TURKCELL & IMD

TURBOCHARGING A DIGITAL BUSINESS TRANSFORMATION

TURKCELL

IMD
REAL LEARNING. REAL IMPACT

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EXECUTIVE SUMMARY

In 2015, Turkcell faced challenges that threatened its leading position in mobile communications in Turkey, including the upcoming move from 3G to 4.5G networks and increasing competition from over-the-top (OTT) suppliers such as WhatsApp. In response, Turkcell began transforming itself from a network operator to a digital operator, which included organization and culture changes, investments to upgrade the network, offering digital services and digitalizing the company. By early 2017, it was clear that the company's 80 directors (direct reports to executive committee members) were struggling to keep up given the pace and extent of change within the organization.

The Turkcell Global Leadership Program, which was delivered to 143 directors and director successors between July 2017 and February 2018 while the transformation was in progress, equipped the company's leadership to pursue the journey and spread a common understanding across the company of what it would look like. Program director Professor Tawfik Jelassi, IMD Professor of Strategy and Technology Management, who had faced turbulence as a minister of higher education, scientific research and ICT in Tunisia in the aftermath of the Arab Spring, played a key role in this.

After attending the program, participants had the tools and confidence to make significant changes and contributions in their spheres of influence. For example, they came up with 20 ideas for digitally transforming vertical industry solutions, six of which are now bestselling solutions. In another case, process and technology changes helped to significantly increase the amount of time that salespeople could spend with customers. It also helped to identify and address key organizational culture issues that would otherwise have held the company back. As a result, Turkcell was able to successfully complete its transformation into a digital operator in late 2018.

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> In big transformational journeys, what you need is a common language among the team and a dialogue that will allow them to work together more effectively. What IMD did with the Global Leadership Program is to translate our journey into a set of metrics and objectives that everyone could relate to and which allowed them to talk with each other using the same language. Being part of the same classroom and going through the same case studies allowed them to create a common understanding of the challenges and the way to work together."
>
> **Kaan Terzioglu**
> CEO

INTRODUCTION

TURKCELL

Turkcell is Turkey's leading telecom service provider, with operations also in Ukraine, Belarus and Northern Cyprus. Between 2015 and 2018, the company transformed itself from a network operator selling undifferentiated data and voice services into a digital operator providing messaging, music, TV, search and other services to its customers (Fig. 1). It successfully saw off the challenge from over-the-top service providers such as WhatsApp by developing and promoting its own suite of digital services. As a result, Turkcell is now among the fastest-growing and most profitable telcos globally, with revenue growth of 21% and an EBITDA margin of 41% in 2018. It plans to grow internationally by franchising the digital operator model that it pioneered

in Turkey to telcos worldwide. Its turnover in 2018 was TRY[1] 21.3 billion (€3.8 billion).

IMD

IMD is an independent business school, with Swiss roots and global reach, expert in developing leaders and transforming organizations to create ongoing impact. IMD custom programs are co-created with a select group of innovative global organizations to address their specific performance objectives. These tailor-made programs help companies to build new capabilities and address their most significant business challenges. The programs blend academic expertise with hands-on implementation and are designed for learning and business impact.

Fig. 1: Transforming into a digital operator

Network Operator

Experience Provider

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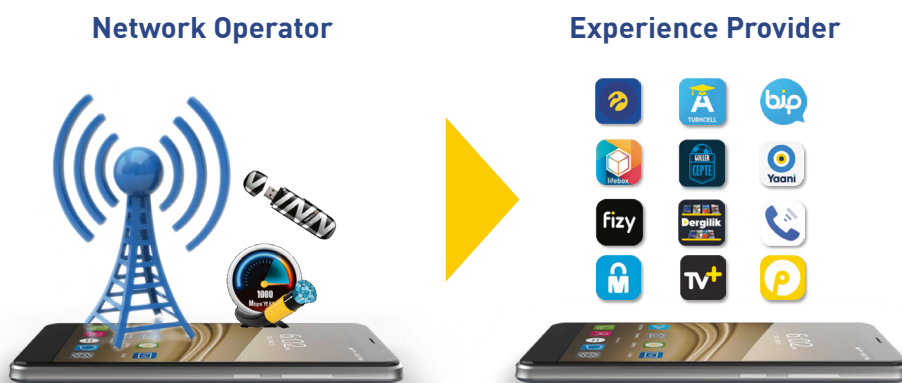
[1] TRY = Turkish Lira.

