

John Branch
Kim Cameron

case **W23C29**
September 19, 2019

Transforming Culture in the Kingdom: How Saudi Telecom Focused on People to Compete in the Digital Age



Newly appointed Saudi Telecom Co. (STC) Group CEO Nasser Bin Sulaiman Al Nasser stood in the shadow of a giant in the world of Saudi Arabian business and government. Dr. Khaled Biyari, Al Nasser's predecessor as STC group CEO, had reigned over a dramatic transformation in the culture of a company that, as the incumbent provider of all telecommunications in the Kingdom of Saudi Arabia (KSA), was seen as critical to the success of the country as a whole.

A former public agency with a government-sanctioned monopoly, STC was privatized in 1998. Deregulation opened the Saudi Arabian telecommunications market to outside competition in 2004.

Exhibit 1 Two Central CEOs



Dr. Khaled Biyari

Nasser Al Nasser

Source: STC

Biyari (shown at left with Al Nasser in **Exhibit 1**), an electrical engineer with bachelor's and master's degrees from the King Fahd University of Petroleum & Minerals and a doctorate from the University of

Published by WDI Publishing, a division of the William Davidson Institute (WDI) at the University of Michigan.

© 2019 John Branch and Kim Cameron. This case was written by Shea Gibbs under the supervision of John Branch, Clinical Assistant Professor of Business Administration, and Kim Cameron, William Russell Kelly Professor of Management and Organizations, at the University of Michigan's Ross School of Business. The case was prepared as the basis for class discussion rather than to illustrate either effective or ineffective handling of a situation. The case should not be considered criticism or endorsement and should not be used as a source of primary data.

Southern California, joined STC as chief technology officer in 2013. He was made group CEO in 2015, taking over for an interim company head with whom he had worked closely.

Biyari, building on his work with Abdulaziz al-Sugair, the board chairman who had served as interim CEO and managing director, had a clear vision for STC.¹ To shift from a less-than-efficient government agency to a thriving, forward-looking private enterprise, STC would need a major transformation in culture. With the support of his executive management team, Biyari deployed McKinsey & Company's Organizational Health Index (OHI)ⁱ to establish a baseline of STC's cultural health and ability to succeed. When STC first submitted surveys to capture its OHI results in 2013, it was one of the worst performing companies among the thousands that had used the metric.²

Biyari joined STC in 2013, and he asked himself why he had put himself in such a precarious position. However, STC would eventually be recognized as the "most successful privatization story in Saudi Arabia."

"When I joined in 2013, the organization was very complex—telecom is complex. People were extremely demotivated because they were not clear on exactly what was going to happen. Some were scared. Many of the top management decided to leave or were let go. There was a bit of a management vacuum. The time between mid-2013 to the latter part of 2014 or early 2015 was a time of changing...a period of stabilization."

—Khaled Biyari, Board Vice Chairman

By 2018, STC had achieved the most dramatic five-year improvement in OHI history. Biyari's vision for a cultural transformation was realized, supported along the way by an executive management team serving as a role model for the implementation of the change initiatives. The company's financials improved as a result (see **Exhibit 2**), with its market capitalization nearly doubling in four years and brand value increasing from \$2.8 billion in 2012 to \$6.2 billion in 2017.³

Exhibit 2 STC Financials 2012-2018 (million SAR)

Year	Sales	Operating Profit	Net Income	Net Margin	Operating Margin	Market Cap (year end)
2012	44,745	9,746	7,276	16.26%	21.78%	87,600
2013	45,602	11,039	9,987	21.9%	24.21%	107,000
2014	46,108	11,551	11,008	23.87%	25.05%	131,480
2015	50,837	11,936	9,335	18.36%	23.48%	136,860
2016	51,845	10,193	8,539	16.47%	19.66%	145,100
2017	51,362	11,104	10,174	19.81%	21.62%	137,200
2018	52,068	12,256	10,790	20.72%	23.54%	183,600

Source: www.marketscreener.com/SAUDI-TELECOM-COMPANY-SJS-6497838/financials and www.bvdinfo.com

In March 2018, however, Biyari was tapped for another calling—he was appointed through a Royal Decree to be Assistant Minister of Defense-Executive Affairs. For Biyari, the new role was an opportunity to continue his work helping KSA achieve its vision. Biyari remained on the STC board as vice chairman, but Al Nasser, then CTO, took over as group CEO.

ⁱ For more on McKinsey's Organizational Health Index, visit <https://www.mckinsey.com/solutions/orgsolutions/overview/organizational-health-index>.

Al Nasser was viewed as a natural successor because he shared Biyari's passion for STC's cultural transformation. But some in the company felt Al Nasser needed to acquire a variety of skills—specifically as a change manager and leader—to go along with his enthusiasm.

