



# How a large established company built a digital culture

**Harrison Lung**

Customer focus, agile work methods, and design thinking are the keys to successful transformation for this large Malaysian telecom.

**Going digital is a big challenge for a large communications company**, especially one that finds itself playing in newly deregulated and increasingly competitive markets. In 2015, Telekom Malaysia Berhad (TM) began a comprehensive effort to adapt to its customers' digital attitudes and behaviors. This company-wide transformation is led by Chief Digital Officer Ahmad Azhar Yahya. McKinsey's Harrison Lung sat down with Mr. Yahya and Hasniza Mohamed, the member of Mr. Yahya's team who is in charge of digital customer experience, to learn how even the most tradition-bound organization can shift to new modes of thinking and operating.

**McKinsey:** Where have you focused your digital transformation at TM so far?

**Ahmad Azhar Yahya:** We embarked on our digital transformation in 2015 with the goal of making life easier for our customers. We wanted to bring digital innovations and improvements to our consumer business, while also elevating digital to all our business groups. It's this idea that the entire organization should embrace the spirit of going digital. We still have a long way to go, but we've made tremendous progress. Many of the digital initiatives at TM have already produced results.

One success I'm particularly proud of is improvements we've made to our TM Group website (tm.com.my), which is now among the top 12 most-visited websites in Malaysia, according to comScore. This is an important achievement because it validates our efforts to move many of our customer-servicing functions online and generally makes it easier for our customers to find information about the TM Group and to engage with us.

From an employee point of view, we're seeing a big shift in the way we work through the implementation of tools that facilitate collaboration, innovation, and the entrepreneurial spirit. More than half of our workforce is now engaged on our enterprise social-media platform powered by Yammer, and Skype for Business is being used across the company for both day-to-day collaboration and large-scale events like quarterly town halls with group CEOs. During our last livestreamed town hall, more than 17,000 employees watched on Skype, which represents more than half the entire TM Group workforce!

Beyond that, our organization has started to embrace the agile way of working, which is a method of software and IT development we are now applying to other areas of the company's operations. In this setup, teams of people from different departments sit together in the same area, instead of on different floors. And instead of waiting months for approvals from different departments, they are empowered to make decisions quickly and come up with initial solutions that can be tested and improved with feedback from customers and other stakeholders.

**Hasniza Mohamed:** Scaling digital across the organization is so important. One of the first initiatives of the effort to spread the digital bug to employees was a large internal event called Digital Day, back in November 2015. This was a crucial signal to the entire company about how important going digital is. At the Digital Day event, we had internal leaders, such as from R&D and innovations, and digital experts from outside companies speak on various topics so that people could learn more about what a digital culture really means.

This year, we will be having an even larger event called Digital Summit, where digital natives from companies like Singapore-based ride-hailing company Grab will speak and give demonstrations of their latest offerings. Internal and external leaders will also facilitate workshops on digital capabilities, such as how to develop your own applications and how to leverage design thinking. There will also be open houses in our digital labs—facilities where we develop cutting-edge programs—that employees can attend.

**McKinsey:** Going digital is such a big, daunting idea. How did you manage it?

**Hasniza Mohamed:** We broke down the process into more-manageable pieces. Initially we focused on the customer sign-up process, or what we internally call iJoin. Using the principles of agile development, we set up a full-time, cross-functional team where IT, marketing, product development, fraud prevention, customer experience, and customer care sat together in a room. The focus was not on the perfect solution but on producing a minimum viable product (MVP)

that required minimal changes to the existing back end. The idea was to drive toward an initial implementation that would generate customer feedback and could be launched quickly. In this case, it took us just 18 weeks, many times faster than we'd ever developed a service before.

For us, being digital is about enabling an experimentation mind-set: testing, learning, and continuing to evolve according to what's best for our customers. Already, though, there's been a considerable financial impact. Our sales conversion has improved by three percentage points and our Net Promoter Score by 30. Across our social media platforms, we have close to two million followers and have earned an industry-leading 40 percent share of voice. And to think all that started in 2013 with a single Twitter account (@TMConnects) that was managed by three people in corporate communications.