THE CHALLENGE

In April 2015, soon after he became CEO of Turkcell, Kaan Terzioglu received his first WhatsApp call. This crystallized the existential challenge the company faced from over-the-top companies. The 4.5G auction was just a few months away and Turkcell would have to make a significant investment in buying spectrum and upgrading its network infrastructure. At the same time, it faced the prospect of losing voice and instant messaging revenues to the likes of WhatsApp. Turkcell needed to transform itself to respond to this threat, but the organization was complex and top-heavy, which hindered its ability to change quickly.

STARTING THE TRANSFORMATION JOURNEY

Between 2015 and early 2017, Turkcell began to transform itself to address these issues. The end objective was to go from being a network operator to becoming a digital operator. This transformation was multi-faceted, as shown in Fig. 2.

By early 2017, while some components of the transformation had been completed, others – such as the moves to offer digital services, digitalize the company, and change its culture – were still very much a work in progress.

Fig. 2: Key elements of Turkcell's transformation

Organization and culture	Improve customer experience	Offer unique digital services	Digitalize the company
– Moved to a simpler and unified functional organization in April 2015	– Bid aggressively for spectrum in the August 2015 4.5G auction	– Emphasize local content	– Create a digital dashboard with real-time monitoring of KPIs
– Change the firm's culture to emphasize collaboration and employee empowerment	– Transform retail sales channels	– Offer unique features leveraging Turkcell's telecommunication network	– Simplify and digitalize operational processes

In green: completed
In orange: in progress

CONTINUING THE JOURNEY: STRUGGLES AHEAD

Turkcell had also begun to explore growth drivers for the future: Monetizing 4.5G and digital services, and building corporate and international business (Fig. 3).

The roles of Turkcell's 80 directors (who reported to members of the executive committee and were responsible for operationalizing the company's strategy) had become considerably more challenging with the company's ongoing transformation. Although these executives were very capable, the pace and magnitude of change within the organization was tremendous and they were struggling to keep up. It was also becoming clear that this key group of executives lacked a common understanding of what it would take to successfully complete the journey from being a network operator to becoming a digital operator.

Fig. 3: Growth drivers

Monetize 4.5G
Increase smartphone penetration by providing consumer financing. Move subscribers from 2G and 3G to 4.5G, where the average revenue per user (ARPU) is 1.5 times higher.

Monetize digital services
Use the subscriber base and consumer insights to sell advertising. Launch mobile payments and integrate this into digital services.

Build corporate business
Exploit opportunities in healthcare, energy, education and a number of business verticals.

Build international business
Franchise the digital operator model to telcos globally.

DEFINING THE OBJECTIVES OF THE L&D PROGRAM

Turkcell Academy, which is responsible for L&D for all the company's employees, decided to develop a program for the directors and the director successors. The objectives of the program were to:

1. Ensure the directors and director successors were aligned with the CEO's vision of transforming Turkcell into a digital operator.

2. Build the capabilities and skill sets to execute Turkcell's strategy, including digital business transformation, change management, strategic execution, customer centricity and innovation.

3. Equip executives with the soft skills they needed to perform effectively, including culture change, collaboration and leadership.

Turkcell Academy's executives felt that the time was right to make a major investment in directors and director successors. It had been a couple of years since a program had been organized for this group, and about half of the directors and some of the director successors were new to Turkcell, having been recently recruited as part of the transformation. Apart from the learning benefits, there would also be significant networking benefits in bringing them together in one room.