Could Al Nasser continue the successes of his revered predecessor? And how would he go about building on the legacy of Biyari, whose personal vision and leadership presence was seen by many in the company as essential to accomplishing the dramatic transformation the firm had achieved? Could he push STC to become the modern, digital company it would need to be to attract talent in the highly competitive technology pool?

A History of Telecommunications in Saudi Arabia

When the Saudi Arabian government decided to stop operating STC as a government agency and spin it off as a private entity, few observers thought the transformation would be easy. Indeed, many at the time believed the challenge ahead was insurmountable. The top-down bureaucratic culture was so ingrained, they believed, that STC would never be able to function as a nimble, forward-looking, for-profit business operating in a competitive marketplace.

"Everyone I talked to said not to go work there," said Mohammed Abaalkheil, STC's corporate communications general manager. When first offered a post at STC a few years earlier, he turned it down. "So many people didn't know the true story of the cultural transformation that was happening at STC."⁴

The history of the company traces back more than a half century. KSA began controlling its national telecommunications industry under the Ministry of Transport in 1953. In 1975, the growing market prompted the government to create the Ministry of Posts, Telegraphs and Telephones.⁵ In 1995, mobile phone services began in KSA.

The telecommunications industry was liberalized in 1998, marking the point when STC became a private entity. At the time, regulations kept other players from entering the industry, allowing the newly-privatized STC to maintain a monopoly on telecommunications in the region.

STC sold 30% of its shares to private and institutional investors in a 2002 initial public offering, but as of 2018, the Saudi government still owned 70% of the company through the Public Investment Fund.

In 2004, the second license to operate mobile phones in Saudi Arabia was issued, this one to Etihad Etisalat Co. The company began competing for mobile phone users in earnest under the name Mobily in 2005. Zain KSA joined the competition in 2007, giving Saudi Arabia the three telecommunications operators that still exist today.

The three companies performed well for the next several years, enjoying a boom in mobile services and data demand from Saudi cell phone and tablet users and paying off lavishly to investors. But STC's market share began to erode as the cultural legacy of an inefficient government agency hampered the company in the open market.

Mobily began to challenge for the market lead in 2008, gaining more than a 40% share.⁶ Something had to change if STC wanted to stay relevant and retain its position atop the market.

Becoming STC

When the Saudi Council of Ministers decreed that STC was to be incorporated in 1998, the company began an internal reorganization process necessary to move into the private sector. In addition to the reorganization, STC personnel needed to be trained in an entirely new skill set, wherein profits and losses would be the barometer of success. No longer could it act as a public utility to the Saudi people; the company would now need to treat the country's citizens as customers and listen to their demands if it wanted to succeed.

Whether STC would be able to make the changes quickly enough was open to debate at the time. A clear vision would be needed to galvanize the company into action. The vision was eventually articulated as follows: STC would strive to "be recognized as the [country's] ICT leader, providing comprehensive innovative services and solutions, earning customer trust and enriching society."⁷

By 2019, STC had become the leading provider of telecommunication services in the gulf region. The company offered a comprehensive suite of personal and enterprise services in the mobile, landline, internet, television, enterprise business solutions, and wholesale services sectors. While STC struggled financially after deregulation, it began showing strong financial performance in the years after the cultural transformation launched in 2013.

To grow beyond its strong market position in Saudi Arabia, STC initially looked to expand its global footprint through mergers and acquisitions (M&A). In its first round of acquisitions, STC established operations in Turkey, South Africa, India, Indonesia, Malaysia, Kuwait, and Bahrain. In hindsight, some STC executives believed the M&A activities were premature. For example, the company was still struggling to overcome its historical approach to managing costs. Since undergoing its cultural transformation, however, STC had focused on a more strategic approach to the cost side of its income statement, leveraging its investment in next generation networks and international markets to reduce operational expenditures. According to company reports, the result was a stronger balance sheet and healthier cash flow. By 2016, STC operated 11 subsidiaries performing at a high level. Two of those early acquisitions, STC Bahrain and Kuwait, remained part of the company.

As of its 2016 annual report, STC had consolidated revenues of more than \$13 billion, EBITDA of about \$4.8 billion, and more than 15,000 in-house employees. In the succeeding years, revenues and EBITDA remained consistent.

Focusing on Cultural Transformation

In 2012, as its competitors gained significant ground in the local market, STC elected a new board of directors chaired by Abdulaziz Al-Sugair. The company's CEO then resigned and a new chief executive was appointed by the board to lead STC into its next phase.

