

Executive Insights: An Interview with Özgür Burak Akkol, Tourism, Food, and Retailing Group President at Koç Holding A.Ş.

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Abstract

We discussed the current business environment and recent developments with Özgür Burak Akkol, who is currently the Tourism, Food, and Retailing Group President at Koç Holding. Until recently, he served as the Human Resources and Industrial Relations President of Koç Holding, one of the largest employers in Turkey, with 105 thousand employees and consolidated earnings that account for 8% of the country's GDP. He shares his experience leading the human resources management of a large conglomerate and overseeing important initiatives that received several significant accolades. He discusses navigating challenges engendered by the pandemic, generation Z joining the workforce, and the impact of digitalization on human resource management practices.

Can you please tell us about your current responsibilities and the path that took you to your current position?

I started my career as an industrial engineer at Nautilus Foods, in USA. After my time overseas, I returned to Turkey and began working as an auditor for Koç Holding 17 years ago. At the time, I had no idea my work path would lead me to where I am now. Working for Koç Holding gave me the incredible opportunity to make a difference in the lives of millions of people by taking seemingly insignificant steps toward high-impact improvements.

I have been leading Human Resources at Koç Holding for the past 7 years. I served as Human Resources Director from 2014 to 2021 and afterwards I was appointed as Human Resources and Industrial Relations President. At the

end of March 2022 my role has changed and I have been appointed as the Tourism, Food, and Retailing Group President.

In addition to my responsibilities at Koç Holding, I am the chairman of the Turkish Confederation of Employer Associations (TISK), and the Turkish Employers' Association of Metal Industries (MESS). I should admit that administrative duties take up the majority of my time. However, I believe it is my job to make sure that my country and organizations keep up with three major developments: adapting to the pace of change in the workplace, Turkey's role in today's connected business world, and the digital revolution, and its implications for the future of work.

As a representative of young people in the business world, I believe I am fortunate to be in Turkey because its young, inherently agile, and motivated community.

Koc Holding has been consistently ranked as the top employer in Turkey and recognized as one of the best employers in the world. Can you please tell us the secret to your success?

Turkey's industrialization has been a gradual development over the last 100 years. The development of our country's industry and the ability to produce products and services that can compete in international markets has been achieved thanks to the efforts of key players that made significant contributions to this process. Koç Holding is without a doubt at the forefront of these players. Koç Holding, founded in 1926, is almost the same age as our Republic and our quest for industrialization. Helping set the standards by continuously raising the bar in many fields throughout this long journey, Koç Holding is now a Group of 105 thousand employees, with consolidated earnings accounting for 8% of Turkey's GDP. The Group's operations generate 7% of Turkey's exports, and four of Turkey's Top 10 industrial players are subsidiaries of the Group.

We believe that several variables need to come together for a company to be a successful employer. There is no single recipe for success. The Koc Group was created with the premise of "Our most important asset is our people," and this perspective is our most precious cultural legacy. It is our top priority to improve the lives and experiences of our employees and their families. Besides, we aim to hire the best and most qualified people for our Group companies and provide the opportunity for our employees to grow and develop into future leaders. We believe that reaching these goals is crucial not just for ourselves but also for the social and economic development of the country. We manage to keep up with the spirit of the times while preserving the cultural legacy passed down through our DNA.

At Koç Group, we operate in a variety of industries and on nearly every continent. We operate in almost ten different industries and have production sites in more than 40 countries with more than 50 thousand employees in them. We export to over 150 countries, managing over 40 different currencies. Apart from Turkey, more than 20 thousand employees work in other countries throughout the world. Our average age is 36, and 74% of our employees are from the Y and Z generations. Above all, we always focus on correctly understanding the employees' needs and providing various solutions. We take an innovative approach to human resources based on the values of equality, diversity, inclusion, and development.

Over the past seven years, at Koç Group, we've been through a strategic transformation of our human resources processes with the purpose of fostering a more adaptable, proactive, and action-oriented culture. We've implemented a number of projects aligned with our employees' expectations and promoted new generation work practices. With an "experience-oriented" mindset, we've redesigned all of our procedures, from internships to recruitment, rotation, performance management, training, development, social activities, and even retirement. We took significant steps forward in digitalization and increased our technology and innovation efforts. We've been actively implementing the agile working framework for a long time.

