That would be very hard to maintain.

Andrew Roth: So you had these challenges around execution and urgency around execution. So you recruited your core team, including some senior people, which is challenging. And then you have to go get more customers. You explained one of your service lines, around location services, but can we go a little bit more into some of the verticals?

Bernd Vindevogel: If you think about our products' assets, a lot of it is around intelligence. We covered location intelligence. We also have products where we do digital intelligence. We would show, for example, trends and browsing behavior, app usage, and link that to customer profiles. And then we have a targeted-advertising product line, which uses our own channels to grow in a very targeted way, for customer conversion. You can use our SMS system, for example, but also our banners on our streaming apps, the loyalty program, to reach out to customers. And then if we do that very targeted advertising based on our algorithms and the data we have, we of course would charge a premium for that.

Andrew Roth: I would imagine that area must be getting a lot more attention from some of your customers because, as we mentioned, there is a crackdown on privacy. Even the browsers are cracking down on tracking third-party cookies. There's this shift toward optimizing first-party data and second-party data through partnerships, where it's all opt-in and very aboveboard and transparent to the end consumer. Have you been seeing any lift in interest in either data partnerships or opt-in customer targeting?

Bernd Vindevogel: There's a deep interest to share data. Think about Google: there is search, but then there is also payment, so they touch banking; then there is e-commerce, so they touch retail; they have communication systems like streaming, so they become a telco. All big digital companies have started to converge. They can share data among all their units, within legal limitations. They can say, "Hey, this person is looking for a credit card online, and I happen to have a wallet for them." So they might offer a credit card.

Now, as incumbents, you're in trouble if you cannot do these things. You have a telco, you have a bank, and you have a retailer. Over and above all the other challenges you might have of running, say, a physical operation versus a digital one, if you're not able to share this data, you will almost die. This will be such a competitive disadvantage. And this is actually well understood in the executive suite of banks, telcos, and retailers. They realize the power of sharing data. Now, it's very hard to get there, but there are indeed legal ways to do it. There are platforms that allow you to anonymize in such a way that it's legal, even under the strictest interpretation of GDPR [General Data Protection Regulation].

Even if you have top-down support, once you start going to the operational level, there is a lot of fear, which is normal. I would be worried if somebody knocked on our door and said, "Here is my data. Good luck." So the resistance to the risk taking is so big that it makes it very hard to make traction. Luckily, minds are open on a more senior level. As third-party data gets more and more scrutinized, I think more incumbents will come together and share data in a legal way.

Andrew Roth: I think it's beyond just legal considerations, because that's the starting point, but also thinking about the customer experience, making it very transparent in how their data might be shared, whether it's from a first party or even aggregate data that's being shared. I think this will continue to evolve, and it's fascinating.

So you're building this business, and this was the path to capability building not just for your business but also for the core business and now for Thailand in general. So this market pressure is what put the heat on for you to get good at this. Can you share a little bit about how that has now translated into success in these different verticals that you're in? How that has translated into helping the core business and helping Thailand, through True Academy?

Bernd Vindevogel: When we set up this business, it was not designed to serve True Corporation. True Corporation back then had its own data science team. We deliberately said, "Let's go outside." It's a bit of a different animal. So after a year or so, you start building those capabilities like location services and advertising. And then you see that True Corporation itself would actually benefit from using those. They have to make a lot of location decisions: to open a branch, to invest in a base station and internet ports. And that's just one example. You start realizing you have a certain capability, which you've started to monetize and started to get good traction. Often, tensions emerge between the mothership and its spin-offs. The spin-offs seem to get better treatment and are more agile, and the core is sometimes stuck, so this dynamic is normal. But we managed this dynamic well, in the sense that, in a very natural way, we realized we had to give something back.

Andrew Roth: I guess that's a good indicator of product market fit, if the mothership is asking to become a customer, essentially.

Bernd Vindevogel: Exactly. And then you can offer the team you've built, which is harder to build within an incumbent—a team that has been hardened by the market's reality, a team that has been able to attract more talent. So, over and above building a revenue-generating unit, you also actually built a side product and a very strong capability that you can then bring back to headquarters and make additional impact there.

Andrew Roth: You have the forcing mechanism originally to build the capability by putting yourself into the market. Then you have to prove yourself by serving the core business in an authentic way—not just leveraging you as a resource, but they need you to help solve similar problems out there in the market. And then you have this other forcing mechanism around True Academy, which is another dimension of how you're keeping yourself at the forefront. How does True Academy work?