Why the Leadership Development Program

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Kaan Terzioglu and Banu Isci Sezen

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As a company, we embarked on a journey of transforming from a telecom operator to a digital operator. It required a different set of skills, perspective and global understanding for our leadership team. It was a brand-new team getting together for a very important mission and I wanted to get nothing but the best in terms of global perspective."

Kaan Terzioglu
CEO

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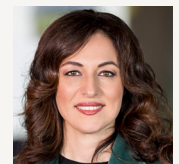
Digital transformation was a very new concept to all of us within the company so we wanted our leaders to know what this concept is, why we should live digital transformation as a company, and how to implement this transformation in real life."

Banu Isci Sezen
General Manager
Turkcell Academy

THE COMMITMENT

IDENTIFYING A PARTNER

Turkcell Academy approached several major international business schools early in 2017 to identify a partner for the Turkcell Global Leadership Program. After careful evaluation, which included visits to the business schools to meet with potential program directors and faculty, in March 2017 the company decided to partner with IMD. Two key reasons for this were IMD's flexible approach and experience in customized learning journeys, as well as its expertise in digital business transformation as a result of the research carried out by the Global Center for Digital Business Transformation, an IMD and Cisco Initiative. The partnership between IMD and Turkcell was co-led by Banu Isci Sezen, general manager of Turkcell Academy, and Tawfik Jelassi, IMD

Professor of Strategy and Technology Management, who served as the program director. Turkcell's CEO strongly supported the partnership; he had previously worked for Cisco and was well aware of IMD's expertise in digital business transformation.

Professor Jelassi was uniquely qualified for the role of program director. He had served as Tunisia's Minister of Information and Communication Technologies and, prior to that, as Chairman of the Board of Directors of a telecom operator: Ooredoo Tunisia. He was also recognized for his expertise in digital business transformation.

Turkcell and IMD jointly committed to offering the program to three cohorts of 47-48 participants each over a 12-month period, starting in July 2017.

Partnering with IMD

Kaan Terzioglu

CO-CREATING THE PROGRAM

Professor Jelassi traveled to Istanbul and carried out one-on-one interviews with Turkcell's CEO, the 11 members of the executive committee, and the general manager of Turkcell Academy. Together, they identified 10 key issues and challenges that the program needed to address (Fig. 4).

Fig. 4: Issues that the L&D program had to address

Align with the CEO's vision	Build relevant capabilities and skills	Develop soft skills
– Transform Turkcell from a traditional telecom operator to a digital services provider: from a physical, assets–based company operating mainly in Turkey to an international, data-asset-based digital firm – Identify ways to leverage Turkcell's core business and infrastructure – Turbocharge the company's move to adjacencies to create new business opportunities and a stronger value proposition – Learn from international benchmarks and other companies' experiences in the telecom sector and other industries	– Offer a differentiated and truly personalized experience that is relevant to each customer – Simplify the approach to conducting business and its related operational processes – Ensure high-quality, timely, effective and impactful strategy execution – Improve the capability to communicate, drive and manage change at the individual, team and organizational levels	– Operate more collaboratively and become an agile and fast-responding company – Develop a corporate culture that fosters innovation and experimentation and accepts the prospect of failure

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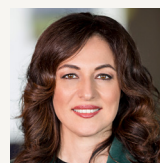
My team arranged for Professor Jelassi to meet for one-on-one interviews with all the CXOs, allowing us to better understand function-based threats, opportunities and difficulties in the implementation of the overall corporate strategy. This enabled us to design the program with the right content."

Banu Isci Sezen
General Manager
Turkcell Academy

IMD and Turkcell co-created the program over a three-month period. Professor Jelassi developed an initial outline of the program and identified two IMD faculty members to co-deliver the program with him: Professor Robert Hooijberg, whose expertise is in organization and leadership, and Professor Bettina Buechel, who focuses on strategy execution and change management. Turkcell and IMD then worked together to finalize the program (see the Appendix for an illustration of IMD's co-creation process). Time was of the essence, so this was an accelerated and intense process, facilitated by initial discussions about the best program structure and faculty when Turkcell Academy executives visited Lausanne and when Professor Jelassi visited Istanbul. Turkcell Academy executives had also already had extensive discussions with Professors Hooijberg and Buechel in Lausanne.