In early 2013, STC parted ways with the new CEO and appointed its board chairman at the time, Al-Sugair, as interim CEO and Managing Director to help stabilize leadership. The chairman had a vision, according to Biyari, and believed STC could rectify its past errors and become the high-performing private company it was meant to be. Biyari had been Al-Sugair's right-hand man in a previous job, and in May 2013, Biyari joined STC as its CTO.

During the 2013 financial year, when STC conducted its first OHI examination, STC struggled with employee motivation due in part to a lack of focus and mission clarity and leadership instability. The board

and its chairman, Al-Sugair, knew the company needed to act. Biyari was the executive chosen to help the chairman lead the company out of the past and into the future. Al-Sugair and Biyari started an effort to recruit top executive leaders during the second half of 2013 and throughout 2014.

Al-Sugair and the new team thought McKinsey's OHI metric could set an initial baseline measurement and provide ongoing feedback and diagnostics, thereby benchmarking the firm's culture and setting goals for improvement. Biyari was a leading proponent of the index. "OHI is like an x-ray machine for your business," he said. During the turbulent period, the executive team led initiatives to transform the way the company operated. In the first quarter of 2015, the board appointed Biyari as STC's CEO.

Biyari took over the job while the company faced significant outside issues. Oil prices plummeted, impacting customer spending in KSA, strict regulatory regimes were tightened, and technological advances in voice-over internet protocol services impacted a major traditional revenue source for telecommunications companies. To overcome the issues and allow STC to grow, Biyari believed STC required a culture change.

When STC first distributed employee questionnaires to allow it to measure its OHI, it was one of the worst performing firms worldwide.⁸ Indeed, its scores were the third worst that had ever been reported. Only 19 percent of employees participated.

In one of many moves to show his absolute dedication to cultural transformation, the ascendant group CEO Biyari created a new position at STC—head of culture, reporting to the CEO. Dr. Mohammed Alkabti, trained in business management at Canada's McMaster University, was tapped as the first leader of the culture change department. "Having the culture team reporting to the CEO rather than to HR or corporate communication was extremely important, as it signified to the executive team and all employees that the CEO, himself, was accountable for it," Biyari said.

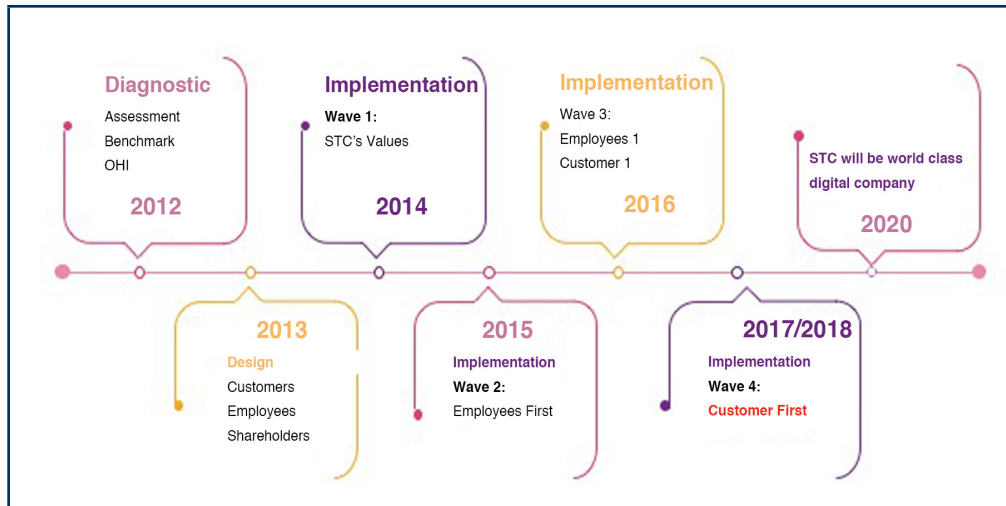
Working together, Biyari, Alkabti, and their team set about clarifying and articulating the values most important to STC. Rather than pursuing a traditional, top-down process, employees throughout STC were involved. The cultural transformation team solicited feedback from employees at every level of the company and generated 37 potential values. The list was reduced to a core of five values that would form the basis of the STC cultural transformation:

- Customer first: "We serve our customers passionately—external and internal."
- Innovation: "I capture the new and deliver it to our markets."
- Lead with agility: "I am an agile leader who performs in a changing world."
- Build trust: "I say what I think, do what I say and do it well."
- One STC: "We collaborate to deliver STC's vision."

After completing the work, Biyari and his team, including CTO Al Nasser, were determined something was missing. They decided to add one more core value. In order to satisfy their customers (the "customer first" value), STC would also need to focus on employees internally. "We care about each other—only well-looked-after employees can live up to our aspiration," read the sixth and final value statement. "Employee first" was added as a foundation value enabling each of the other five. "When I first thought of the 'Employee First' value, I knew that we would not be able to turn around our customer service while not taking care of our own staff and that many employees would be skeptical in the beginning," Biyari said. "Therefore, we ensured that we walked the talk and many HR initiatives were crafted to bring value to the employee."