Bernd Vindevogel: It works similarly, but it's a different business line. True Digital Academy is an academy focused on B2B for upskilling and reskilling your people. So you can send teams there, and they can take courses in data science, digital marketing, product development, coding. Now here's where it's similar as well. Many corporates would traditionally solve their training needs by setting up an internal training team or by outsourcing to a partner. We decided to spin off True Digital Academy, build it, monetize it by looking for external clients, while also using it to upskill our own workforce at True. So far, we have trained 500 people in analytics to become mini data scientists that we call data champions.

So, like the analytics business spin-off, the head of the Digital Academy had to go to the market to look for clients and face the market reality and scrutiny, had to adjust the program, had to become more agile. It's actually the same driving mechanism as you spin off your capability. You have to build it internally, and then the market will put the pressure on it for you to make it really good. And then you can bring it back to the core business, as we did with the analytics business and then the Digital Academy.

Andrew Roth: So we've heard about the journey to build the analytics business, how it's then reached back into the core business and even spun off to other things like the Digital Academy. What about growth?

Bernd Vindevogel: If you think about the original idea of setting up a start-up spin-off outside of the corporate, that's actually largely driven by the problem of scale. So the spin-off is set up to solve this problem of scale, which makes it a bit different from a real start-up, as for a real start-up, growth is number one. It's the primary objective. A start-up has to find a way to break even, to profitable self-funding. There's no other choice. And nobody would argue about getting too big. Now for a corporate spin-off, it's a fine balancing act. Of course, growth is important. You have to go forward. But if the spin-off becomes too big too fast, you will find yourself in the same situation you were trying to solve in the first place.

Andrew Roth: So you're saying growth is important for a spin-off, just as in a start-up, but there are other nuances, such as making sure you don't lose the culture or start operating like a major large incumbent.

Bernd Vindevogel: A company like Google doesn't operate like it did 20 years ago. You cannot say, "Let's take this 100,000-employee organization and do it like we did back in the good old days." There's nothing wrong with growing your spin-off into something bigger, but then it becomes a different story. You would say, "I'm going to make a second corporate organization," which would be great, your shareholders would be very happy, but then you're solving another thing. So what we tried to do was spin off an analytics unit that builds a capability, which then becomes hardened and can be brought back to the corporate. If you grow that into a 1,000-employee organization, it will become the same [thing you were trying to solve for initially].

Andrew Roth: Have you felt that you've had to pull back in certain areas on growth, such as hiring people, or are you being more proactive about maintaining that scrappy culture of a spin-off?

Bernd Vindevogel: As I said, it's a balancing act. You don't want to break growth. I started the analytics business from scratch three years ago, and now we have 150 employees. You see that the bigger you become, the more governance you need. I also have to answer to the corporate. I cannot say to my reports, for example, "Just go ahead and hire whomever we need." You have to put governance behind it. If you were a normal start-up, you would just keep on running. You wouldn't say, "Hey, we are less agile than in the beginning"; you would just go to your second phase of growth, and you would become a bit more organized in structure to support the scale.

Andrew Roth: In some sense, you're saying it's an advantage being a spin-off, because a VC-backed start-up has the daily pressure of the cash flow and the burn. Whereas a spin-off might get to a point of growth, but it might have the luxury to fix things and recalibrate as it goes along without as much of the pressure to, say, 10X its valuation as in a typical VC-backed start-up.

Bernd Vindevogel: To be honest, in a spin-off, you end up with that as well. But I've never seen a corporate spin-off with exactly the same dynamism as you would find in a real start-up. You typically end up a bit in between [a start-up and a corporate]. You're way more agile than a corporate. I think the main difference is that a real start-up has an owner who has put his money on the table, who is one of you, and who doesn't sleep because the salaries need to be paid. That pressure can be a good thing. The pressure, the drive, the focus toward revenue has basically everybody aligned and focused on the same problem. In a corporate start-up, you will have less of this. I mean, it's not the same because you cannot claim that you put your own money into it and that you cannot sleep because the money will run out. I know I'm part of a corporate and my people will get paid. It's probably solvable, but I never saw somebody who could really fully mimic the sphere [of a start-up].

So you're right [that there is an advantage to being a spin-off]. But I would also say it's a bit more nuanced: sometimes it's an advantage, and sometimes it's not. It's an advantage to be able to say, "I'll take two months and clean up my organization and then we can go further." But, on the other hand, the disadvantage is that you might lose focus because you have this luxury.