THE
L&D INITIATIVE

THE PROGRAM DESIGN

The Turkcell Global Leadership Program was delivered to three cohorts: 48 executives each in July 2017 and September 2017; and 47 executives in February 2018. All 80 company directors were invited to attend, and 65 took part, as did a further 50 director successors. Turkcell executive committee members and directors also nominated 28 managers to take part in the program as they felt this was critically important in view of their roles.

To prepare the sessions and diagnose the change-readiness of the company, the nominated participants were asked to complete two surveys ahead of the program: the Denison Organizational Culture Survey and IMD's Digital Business Agility Survey. The program developers used the survey results to stimulate discussions in class on potential solutions at appropriate moments.
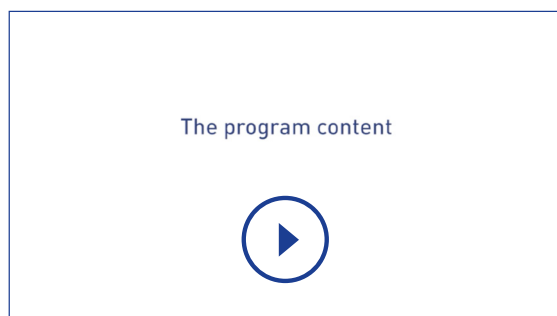
The program design

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Banu Isci Sezen

THE PROGRAM CONTENT

Eight topics were identified as being key to Turkcell (Fig. 5). A variety of learning tools were used, including discussions of global trends and relevant management frameworks, case discussions, and simulations.

Fig. 5: Key topics for the L&D initiative

| Leading in turbulent times | Customer centricity and digital innovation | Digital business transformation | Organizational culture |
| Collaborating across boundaries | Strategy execution | Change management | High performance leadership |

The program content

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Hilal Yazici Atilay

DELIVERING THE PROGRAM

The face-to-face program for each cohort ran over five days. It began with a session on leading in turbulent times, during which Professor Jelassi shared his fascinating experience as a minister in Tunisia in the immediate aftermath of the Arab Spring and drew lessons for both leaders and organizations.

Professor Jelassi had suggested that input from Turkcell's top leadership would be valuable, so in the next session, Turkcell CEO Kaan Terzioglu shared his vision for the company and engaged the participants in an open dialogue. Turkcell chairman Ahmet Akca also spent an hour with the participants discussing his vision for the company. The involvement of the CEO and the chairman underscored the importance of the program for participants, which we know is key to program success and traction.

A key teaching tool was discussions on case studies about leading global companies that were carefully chosen to focus on the key issues facing Turkcell. Participants found these especially valuable because they allowed them to see how other companies were dealing with the challenges that Turkcell faced and to draw useful lessons. Among the companies discussed were DBS Bank (Singapore) for customer centricity and digital innovation, and Axel Springer (Germany) and GE (US) for digital business transformation.

The program content:
Cases

Demet Penpecioglu

SIMULATIONS TO HIGHLIGHT DANGERS

Simulations on collaboration and change management were used, since experiential learning is particularly effective in these areas. In the session on collaboration, participant teams had to complete parallel tasks within a strict timeframe with limited resources.

The results from the exercise clearly demonstrated the dangers of silo thinking within an organization. The change management simulation involved participant teams acting as internal consultants to convince top management within a subsidiary to deploy a major change initiative. This helped participants understand the options available to them when managing change and the importance of mapping the change process before springing into action.

The program content:
Simulations

Hacer Coskun

FRAMEWORKS TO MANAGE CHANGE

To explore complexities in changing organizational culture, Professor Hooijberg introduced a model that mapped the different dimensions of corporate culture and explained how this could be used to identify which dimensions needed to change.