Under Alkabti's leadership, a comprehensive cultural transformation initiative was rolled out in four waves over five years (see **Exhibit 3**), with the six established values guiding the way. Balancing the needs of employees and customers was seen as critical.

Exhibit 3
STC Culture Change Timeline



Source: STC

According to Alkabti, the four cultural transformation waves included goal-oriented initiatives and “work programs” to support them. Each wave focused on promoting the new culture at STC, a culture that valued employees from the bottom-up rather than top-down. The company needed to “demolish ivory towers,” Alkabti said.⁹

The culture change team focused first on winning buy-in from the 100 highest-ranked employees in the company (the top-100), bringing them together for at least 12 meetings to brainstorm ideas for cultural progress. The team later expanded the meetings to include the top-400 employees, then the top-1,000 employees. Ordinary employees were given the opportunity to meet with managers through “breakfast with the boss” events and the CEO through “breakfast with the CEO.” Employees were selected randomly from different sectors and regions throughout the country to participate and discuss their views with the CEO. The meetings were open-ended, with no preset agendas, to allow employees to speak their minds.

From 2016 to 2017, the top-level executives and managers at all levels were encouraged to visit employees in the field, spend time at call centers listening to customers, and hold town hall meetings to gather feedback. During the two-year period, STC hosted 24 town halls and a variety of companywide recreational gatherings. The company held 47 OHI workshops, 12 speaker-of-the-month events, and 22 focus group discussions.

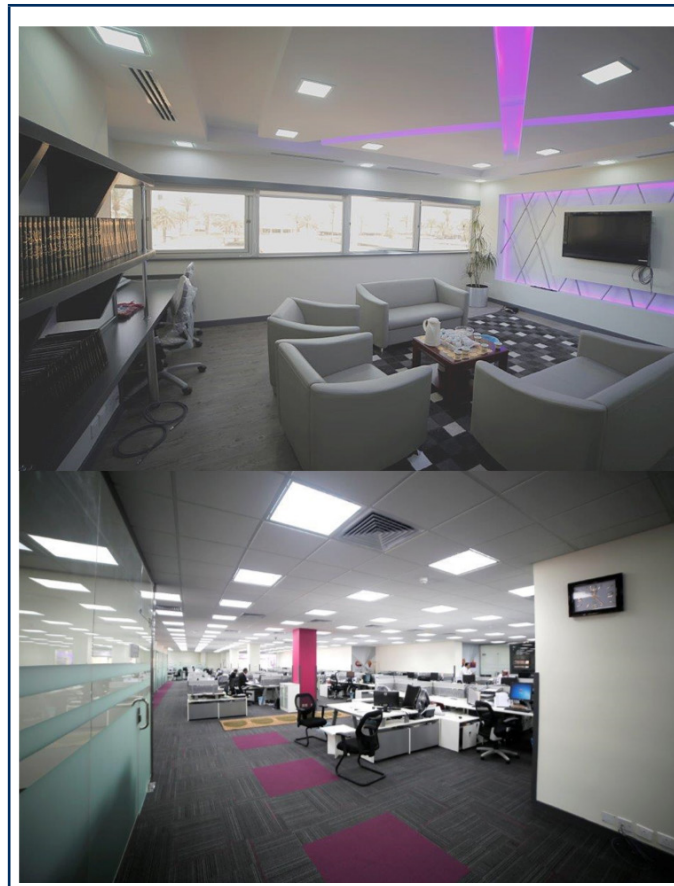
STC created a “health doctor” program to embed change agents in every sector of the company. The doctors, taking on the role voluntarily, were encouraged to identify and lead the changes determined to be critical for improving STC’s cultural health, which would be reflected in improved OHI scores.

According to Alkabti, “culture change is a journey that never ends.” So he and his team focused on several initiatives to ensure STC sustained and continued to improve on its transformation:

- **Total commitment**—Adoption, role modeling, and continuous involvement by the CEO and top executives.
- **Necessary resources**—Providing resources for an integrated set of culture initiatives and a dedicated team to drive implementation day-to-day.
- **Sustained effort**—Making the new culture “business as usual” and driving at least one major improvement every year.
- **Engaging people**—Avoiding parallel structures, establishing clear expectations, and giving employees a chance to share their views.
- **Measuring progress**—Knowing where you started, how far you have come, and guiding where you want to go.

