

Taking digital transformation to the limits at Koç Holding

The CEO and HR director of Turkey's largest industrial conglomerate describe how a leadership-development program is preparing the company for a digital future—and shaking up the status quo.

Digital transformation requires the full support of a company's top leaders. But how do you instill a sense of urgency and purpose in leaders who believe they are already at the top of their game? This was the case at Koç Holding, Turkey's \$27 billion conglomerate with divisions in energy, automotive, finance, consumer goods, retail, food, tourism, and other industries. In 2016, CEO Levent Çakıroğlu, with his top team, launched a digital-transformation program aimed at remaking each of Koç's 25 major businesses—most of which were already market leaders in their respective sectors.

As Çakıroğlu and HR director Özgür Burak Akkol explain in this interview with McKinsey's Peter Gumbel and Bengi Korkmaz, part of the answer was to use the extreme conditions found in nature to push company leaders to see their strengths and grow their capacity to lead in both familiar and unfamiliar environments—a tall order for Koç's traditionally conservative culture.

The Quarterly: *If all your businesses were performing well, why was a digital transformation necessary?*

Levent Çakıroğlu: Koç has been a leader in Turkey for decades and has always adapted to change. But now, everything is changing faster than ever

before, thanks to the mobile-phone revolution, AI [artificial intelligence], robotics, and other technologies—all of which are causing disruption. So, this time we needed more than adaptation. We needed a full transformation. Koç could not slip into the position of follower. Instead, we must lead the change.

The Quarterly: *How did you decide where to place your resources?*

Levent Çakıroğlu: To start, we needed a groupwide assessment to understand where we were in terms of our digital maturity. We needed to create tailored road maps for each business based on its own strategic targets and its specific industry dynamics and to be sure that we were all using the same language across the group to describe the effort. At the end of the first year, each company had a clear vision, a road map and yearly targets regarding the transformation initiatives.

We also structured four central initiatives—like advanced analytics and Industry 4.0—which were not industry specific but relevant for the majority of our companies. We supported and encouraged our company leaders and experts to work in collaboration on these subjects. All of this helped us start the journey together, with all the group companies. It was not an easy task.

➔ To learn more about the company's transformation journey, see a series of short videos featuring Koç CEO Levent Çakıroğlu and HR director Özgür Burak Akkol in the online version of this article, on McKinsey.com.



Levent Çakıroğlu is the CEO of Koç Holding. Prior to joining the company, in 1998, Levent served in various positions in Turkey's Ministry of Finance, and from 1997 to 1998 was a part-time instructor at Bilkent University.



Özgür Burak Akkol has been the HR director for Koç Holding since 2014. Özgür joined the company in 2003 as an HR assistant specialist.

The Quarterly: *What was the key to getting the transformation off to a strong start?*

Levent Çakıroğlu: We knew that to build a new culture we needed the full support of the CEOs of our individual [subsidiary] businesses right from the beginning. We needed them to assume ownership of the transformation, and they have, very strongly. Remember: these are people who were delivering double-digit growth annually. Our success could have been the biggest barrier to change, but instead the CEOs have become the true drivers of this transformation. Their belief in our underlying objectives was crucial.

To drive change further, we asked our group companies to identify and nominate managers, directors, and others from their respective companies to be change leaders and advocates of the transformation program from within. I stressed that this needed to be a multidisciplinary approach. We needed to have colleagues from sales, marketing, manufacturing, purchasing, finance, supply chain—not just IT—to do this properly.

The Quarterly: *How did you approach the challenge of changing behaviors across such a disparate group of leaders?*

Levent Çakıroğlu: We knew that success would involve a lot more than just gaining new technological or digital skills. The new business challenges we face have new and different dynamics, and they impact people in many different ways. We wanted our leaders to start by getting to know themselves. Only if we built a digital leadership program that enabled them to better know and understand themselves—and understand their purpose—could they develop the skills they needed.

This is ultimately how we determined that the focus of our leadership program would be the top 200 leaders across Koç Holding.

The Quarterly: *How did this thinking influence the design of the leadership program?*

Özgür Burak Akkol: To convey the need for change, we felt the program needed to get as far away from “expected” as possible, to break away from what the leaders had experienced before. The food, the location, the language, the rules, the KPIs [key performance indicators], the follow-ups—everything needed to be different than what people expected.


We designed the program to happen in three separate stages that take place over the course of several months. The first stage focused on helping the leaders build self-awareness, so they could see what it means to be an adaptive leader. The next stage looked at applying what the leaders had learned to digital change—working on skills like agile thinking, design thinking, managing big data, and so on. Finally, we wanted to get the leaders to directly adapt to uncertainty in a new way—so we had the program culminate in five days of wilderness experience in the Alps and in Norway. This phase was meant to help the leaders test their boundaries, work together as a team, and overcome challenges, as well as to inspire them to lead.

The Quarterly: *Why was the trip to the mountains so important?*

Levent Çakıroğlu: One leader said that while they were in the mountains, she wondered if the course was designed to develop leaders—or to get rid of them! [Laughs.] Of course, it was a joke. But it speaks to how we wanted the participants to understand their physical and mental capacity under difficult circumstances. Sometimes, we need such extreme experiences to understand our real potential.

In fact, I believe there's a direct link between the skills the leaders used in the mountains and the skills needed to lead in a global company. We need people with strong personalities who can take initiative and are willing to support one another. We need people who aren't afraid to challenge and test the ideas of top management in a healthy way—and then work very hard together as a team to deliver on a shared goal once we are aligned.

The Quarterly: *By your own reckoning, you are two years into your digital transformation, and you are beginning to see results across the company. What would you say are the most important takeaways for the company thus far?*

Levent Çakıroğlu: The heart of our strategy has always been our colleagues, our people. The real success factor behind Koç Holding will always be our people. Some business people think of transformation in terms of processes and new technologies. But I don't look at it that way. A digital transformation is the smartest way to invest in our people. If we do that, if we value them in the right way, they will be the drivers of success no matter what kind of change we encounter. 

Levent Çakıroğlu is the CEO of Koç Holding, where **Özgür Burak Akkol** is the HR director. This interview was conducted by **Peter Gumbel**, editorial director of the McKinsey Global Institute, who is based in McKinsey's Paris office, and **Bengi Korkmaz**, a partner in the Istanbul office.