The participants then used the Denison Organizational Culture Survey results to identify the key organizational culture issues for Turkcell and possible actions to address these. Similarly, Professor Jelassi, in his session on digital business transformation, introduced the Digital Business Agility Framework, then used the Digital Business Agility Survey results to highlight the issues Turkcell faced and incite participants to think about potential solutions.

The program introduced participants to several useful frameworks that could help them navigate the ongoing changes, including:

–   **The path to customer centricity**
–   Frameworks for digital business transformation, including the **Digital Vortex**, **digital response strategies**, **digital value categories**, **digital business agility capabilities** and **the Digital Business Transformation Piano**
–   Frameworks related to strategy execution, including the **Must-Win Battles matrix**, **the adoption matrix**, **Seven Insights to support strategic initiatives**, and **the stakeholder matrix**
–   The **Organizational Culture Model** and **the culture change matrix**
–   **Levels of participatory decision making** and guidelines for using them
–   The **agile leadership model**.

In summary, the program provided a diagnostic assessment of the state of the company relative to its peer group, the gaps that needed to be covered as part of the transformation, and the mindset and tools that senior managers required to move forward.

The program content:
Concepts and frameworks

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Murat Kucukozdemir

Participants commented that the program was mind-expanding, relevant and realistic:

"

The content and structure of the program were really well designed. It started with making us realize how the Digital Vortex affects all our lives. In order to win the game, you have to think out of the box, but how? We worked on many real cases during the program."

Hilal Yazici Atilay
Program Participant

"

We learned about companies that had failed. What were their mistakes? Was there any solution for saving them or growing their business? Their mistakes were a big learning for us."

Kadri Ozdal
Program Participant

"

There was a simulation program on collaboration. There was a company with all the layers and functions of an organization, just like real life. We were trying to create a meeting and, if we skipped the executive assistant, we lost points – just like in real life."

Demet Penpecioglu
Program Participant

"

What I have taken from the program is the soft skills side – teamwork, understanding people, empathy. One of the professors talked about introverts. I am an introvert so it was good to hear her ideas about that."

Hifzullah Ozkaya
Program Participant

THE IMPACT

AT A GLANCE

The Global Leadership Program:

– Created a common vision among Turkcell's leadership of the company's transformation journey and what it would require from each part of the organization.
– Gave participants the tools they needed to be effective within the organization and the confidence to make significant changes within their spheres of influence.
– Identified and addressed key organizational culture issues including silo thinking, inadequate employee empowerment and a negative attitude toward failure.

CREATING A COMMON UNDERSTANDING OF THE JOURNEY

The Global Leadership Program created a common vision among the company's leadership of its transformation journey. The tools and frameworks that participants learned to use during the sessions gave them a common mindset. Concepts such as the digital vortex became part of their shared vocabulary and were used across the organization to discuss Turkcell's challenges. Over time, program participants introduced their teams to the tools and frameworks they had learned throughout the program, so this common vocabulary and mindset became even more widespread across the organization.

Impact on the company

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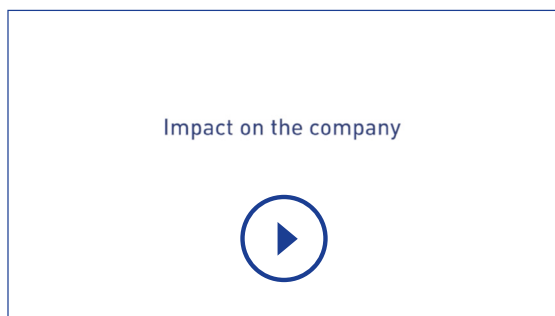
Kaan Terzioglu

> "We were in the middle of digital transformation when we did the program. IMD showed us that if we succeed with digital transformation, we can reach our targets. We learnt that digital transformation is very important for our success. They showed us examples from all over the world of companies that have been successful in digital transformation. **The program impacted the whole company because, after they attended the program, the directors acted as trainers and shared the knowledge with their staff.**"
>
> **Seray Kerimak**
> Program Participant

> "The organization has started recognizing words like VUCA and digitalization. **All of us are using the same vocabulary now.**"
>
> **Hacer Coskun**
> Program Participant

The case studies showed participants how other global leaders were dealing with challenges similar to Turkcell's, which helped them to visualize the company's journey in more concrete terms and better understand the roles that they and the groups they headed would need to play in that journey.