Biyari and the core culture team likewise believed the physical environment in which STC employees worked would have a significant impact on culture. Procurement and support services sector vice president Emad Alaoudah was charged with launching a pilot program to make STC an environment in which people wanted to work. The executives envisioned a modern space, with smaller, open offices, improved break areas, better food, and designated smoking areas (see **Exhibit 4**).

Exhibit 4
STC's Transformed, Open Work Environment



Source: STC

According to Alaoudah, a corporate culture of openness and an open physical environment work hand in hand:¹⁰

“If you want to change the culture, you have to improve the places where employees work and customers and vendors are received. We built open and friendly and transparent offices. People started to love their offices. They wanted to invite their friends and families to them. The ownership and commitment to the change was top-to-bottom. They saw it was fair to everybody. There was no different treatment, from the VPs to the employees.”

— Emad Alaoudah, Procurement and Support Services Sector Vice President

While Alaoudah said the investments in STC’s infrastructure all made financial sense and would pay back in the form of greater productivity and efficiency, STC had its skeptics. Some leaders initially resisted the working environment changes. Indeed, many believed the idea of a culture change initiative was misguided. Some suggested values alone could not bring about the changes necessary at STC. And industry experts inside and outside the company thought changes like the “employee first” initiative could not happen in a company with the legacy culture of a Saudi Arabian government agency.

And, even if STC’s culture could be transformed—indeed, if it had already been transformed—the naysayers refused to believe the change could be sustained in the long term. Cultural transformation must be instituted over many years to be considered permanent, and it is easy for companies to revert to traditional values, beliefs, and behaviors. What would it take to maintain momentum and institutionalize the transformation?

A Change Management Challenge

The notion of company culture—generally defined as the implicit assumptions, values, and behaviors common to an organization—was less than a half century old when STC attempted to change its own, and the Saudi firm was hardly alone.¹¹ Thousands upon thousands of companies had tried to change their cultures, and most had failed.

The most widely-accepted approaches to organizational transformation involve at least five steps, according to experts in the field of change management:¹²

1. Create readiness for change. Prepare the organization and its employees for new approaches to processes, culture and leadership.
2. Overcome resistance to change. Take steps to address individuals who might block or subvert change initiatives.
3. Articulate a vision of abundance. Most organizational visions have little influence on behavior, but identifying a positive vision that provides a profound purpose for employees is required for culture change.
4. Generate commitment. Leaders and employees must personalize and take ownership of the vision and organizational change initiatives.
5. Foster sustainability. Changes must be sustainable and outlast changes in leadership and environmental conditions.

Management expert Kim Cameron of the University of Michigan said a climate of positivity has been shown to be critical throughout a transformation process.¹³ Change often implies something is wrong with

an organization. Effective change management requires leaders who encourage employees to pursue a new, more meaningful future.

Leaders can help create the conditions for positivity by modeling the behavior themselves and tapping “energizers” throughout the organization, according to the research. Positivity ought to be rewarded during the change process, and compassion, forgiveness, and gratitude from top managers is essential.¹⁴

While bureaucratic organizations like government entities often operate clinically and from the top-down, companies looking to institutionalize cultural change must recognize the concerns and sensitivities of their employees—their efforts and successes need to be acknowledged and rewarded. They must feel involved in the higher purpose of the organization.¹⁵

Of course, organizations must track their progress to ensure employees remain cognizant of goals, so rigorous measurement is necessary for cultural transformation.¹⁶ Feeding back the results of this assessment to the whole organization ensures ongoing broad involvement and continuous progress.

When Biyari took over as STC’s CEO in 2015, he facilitated most of the research-based steps necessary for organizational change, involving employees to identify values and vision statements, engaging STC executives in leading and modeling the intended changes, and communicating the vision and values through multiple media. For example, STC executives visited regional employees who had never before met or even seen an STC executive. The STC executives took the time to listen face-to-face to employees, establishing a personal connection with many of them. The positive approach energized employees who felt seen, heard, and cared-for for the first time. STC developed new training for executives, opened new lines of communication, such as blogs and a company newsletter (see **Exhibit 5**), scheduled meetings between individual executives and their employees, encouraged health doctor change agents, and mandated an open-door policy.

Exhibit 5 Communicating Values and Change



Source: STC

Under Biyari and his executive team, STC's change initiatives accomplished another critical component of the framework suggested by Cameron—the company achieved a number of small, early wins, creating momentum for a larger transformation. For example, employees believed executives were listening to their concerns, because they joined them in the field and at their offices. They knew the company wanted to improve their work environment, because the spaces around them were updated, with amenities being added on a regular basis.

But Biyari left several challenges behind when he left the group CEO role. First, cultural transformation—changing the fundamental assumptions on which the organization and its employees focus—brought with it resistance, and some of the resistance remained. Al Nasser would need to determine which fundamental assumptions needed to be changed next and which strategies for overcoming resistance would be best.