So, we have employees who all have different lifestyles, challenges, and life expectations. For example, we have a married female colleague who works in shifts at Tüpraş, our Turkish energy giant, and a single male colleague who works as an AI specialist at Yapı Kredi Bank. Keeping this in mind, we've devised a feedback system that allows us to keep track of their thoughts, desires, and emotional responses to specific concerns. We've created over 30 different personas based on various personal requirements. We comprehensively and methodically examine the data we collect here using technologies such as artificial intelligence and design thinking. Recently, we have started to analyze our employees' one-day working experience and needs by conducting ethnographic research with the help of anthropologists specifically for personas. We also conduct ethnographic interviews with our employees in their working environment. We then identify the next step, our improvement points, based on this insight and feedback.

To summarize, we act by concentrating on our diversity and maintaining a mindset that always puts people first. We at Koç Group regularly present many "firsts" worldwide and in Turkey to our employees, and we do this consistently regardless of economic conditions. Our most significant difference, in my opinion, is our consistency and human-centered thinking.

Can you please elaborate on how the Koç Group navigated the pandemic in terms of human resource management? We know that the Group has been held up as an example to the world by the World Economic Forum in this regard. Could you please explain what happened during the process?

The pandemic has caused significant changes in our social and business lives. However, it is a fact that it both triggers and accelerates global change. But it doesn't stop there. In recent years, the world has changed at a breakneck pace. Coping with uncertainty, being ready for change, the ability to take swift action, and the ability to digitalize processes have been factors that have made the work of institutions and organizations simpler in this climate of change, which is disruptive in many areas. The quick, inclusive, non-hierarchical organizational structure and our agile transformation philosophy built with the cultural transformation we began at Koç Group seven years ago have been the keys to our success in such a challenging environment.

During the pandemic, the health of our employees, business partners, distributors, suppliers, and their families has been our top priority. We quickly established an effective online collaborative working environment for our employees who were able to work remotely during the start of the pandemic. We were the first large Group in Turkey to do so. We quickly took the necessary measures for employees who continued to work at their workplace. We proceeded to work by regularly improving a list of measures while following worldwide data. In the same vein, job security was a top priority for us. Just days after the World Health Organization declared a pandemic, we resolved to maintain existing employment contracts and protect our employees' financial security. We have done this not only in Turkey but also in all of our global enterprises.

To ensure our employees can easily overcome this challenging period we adopted a holistic approach and identified approximately 30 personas with differing needs, including employees who are working in the workplace, working from home, married/single, field/office employees, suffering from chronic diseases, and developed a central feedback structure to hear their voices. We were the first in the world to implement the pulse survey system. In this context, we asked our employees questions like, "How do you feel?" and "What can we do to make you feel better?" from the very first days of the outbreak. In line with the feedback we received, we implemented more than 1500 innovative practices that support our employees in many ways and touch their lives. Our CEO Mr. Levent Çakıroğlu provided exceptional support during this period. Depending on our employees' feedback, we have

put in place a financial support mechanism to address any cash needs that may arise during this period.

One of the most important issues during this period was raising people's awareness. We have posted many informative videos about coronavirus through our online training platform KoçAkademi. Then we made KoçAkademi accessible to everyone in Turkey. We developed a WhatsApp Chat Bot where Koç Group employees and their families could receive instant and quick updates about their interests and questions. We have implemented Koç Group Neighbors initiative, which directly touches our employees, through which they can support each other, and which enables them to help one another. Through Koç Group Sports Club, we moved all our lessons to an online platform to ensure that our employees could protect their physical health at home. Through our KoçAilem Loyalty Platform, we have prepared advantageous campaigns offering internet gifts, online grocery services, and online purchases of tablets and computers to support remote education and work in line with the needs of this period. We started an online clinic service for employees who cannot go to hospitals. We ensured that all employees with complementary health coverage would also be covered for Covid 19 treatments, treated in the best conditions, and not have any difficulties if they and their families test positive for Covid-19.