Andrew Roth: Why don't we round off this conversation with a lightning round, a short burst of questions. Who would you want on your board? Elon Musk or Jack Ma?

Bernd Vindevogel: Elon Musk.

Andrew Roth: In a world without True, what start-up or company would you want to work for?

Bernd Vindevogel: A non-profit organization.

Andrew Roth: Describe your personal start-up power in a few words.

Bernd Vindevogel: I think energetic, drive, the will to make something creative, really having the passion to build a product and push it out.

Andrew Roth: Describe your team's culture in one word.

Bernd Vindevogel: Trust.

Andrew Roth: What do you feel are some of the biggest trends that are coming in analytics?

Bernd Vindevogel: We already touched a bit on data sharing, but more specifically I think open data. Open data for government, for example, where aggregated data sets, whether private or government, would become available, cleaned, curated on a cloud, and then people can basically use it to solve problems, such as traffic jams, if you have traffic data.

Andrew Roth: So more open APIs [application programming interfaces] and SDKs [software development kits] around open data.

Bernd Vindevogel: Exactly, around data assets, which are now a bit hidden in many places.

Andrew Roth: Thanks for that. I love what you said about data as an asset, moving beyond just the traditional telco services, and the path to this capability building by building a business in the market as the forcing mechanism. I don't think people talk about that enough. And on growth, everyone's obsessed with growth, product market fit, and there are nuances for the corporate start-up. And I agree, it's not as black and white as people think, that it's just always an advantage or always a disadvantage. It changes as scenarios change. Thanks so much. Appreciate it.

Bernd Vindevogel: Happy to be here.

Andrew Roth: Now comes a segment where we invite founders and experts from McKinsey to provide more context and to draw practical insights. I'm joined by my colleague, Tomas Laboutka, from Leap by McKinsey, our business-building practice. Tomas, we often talk to CEOs about how they can leverage their "unfair" advantages when they look at building new businesses. What from this conversation struck you about that?

Tomas Laboutka: That's a good one. We always see, when incumbents are successful with building new businesses, the moment they are able to understand how to tap into those unfair advantages well. In Bernd's example, it was the monetization of data that really stood out. They figured out how to anonymize the data and draw the insight and then actually monetize it on the market. It was something that helped them internally, and then they were able to drive it back home to the mothership, to the corporate.

Andrew Roth: There's been a lot of talk in the last five or eight years about the promise of data monetization. What's interesting about their approach is they used launching a new business in the area of analytics and data as the forcing mechanism to get really good at it, to prove themselves in the market, and then to help impact the capabilities of the core business.

I think that's going to be a growing trend, around the decision to spin off the venture build as a really independent entity from the core business. And one of those reasons being around talent and recruiting. Bernd was mentioning that, in order to attract the top data scientists and new talent they needed, they wanted to demonstrate that there's a new culture, and then maintaining that culture through growth. That last topic of growth came up, some of the differences between [a start-up and a spin-off].

Tomas Laboutka: In a start-up, you just want to go, go, go and grow, grow, grow. On the spine of that, you raise one round, second round, third round, and with that you increase valuation and just keep going. In the case of True Digital, it was quite visible that Bernd is trying to strike the balance between the growth—he went from zero to 150 people—and the right calibration for the right metrics. So he has accountability to build an actual real business, he has accountability for P&L, and he has to sync that with the mother company.

Andrew Roth: The start-up has to grow, as you say. They're so focused on increasing their valuation for that next round of funding and market capitalization, whereas the incumbent has a different metric. They of course have to demonstrate growth but often have a little bit more P&L pressure to the mothership. They're not trying to prove that they're worth the next $1 billion or $2 billion start-up-type valuation. They have to show that they can get to profitability and to growth and to meaningful impact. It's a different game altogether for the incumbent.

Tomas Laboutka: And, in a sense, creating a real value rather than just a blown-up value, which is something that can deflate very easily when the economy contracts or when the bubble bursts—something that we are probably going to see very soon.

Andrew Roth: I agree. When are the musical chairs going to stop on these valuations for start-ups?

You have been listening to *The Venture* with me, Andrew Roth. If you like what you've heard, subscribe to our show on Apple Podcasts, Spotify, or wherever you listen.

Andrew Roth and **Tomas Laboutka** are associate partners in McKinsey's Singapore office. **Bernd Vindevogel** is the chief analytics officer at True Digital Group.