The program also provided participants with a safe space – away from the workplace and normal work pressures – to connect and collaborate. Participants came from every function within the organization, and many of the program activities required them to work with each other in teams, allowing them to get to know each other and to see how they thought about and reacted to the same events.

Over the course of the year during which the program's three cohorts ran, these elements led to the development of a consensus across Turkcell's leadership of what success in the transformation journey would look like and what it would require from each part of the organization. This consensus was key to the company's successful completion of the journey from network operator to digital operator by end-2018. It had also allowed the company to move forward to exploit the growth opportunities it had identified in Turkey and internationally.
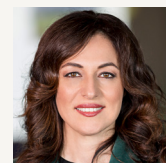
> "
> The program was a huge success! **Digital transformation has become the new and common language within the company.**"
>
> **Banu Isci Sezen**
> General Manager
> Turkcell Academy

Impact on the company

▶

Banu Isci Sezen

GIVING PARTICIPANTS THE TOOLS AND THE CONFIDENCE TO MAKE SIGNIFICANT CHANGES

The Global Leadership Program gave the participants the tools they needed to be effective within the organization. Depending on their backgrounds, the participants found different parts of the program most helpful. Some got a lot of value out of the frameworks and tools related to digital transformation and strategy execution; others found the tools related to soft skills such as collaboration and leadership more helpful.

Equally important was that the program gave participants the confidence to make significant changes within their spheres of influence, which added value to the organization.

Impact on the participants

Barbaros Ozdemir

Impact on the participants
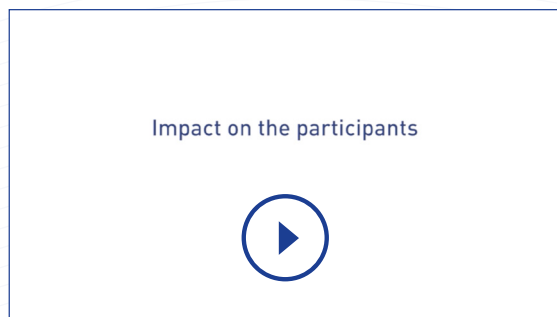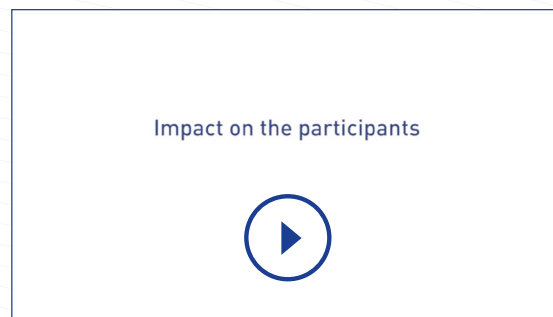
Murat Kucukozdemir

> " I consider this program one of the milestones of our digital journey in terms of our mindset shift. **After the program, I told my boss and my team that we had to change at least 50 percent of our agenda, and we really did this.** I work in HR which is a difficult area for breaking the paradigm because there are many rules but, after the course, we began to feel that everything can be changed. The course helped us a lot in shifting our mindset."
>
> **Hilal Yazici Atilay**
> Program Participant

> " **After the program, we created 20 ideas for digital transformation vertical industry solutions.** Today, six of them are bestselling solutions."
>
> **Barbaros Ozdemir**
> Program Participant

> " After the program, we started to think about how to change our business models. It triggered us to change our processes for the digital world. **Last year, we introduced digital signatures for our retail stores. We saved 500,000 trees.**"
>
> **Kadri Ozdal**
> Program Participant