As a result of such efforts, we reduced the anxiety rates of our employees from 60% during the first days of the pandemic to as low as 12%. We received global accolades thanks to our innovative employee experience practices. We have been praised as an example to the world by WEF and recognized as a best practice case by SAP. We've been elected Turkey's Best Employer in Forbes' list of World's Best Employers for this year as well as the previous five years, moving up 124 spots to be one of the top 200 companies.

While white-collar professionals are typically given a lot of attention, my understanding is that you also pay attention to blue-collar employees and have developed several initiatives specifically for them. Could you tell us more about those initiatives and what they're meant to accomplish?

The distinction between blue-collar and white-collar employees has existed for hundreds of years and causes worldwide sociological erosion. While white-collar employees are usually managed in an insight-oriented and individualized manner, blue-collar employees tend to be handled in groups, and their individual needs are largely ignored. There is still a division between blue-collar and white-collar employees in many companies worldwide. Even if they eat the same food, they eat in separate lunchrooms, which makes it impossible to make them feel equal. We are now in the year

2022, and employees of many multinational corporations are still not allowed to have their corporate e-mail addresses. If you're wondering how this reflects on business, consider this: when a family member of an office employee passes away, it's announced to the entire company. However, this is not the case for those working in factories. They do not get holiday greetings, computerized payrolls, and shuttle bus announcements.

As we launched the Koç Group's cultural transformation, we realized that our field employees' expectations had shifted in tandem with their daily routines in recent years. We have a group of field employees who are interested in pursuing alternative career paths and broadening their knowledge. So, we sought to provide our employees with equitable and inclusive opportunities through our digitalization training and development programs. As a result, the change that we experienced, such as the elimination of the "blue/white collar" divide, did not remain only in words. We've gone through a methodical, even drastic, transformation as is reflected in our DNA.

First and foremost, we eliminated the terms "blue-collar" and "white-collar" from our lexicon. We reorganized the lunchrooms that needed to be modified and redesigned our factories' uniforms. We created corporate e-mail accounts for employees working in the field. We have begun providing our more than 105 thousand employees with equitable access to all types of information and technology. We offer private health insurance to all our employees, including their spouses and children, regardless of their location, office, or field. Private health insurance now covers 150 thousand Koç Group employees and their families.

Today, it is critical for firms to support not only employees' workplace experiences, but also their social life experiences. We have been doing this for years, with unique practices in Turkey and even globally, with an egalitarian approach. As an example, let me talk about our KoçAilem Loyalty Platform, which is Turkey's first and largest corporate benefits platform, unmatched in any organization of this size that provides equal benefits to more than 170 thousand Koç members, including our employees and their families, retired employees, distributors, and Koç University students. Last year, we launched KoçAilem Peer to Peer Blood Donation Platform, our digital solution that allows our employees to receive support from each other if blood is needed. We have also recently implemented an online supermarket project, again on the KoçAilem Loyalty platform, to support the grocery shopping expenses of our employees. We offer affordable grocery shopping at very good prices, 365 days a year, in hundreds of brands, from basic food to cleaning products, personal care products, beverages, and snacks. We have door-to-door delivery services in 81 Turkish cities. Thus, we

have created a comprehensive employee engagement platform whose primary function is to provide discounts and benefits, but that can also serve as a blood donation platform.

We also have a social facility on a 30-acre campus at the very heart of Istanbul. At this facility, known as the Koç Group Sports Club, we offer online and physical activities in dozens of categories, from yoga to pilates and from functional training to art classes. We provide an environment where our employees and their families can enjoy spending time together at this facility, including a restaurant under our own brand. During the week, our employees can take advantage of the facility's coworking spaces.

Healthy living is another initiative from which all Koç employees benefit. During the pandemic, perception surveys have shown us the importance of the need to maintain a work-life balance. So, we covered the whole aspects of healthy living, not just physically but also socially, emotionally, cognitively, and financially, and launched a comprehensive healthy living initiative. We've compiled a list of hundreds of perks for our employees and their families, including free and unrestricted access to online psychologists, dieticians, health and sports counselors, and "Mindfulness" training.