Second, it was unclear how many of the changes STC accomplished between 2013 and 2018 were a result of Biyari's personal role and leadership presence. Could the culture and systems for future success outlive him after he left the company for his new role in the Ministry of Defense?

Digging Into OHI

Biyari and his team ensured one key metric would remain in place to outlive them all—McKinsey's OHI—the measure by which STC tracked nearly all of its success. According to McKinsey, OHI was designed to “put real numbers and targeted actions on organizational health,” where organizational health was defined as a firm's “ability to align around and achieve strategic goals.”¹⁷

STC's initial scores on the metric were abysmal. But rather than rejecting the results and ignoring the brutal reality that faced them, executives committed to change. Biyari said there was no denying something was wrong with the culture at STC. Accepting the OHI outcome, therefore, was the only course. According to a report by Alkabti:

“We initiated the transformation with diagnosing the current state assessment at STC. We chose OHI...to diagnose health and performance. Based on the findings, a five-year, long-term roadmap was prepared. The organizational values were identified as the foundation blocks of this massive transformation. The values were identified and rolled-out by the meticulous support of top management...All of it resulted in a 45-point jump on OHI survey scores, which is the highest across the world in a span of five years.” (See **Exhibit 6**.)

—Mohammed Alkabti, Head of Culture Change

Exhibit 6
STC Organizational Health Index Score by Year



¹2013 scores are normalized to 2019 equivalents to ensure comparability with newer OHI version.
Source: STC

By 2019, STC's OHI score was 78 and growing. The company, once one of the lowest OHI performers in the world, had reached the top quartile among global organizations. According to McKinsey's senior expert on culture change, Nikola Jurisic, STC had performed so well relative to other global organizations because of its comprehensive approach to improving OHI across all company departments. "Cultural change requires a systemic approach...it has to affect everything," he said.¹⁸

Some aspects of Saudi national culture were also critical to STC's OHI performance (for more on the metric, see **Exhibit 7**), according to Jurisic. "There is a fundamental long-termism in Saudi culture," he said. "They have some of the best leaders I have worked with worldwide."

Exhibit 7

What Is the Organizational Health Index?

The Organizational Health Index, a measure of company capabilities provided by consulting group McKinsey & Company, gives firms an objective score of performance in nine areas:

1. Direction—Shared vision, strategic clarity, and employee involvement.
2. Accountability—Role clarity, performance contracts, consequence management, and personal ownership.
3. Coordination and Control—People performance review, operational management, financial management, professional standards, and risk management.
4. External Orientation—Customer focus, competitor insights, business partnerships, and government and community relations.
5. Leadership—Authoritative leadership, consultative leadership, supportive leadership, and challenging leadership.
6. Innovation and Learning—Top-down innovation, bottom-up innovation, knowledge sharing, and capturing external ideas.
7. Capabilities—Talent acquisition, talent development, process-based capabilities, and outsourced expertise.
8. Motivation—Meaningful values, inspirational leaders, career opportunities, financial incentives, and rewards and recognition.
9. Work Environment—Open and trusting, internally competitive, operationally disciplined, and creative and entrepreneurial.

OHI is generated using employee-completed questionnaires and a proprietary algorithm. After the score has been determined based on the nine health outcomes, McKinsey offers 37 management practices to help companies "identify which behaviors matter most for your organizational health journey, and select a recipe for success to pursue them." McKinsey provides benchmarks for its users to compare themselves to a global standard. The goal for companies electing to use OHI is to measure the effectiveness and frequency of their behaviors and processes.

Source: McKinsey & Company

Biyari's Vision: STC Academy

Biyari's vision for STC was primarily cultural. Although the company took many steps to improve business processes in HR, procurement, finance, and other areas, he never focused specifically on financial success as a measure of how well the company was doing.

"During my tenure as a CEO, I never spent much time with my CFO. I was spending most of my time with my HR guys and my cultural team and interacting with people. I always had the belief that you do the right things, and financials would come out in the wash. Make sure you have a good CFO and the right governance, but don't get too much involved in engineering financial statements and making sure the ratios look great."

—Khaled Biyari, Board Vice Chairman

But STC also set technical goals that aligned with its cultural transformation and "employee first" mentality. Biyari and other executives wanted to bridge the gap that had developed between STC's technology team and business unit. "We wanted to become a truly digital company, both internally and in how we present ourselves through our services to our customers," Biyari said.

Biyari admitted STC had not yet reached the goal when he moved out of the group CEO position. But one of the keys to the development of a truly digital company was upskilling the workforce to be technological leaders, able to direct digital transformation in STC's internal processes and how it would go to market. The mandate led to the launch of STC Academy, a state-of-the-art learning center (see **Exhibit 8**) built on-site at a five-star hotel in Riyadh. The academy was established in early 2018 to offer a number of programs focused on mindsets and skill sets to grow digital competence among STC leaders.