**McKinsey:** What have been some of the biggest challenges you've faced during your digital transformation?

**Ahmad Azhar Yahya:** Going digital is not about one big idea—it's about solving 1,000 small problems together as one synchronized company. Initially, our main consideration in the digital transformation was moving from a traditional IT platform to a two-speed architecture where one part is customer-facing, fast, and flexible and the other is a stable back end for transactions and business support. The two are connected via software that acts as a bridge. This bifurcation enables the development team to preserve core systems while making frequent changes to the front end based on customer feedback.

A persistent challenge is identifying the right talent to drive these changes to the architecture and to our ingrained ways of working. In the beginning, we needed all kinds of new people, including user-interface and customer-experience specialists, coders, and scrum masters (agile development team coaches or facilitators). It was very hard to find this talent, so we organized events for local start-ups to identify people, and began investing in start-ups to gain access to them.

At the same time, the human resources department is working to ensure that these individuals are empowered and continuously motivated. The department is establishing a program to give additional responsibility and authority to talented technical employees who aren't necessarily on the manager career path. We are giving them expert or leader roles based on their deep knowledge.

**McKinsey:** What sort of organizational setup did you create around digital?

**Ahmad Azhar Yahya:** Our strength is our 28,000 employees, and we knew we had to get them on board with going digital to accelerate its implementation. We established the Group Digital Center, which I lead, to oversee the digital transformation and to work toward enabling mind-set changes. We are assisting HR in adding digital as part of the TM job family, along

with finance, IT, marketing, etc. For digital, some of these required competencies will be broad and everyone will need them, such as a test-and-learn mind-set and entrepreneurial spirit. Others will be role-specific, like network, open source, cybersecurity and mobility expertise.

Under the Group Digital Center, four centers of excellence (CoE) form the nucleus of digital change at the company. The first CoE is Digital Customer Experience, which reports to the executive vice president of our consumer and small-to-medium enterprise businesses. The second and third CoEs are internally focused on process optimization, providing digital tools for our frontline employees, and fostering digital mind-set change throughout the organization. These CoEs report to our chief technology information experience officer and chief human capital officer. The fourth CoE focuses on new businesses that go beyond connectivity solutions and into, for instance, smart services like data analytics that serve the B2B and B2B2C markets. This CoE reports to me.

The teams in these CoEs are cross-functional and represent a new organizational model for us. First, its members are made up of individuals from different departments throughout the organization. Second, these CoEs have been given a mandate to cut across siloed functions and hierarchical structures so that they can do everything—from forms processing and hardware approval to credit-check validation—more quickly and efficiently. Finally, the formation of our Digital Council, which we affectionately call the Jedi Council, further integrates digital throughout our organization, as it consists of leaders from HR, strategy, IT, and brand and communications.

**McKinsey:** You've talked a lot about mind-set change. Can you tell us more about that?

**Hasniza Mohamed:** In order to make our organization more customer-centric and digitally focused, we recently piloted the idea of using design thinking in my digital customer-experience group. For us, this way of working begins with a close observation of the needs and desires of customers and then the development of out-of-the-box solutions to address them.

We now have a community of about 300 customers, consisting of power users, friends and family of staff, who represent the different segments and profiles of our customer base. We actively engage them in cocreation, defining their key issues and priorities before moving to product or feature ideation. After this ideation, we invite them in to test the prototypes for new features or services, going through multiple iterations before we get to the right solution.

We have started to introduce this design thinking to the rest of the organization from C-level down and are embedding this method into all facets of our work, fundamentally changing the way we approach problems. We recently hosted the largest design-thinking event in our company's history, where 1,000 employees were divided into small teams of ten people and given the challenge of creating a prototype that would solve a pain point for a particular type of customer. At the end, real customers voted on the winners, and the winning ideas were actually implemented.

**McKinsey:** What is the one thing you wish you'd known before starting this journey?

**Ahmad Azhar Yahya:** People tend to think that digital is all about IT. But it's not, and I wish I'd known that from day one. Going digital is about having the right mind-set and behaviors rather than getting enough technology-savvy people on board. We need IT talent, but looking for people with a customer-centric mind-set and the willingness to take risks and learn from them, whether they are IT-savvy or not, is more important in this transformational journey.

**Hasniza Mohamed:** Digital is not about apps and portals. It's much bigger than that. When I started in this role, I did not expect that the shift to digital would represent the next revolution for the telco industry. Going digital is a must for every company. If we don't change, we'll be irrelevant in the not-so-distant future.

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