We also provide equal opportunities for our employees in terms of training and development. With over 12 thousand training videos in informatics, technology, hobby, personal development, healthy living, and family, our online development platform, Koç Academy, benefits all of our employees equally. In summary, we ensure that our employees from all sectors and levels benefit equally from these practices, regardless of gender, age, office/field, position, or title. Our main goal in all of this is to establish an environment in which each of our Group employees has equal rights and feels happy and proud to be a member of this family.

How do you feel about the new generation of employees entering the workforce? What kind of youth-oriented programs and initiatives do you have in place?

Generation Z, which accounts for 17% of Turkey's population, is poised to assert its dominance in the workplace. Even though four generations continue to work together in organizations, generation Z is becoming increasingly dominant. By 2025, the Z and millennial generations are expected to make up 75% of the world's working population. We're talking about a generation that grew up in a vastly different world from previous generations and has never experienced or even comprehended a world without technology. As a result, their business expectations are vastly different. Hierarchical structures are no longer relevant to them. They don't

want to work in the same area for an extended period; they want to start in one place, then have different experiences in another place, and then move again after a few years and take on different tasks. They demand to experience different business areas and to have rotations. They want their managers to be people who coach them and provide daily input. They believe that being reviewed once or twice a year is definitely insufficient.

Understanding all of these expectations is just as crucial as how you respond. The average age of our employees is 36, and approximately 74% of them are from the Y and Z generations. Hence, we know well the needs and expectations of younger employees. To respond to their expectations, we've adopted the "Future of Work" concept and implemented numerous innovative human resource practices.

We began by concentrating on agile transformation. Hierarchical systems and top-down management departments are becoming obsolete in today's business world. For a long time, we, too, have used an agile management approach to simplify our organizations to meet the demands and expectations of the younger generation, make decision-making quicker, and boost our speed of execution. We accelerated our transition to leaner, faster, and more dynamic organizations devoid of titles. At the point where we are now, the Koç Group has developed Turkey's greatest agile ecosystem. Agile approaches are used by approximately six thousand employees across our twenty enterprises. Our teams are led by more than 200 agile coaches who we have trained. Our employees can participate in initiatives in diverse sectors and firms regularly, in addition to their current roles, thanks to the agile methodology. This is an excellent opportunity for our young employees to grow and demonstrate their abilities. Our agile transformation operations have also been backed by our global partners, including Harvard, MIT, McKinsey, BCG, Scrum.inc, Business Agility Institute, and a diverse Academy portfolio that includes the world's leading subject experts. We bring together the world's most prominent educational institutions and agile thought leaders with more than 30 training programs under the framework of Koç AgileAcademy, which is a global first in its size and scope.

In addition to the short-term project transitions of the agile approach, we place a high value on rotation. At Koç Group, we allow our employees to rotate between more than 100 companies in more than 40 countries and throughout more than ten industries. More than two thousand of our employees moved to various sectors, companies, or functions in 2021.

Another issue is working remotely. We know that more than 80% of individuals born after 2000 wish to work from home. At Koç Group, we took a unique approach to the issue of remote work. If their job description allows, all of our employees can work remotely for up to 5 days a week. With our

hybrid working model, which is called Office Free, all of our companies have been designated as shared working locations, with particular working areas created. Our employees can work in any Koç company they like, with a variety of options to choose from, including their desks.

Through global alliances and digital technology, we provide training and development opportunities for our employees at all levels. As a result, through our training platform known as "Lead," we provide more than 200 different programs for our employees of all levels every year. Harvard Business School, McKinsey, Udacity, Koç University, Columbia Business School, MIT, and the University of Oxford are among the world's most prestigious educational institutions with which we collaborate.

In summary, we redesign and think about all of our young employees' experiences, and we develop these processes in response to their feedback.

While digital transformation affects all business domains, perhaps one of the most significant transformations is in the area of human resource management. How has the digital revolution impacted human resource management practices such as performance evaluation procedures?