Exhibit 8 STC Academy



Source: STC Academy

The Academy was to be more than simply a school—Dean Rafat Malek said "the only thing that relates to an academy is the name."¹⁹ It would be a signal that STC was devoted to growing future leaders capable of adapting to a changing world.

Malek said that although the academy was still in its infancy, it was designed to eventually be open to students from outside STC. As with all company divisions, the goal was for the academy to be profitable on its own and streamline processes to develop capacity beyond immediate demand.

STC Academy would also be a part of one of the company's original cultural transformation goals—in addition to achieving financial success, STC could improve the quality of life throughout KSA. By building digital skills among KSA leaders inside and outside STC, it could help the country achieve Vision 2030 and its ambitious plan to lead KSA and other gulf nations into the future of technology.ⁱⁱ

Biyari also sponsored a company-wide high potential leadership development program to identify and develop STC's next generation of general managers. Under the leadership of Career Management GM Ibrahim Balghonaim, the three-year program was designed to identify leaders with the most potential to become future general managers. Created in partnership with the Ross School of Business at the University of Michigan, the program had more than 90 "Hi Potentials" enrolled in 2018, learning skills for leading digital transformation and creating positive, agile work cultures.

For all its potential, however, STC Academy was another area in which Biyari had left Al Nasser with a solid foundation but much to build. Many onlookers believed Al Nasser would indeed need to lead a second cultural transformation focusing on developing digital skills and hiring digital employees to compete in the telecommunications industry going forward. What would that mean for Al Nasser in practical terms? Could STC look to model companies that had achieved such a transformation? What was the difference between a so-called digital employee and an existing STC employee?

Al Nasser: Taking the Vision Further

By 2018, STC was widely perceived as a turnaround success story in the gulf region. Alkabti reported the company had received numerous queries from around the globe to share STC's roadmap to improvement. Some of the achievements STC made from 2013-2018 included:

- Market capitalization more than doubled while competitors' market cap decreased by about 50%.
- Call center service levels increased from 30% to 90%.
- Customer complaints reduced by 35%.
- Brand value grew from \$2.8 billion to \$6.2 billion.
- Employee OHI participation increased from about 2,000 to more than 10,000, the top quartile globally.
- STC's High Potential Development Program was awarded "Best Talent Program in the Gulf" by the Arabian Society for Human Resource Management (ASHRM) in 2018.

New group CEO Al Nasser said he believed he could continue to drive the improvements put in place by Biyari: "The hierarchy has been broken down," he said. "We are going to be a digital culture going forward... and we are always linking culture and strategy."²⁰

Al Nasser possessed different abilities than Biyari, according to board chairman Prince Mohammed Al Faisal. "In my first meeting with Al Nasser, I was saying to myself, this is a guy who is proactive," he said. "He might not have all the skill sets for the job yet, but he has the attitude to build what we need."²¹ The question was, what were those skill sets?

Al Nasser brought to the position a bachelor's degree in electrical engineering and training in communications and networks, finance and leadership. His experience in the telecommunications sector

ⁱⁱ For more information on Vision 2030, visit <https://vision2030.gov.sa/en>.

began with the launch of KSA's mobile services in 1996, when he played a key role in establishing the network. He then moved to the national Communications and Information Technology Commission, where he helped open the market and issue mobile and data licenses. He worked for STC competitor Mobily, in charge of the company's network and information technology sector, but in 2015 moved to STC as senior vice president for technology and operations. In 2018, he was appointed STC's chief operating officer. In addition to being STC group CEO, he was made chairman of the board for STC Solutions and a member of the board for the Turkish Telecommunications Company Avia.

When Al Nasser came to work for STC in 2015, in the heat of the company's cultural transformation, he found a company operating at a high level. Challenges remained, but much of the hierarchy that had bogged STC down as a government entity was gone. Employees were connecting with leaders. The company was digitalizing. Customers were more satisfied.