> " Previously, my sales team was allocating almost 70% of their time for back office operations and could use the remaining 30% for sales activities. To change this situation, we have started our digital business transformation initiative."
>
> **Murat Kucukozdemir**
> Program Participant

IDENTIFYING AND ADDRESSING KEY ORGANIZATIONAL CULTURE ISSUES

The interviews that Professor Jelassi had conducted as part of the program development with the CEO and members of the executive committee had highlighted organizational culture issues that needed to be addressed. These included silo thinking and a lack of collaboration across the organization, inadequate employee empowerment, and a negative attitude toward failure, which had contributed to making employees risk averse. The Denison Organizational Culture Survey that was conducted for each cohort of the program confirmed this diagnosis. These issues were addressed in the program through sessions on organizational culture, collaboration and leadership. The links that program participants from different parts of the organization developed with each other also helped to address the issue of silo thinking by making it easier for them to connect with each other when they need to.

Impact on the participants

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Hilal Yazici Atilay

> "
> It was a privilege to be with our colleagues for five days and solve different problems together. **We could feel the power that all of us, if we could unite, could bring in order to prepare Turkcell for the new world.**"
>
> **Demet Penpecioglu**
> Program Participant

LESSONS LEARNED

– Timing can be a key determinant of success. Running the program while the company's transformation was in progress ensured that the skills and capabilities developed were of immediate value, which was key to program success.

– The conversations between program participants and the connections they build with each other can be as important to the program's success as relevant content, so programs should be structured to facilitate this.

– Leadership development programs can be used to build consensus around a company's strategic direction and to ensure that leaders do much more than pay lip service to corporate goals.

– Top management involvement proved key, particularly because the situation was tricky. In this case, the CEO was directly involved in crafting the program, and both the CEO and the chairman participated in the program.

> "
>
> The strong collaboration and mutual trust created between IMD and Turkcell made the relationship between the two parties quickly evolve from that of a corporate client and an executive education provider to that of a strategic and sustainable business partnership."
>
> **Tawfik Jelassi**
> IMD Professor of Strategy and
> Technology Management

IMD TEAM

TAWFIK JELASSI

Program Director
Professor of Strategy and
Technology Management

> more info

ROBERT HOOIJBERG

Professor of
Organizational Behavior

> more info

BETTINA BÜCHEL

Professor of Strategy and
Organization

> more info

APPENDIX

Our design philosophy: The IMD co-creation process

The most critical starting point in any journey with our clients is the preparation time and the importance of co-creation. Our faculty gets deeply involved with the most senior stakeholders (C-suite), sponsors and more to secure a very thorough understanding of the goals and objectives and the impact that you wish to have on the leaders of the industry and your organization. Our co-creation methodology is as follows:

01 Exchange
02 Context
03 Brainstorm
04 Sketching
05 Prototyping
06 Test
07 Refining
08 Takeoff

UNDERSTANDING CONTEXT
Steps 1 & 2

- We listen to your description of your culture, your business strategies, your values, your learning and development objectives, and the impact you want to have on your organization and your leaders.
- We ask questions, we probe and we challenge you to ensure that our understanding of your goals and your organizational context is rich and deep.
- Together we choose a small set of project/program "Must-wins": the outcomes we must achieve to have the impact you want to have on your leaders and on your organization.

CO-CREATION
Steps 3 to 7

- We bring together everything we have learned during the first phase to create the first sketches of the program structure and flow.
- We test these prototype sketches with you and your program stakeholders so that our designs reflect a rich variety of ideas and concerns.
- We agree on a program structure and flow that will have the highest possible impact on your leaders and on your organization.

DELIVERY
Step 8

- Once we are in agreement on the design, we launch the program.
- We embed the learning through carefully crafted processes that blend together many different tools and approaches.
- We reconstruct or fine-tune the learning process based on the feedback we receive through the evaluation process and on a fresh look at the organization's business challenges.