We must rethink performance management in light of new organizational structures centered on concepts such as agile working, remote and hybrid work, and contract work. Unfortunately, it is not feasible to be satisfied with mechanical systems that are solely focused on numerical business results and where performance is monitored on a quarterly or annual basis. Rather than that, one must adopt a new generation of performance management that is future-oriented rather than past-oriented, enables quick feedback, strengthens the relationship between goals and objectives, and is delivered via a flexible and transparent system.

We began a transition process at Koç Group three years ago to implement a new generation performance system that is aligned with future business models. For many years, the performance management system in this huge organization of 105 thousand employees was maintained through a mechanical and very complex system that tracked everything from financial risk to customer satisfaction and human resource indices. Although our previous performance system enabled us to strongly reflect and evaluate financial performance expectations through its scorecards, it still had the potential for improvement in areas such as showcasing future-oriented innovation and encouraging risk-taking transformation. We chose to act with the goal of giving a whole new viewpoint to the concept of performance through the use of feedback from our colleagues.

Leading companies worldwide encountered similar issues with their performance management systems. When we compared their best practices, we noticed that while each established its own technique to meet its unique demands, two methods were consistently at the heart of the solution: OKR (Objectives and Key Results) and CFR (Conversation, Feedback, Recognition).

OKR is a flexible, transparent, and dynamic framework that demonstrates the organizational priorities for individuals and teams, as well as the methods for achieving those priorities. This framework, a Silicon Valley product, is a new generation performance tool that gained popularity with Google in the early 2000s and has since surpassed all others. When dialogue and exchange of ideas are encouraged within the organization, this approach begins to have a meaningful influence. We centered our design around the OKR technique and a continuous/instant dialogue approach. So, we have named our new system "Koç Dialogue" to reflect its core.

We've created a flow and annual journey around the system in which we incorporate dialogue elements that continue throughout the year. We created a process in which employees met with their managers five times a year. Along with these structured interviews, we've established a system that allows all of our employees to freely exchange ideas with anyone they want, whenever they want.

We specifically avoided considering the Koç Dialogue deployment process as a simple system change. We handled it as a significant process of awareness, development, and cultural transformation. To assist our companies in navigating this "adaptive transformation," we developed and launched a development program in collaboration with Columbia Business School, NeuroLeadership Institute, and Emeritus. Over 25 thousand employees who initially used the new system and participated in these programs received extensive training.

The analyses we conducted in 2021, following the first year of Koç Dialogue, were likewise quite encouraging. In our former system, meetings between our employees and their managers were held once a year during objective setting, and 50% of our employees claimed that they did not receive adequate feedback from their managers throughout the year. More than 100,000 employee-manager meetings were held in a year using the new method, which consisted of five check-in periods, beginning with the "OKR Defining" period and concluding with the "Year-End Meeting" period. 1.1 million entries were made to Koç Dialogue this year. Our employees who developed better habits of exchanging ideas via the dialogue-based framework exchanged ideas 14,730 times during the year over the system. While two out of three employees expressed dissatisfaction with our prior

performance system, our satisfaction score for Koç Dialog in 2021 was 4.7 out of 5.

Continuous dialogue, technology, infrastructure, and education are obviously critical for this success. But most important was the support we have received from our Presidents, General Managers, and our entire organization under the leadership of our CEO, Mr. Levent Çakıroğlu.

Which skills do you believe the new generation should prioritize? Which skills and habits are necessary for success in today's world? How do you see the Covid Crisis affecting the skills required in the future?

It is a fact that digitalization has resulted in a shift in the distribution of roles between humans, robots, and algorithms. Together with automation, artificial intelligence, and digital technologies, we are on the verge of entering a digital era in which the content of our work, the way we work, and the skills required for success are continually changing. It is critical to capitalize on this quick wave of transformation in order to ensure long-term growth.

According to a McKinsey report, by 2030, members of Turkey's workforce of 21.1 million will need to improve their competencies through the use of technology while maintaining their existing jobs. However, automation and digitalization are likely to have a higher impact on 7.6 million employees due to the acquisition of new competencies and job changes. According to reports, 5.6 million people in this category shift roles as a result of learning new competencies, and another 2 million people are required for new professions. If the projected transformation in skills occurs, the greatest expected shift in competencies will occur in technological competencies, at a pace of 63%. Social competencies are expected to improve by 22% and advanced cognitive competencies by 7%, whereas basic and physical competencies are expected to decrease by 10% and 8%, respectively.

It has become obvious that social competencies such as the capacity to cope with challenges and to adapt rapidly to change are critical in an environment marked by increased uncertainty. However, as the next era of automation progresses, the relevance of cognitive abilities such as critical thinking, problem solving, and creativity, as well as technological abilities such as programming and data analysis, will grow. To accomplish this talent transition, organizations must maximize the benefits of automation, artificial intelligence, and digital technology. The development of new professions that require an understanding of data analytics and artificial intelligence technologies necessitates an increased investment in IT professionals.

At Koç Group, we took action, as we always do, ahead of our Turkish competitors, to plan for the workforce of the future, and we developed what we call the Future Fit method. We are developing a strategy with Future Fit to examine our organizations through four lenses: digitalization and automation, agile transformation, new working models, and new roles. In this context, we provide our companies a unique viewpoint on RPA, or robotic process automation, machine learning, artificial intelligence, and data analytics. Thus, our companies will be able to define whole new roles and skills in order to compete in hitherto untapped areas. Additionally, we offload repetitive, low-value-added tasks performed by our employees to machines and robots and redirect them to higher-value-added tasks. By propagating agile transformation, we improve the speed and agility of our processes. Simultaneously with the transformation of the workforce, we accept new working patterns such as flexible and remote work, which have grown in popularity as a result of the pandemic, as natural components of our businesses. We also focus on new competence acquisition and upskilling programs to better equip our employees for the future. We create them in areas such as data analytics, artificial intelligence, deep learning, and machine learning using curricula from colleges such as Udacity, MIT, the University of Oxford, and Columbia Business School. So far, over 1,600 employees have enrolled in programs about these subjects, which will be in high demand in the future corporate world.

Executive's Bio

Özgür Burak Akkol started his career in 2002 in the USA, as Manufacturing and Efficiency Specialist at Nautilus Foods. After that, he started working for Koç Holding A.Ş. as Human Resources Specialist in 2003. From 2005 to 2009, he worked as Auditor and Senior Auditor within the Audit Group. He was assigned for the audit of Durable Goods Group, Central Audit Group and Energy Group companies, respectively. Then, he was appointed as System Development and Human Resources Manager at Koç Holding A.Ş. in 2009. Mr. Akkol was appointed as System Development and Human Resources Coordinator of Koç Holding A.Ş. in 2010. He served as Human Resources Director of Koç Holding A.Ş. from 2014 to 2021. Since 2021, Mr. Akkol serves as Human Resources and Industrial Relations President of Koç Holding A.Ş. He has recently appointed as the Tourism, Food and Retailing Group President of Koç Holding A.Ş. in April 2022. Akkol holds a bachelor's degree in Industrial Engineering at Istanbul Technical University. He earned his Executive MBA from Koç University. He graduated from Columbia Business School and London Business School with a Global Executive MBA. He finished the Leadership and Executive Development program at Harvard Business School.

Interviewer

Shen Yenyurt is a Dean's Research Professor and the Chair of the Marketing Department at Rutgers Business School. He has an outstanding interdisciplinary research record, and currently serves as the founding Co-Editor-in-Chief of Rutgers Business Review (RBR). He also serves as the Founding Co-Director of the Center for Market Advantage. In his research, Dr. Yenyurt studies market strategies using econometric models and bridges multiple disciplines: marketing, supply chain management, innovation management, and international business. His research has appeared in top journals in each of these disciplines and addresses a variety of topics including global market strategies, new product development and launch, brand management, supply chain strategies, supplier relationship management, and inter-firm networks. The impact of his research is evidenced by the many citations, awards, and media mentions he received. His research has been recognized by the Rutgers Business School when he received the Junior Faculty Research Excellence Award in 2011 and the Dean's Award for Meritorious Research in 2010. From 2016 to 2018, he was recognized as a Chancellor's Scholar at Rutgers University.

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