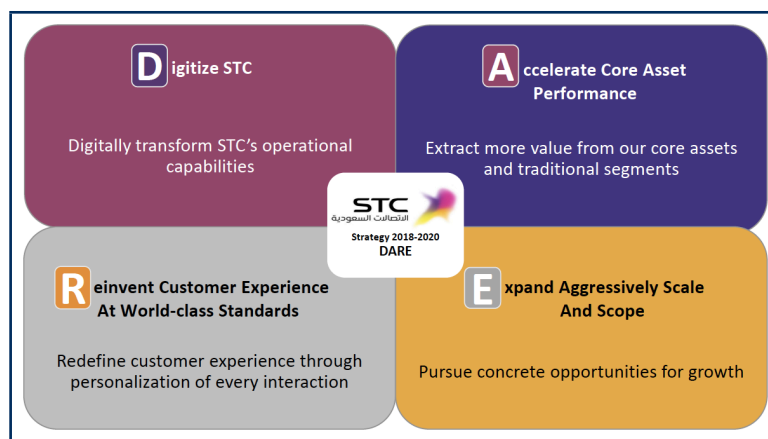
What did Al Nasser think had changed since he had worked in the governmental telecommunications sector? "Employee first" had taken hold. Leaders cared about employees, and the employees knew it. They asked questions. They expressed their views. The workforce was becoming more diverse.

In 2016, STC implemented a new policy to allow hiring women. The company started slowly, initially providing space dedicated to female employees. Just a year later, however, women had been completely integrated into the working environment.

"I now feel that I can speak up," said one female employee. "I am free to move around and to go to places previously restricted. It has caused me to think differently. I have been impressed with the gender diversity that has emerged."

What does the future hold for STC? Al Nasser said his benchmarks were not Saudi companies or telecommunications companies. His benchmarks were Amazon, Apple, and Google. Instrumental to reaching the benchmark would be the 2018-released DARE strategy (see **Exhibit 9**) to digitize STC, accelerate the performance of its core assets, reinvent the customer experience to world class standards, and expand its scale and scope. While STC executives knew they needed to continue to extract value from the company's core business at home, the board and executives were willing to look again at inorganic growth—though cautiously, in order to avoid errors made in the past.

Exhibit 9
STC's DARE Strategy for the Future



Source: STC

But if organic growth was not sufficient, could STC avoid the errors? What was the probability STC could compete in the international marketplace, and what would it take to be successful?

“I believe now—we have not done enough—but we have paved the road to make sure we have a strategy that is executable,” Al Nasser said. “People have started seeing the impact. To look at our strategy, we have still a long way to go, but we have a strong foundation.”

Which Path Forward for STC?

Al Nasser was tapped as STC’s new group CEO not only because he was highly qualified for the job, but because he shared the vision for the company set by Biyari and other executives before him. The board and other executives agreed such a shared vision would be essential for Al Nasser to continue the legacy of his predecessor as a transformational leader.

STC Chairman Prince Mohammed observed that Al Nasser entered the group CEO job at a critical time, when the company’s next steps could make or break its long-term success.

“When I joined the board, we were not in a turnaround situation. It was already on its way, which is not a bad situation for a new board to come into. A lot of the heavy lifting had already been done by the previous board. We don’t need to be heroes. But this is deceptive. The way the industry is changing, what we have done so far only buys us time. I think we have a two-year or three-year window. If we don’t become proactive, we risk going back into a turnaround situation.”

— Prince Mohammed Al Faisal, Chairman of the Board

Al Faisal said STC would need to do two things to achieve the ambitious growth targets set by the STC board in 2018. First, it would need to digitally transform the core business’s internal efficiencies and external customer experience. Second, it would need to grow externally through new products, services, and markets. To achieve both goals, STC would require new skills—digital skills—that were in high demand around the world. STC would need to drive a culture attractive to the “digital native” and tech workers capable of finding jobs globally. And STC would need to compete for the workers with existing tech hubs, such as London, Silicon Valley, and other countries in the gulf region.

Soon after he had taken the job as STC’s group CEO, Al Nasser had already shown signs he could achieve the company’s goals—STC continued to grow its OHI scores, reaching the top quartile globally with an 80% employee response rate. The next challenge would be to transform STC from a traditional service provider to a digital provider for customers and continue to position STC as the main enabler of Saudi Arabia’s Vision 2030. How could Al Nasser continue STC’s journey of transformation and avoid letting the firm slide into irrelevance, as Al Faisal had warned was possible? What should Al Nasser do to build on and sustain a successful cultural transformation? Since “employee first” had been established at STC, what should the group CEO focus on next?

Endnotes

- ¹ Biyari, Khaled. Personal interview. 7 Jan. 2019.
- ² Culture Change Team. "STC Culture Change Journey." Sept. 2018. (Internal STC document.)
- ³ Alkabti, Mohammed. "Cultural Transformation at STC." Sept. 2018. (Internal STC document.)
- ⁴ Abaalkheil, Mohammed. Personal interview. 8 Jan. 2019.
- ⁵ "Brief History." *Saudi Arabia Ministry of Communications and Information Technology*. 2017. <https://www.mcit.gov.sa/en/brief-history>. Accessed 26 Feb. 2019.
- ⁶ Karam, Souhail. "Mobily looks to boost market share in '08." *Arabian Business*, 25 May 2008. <https://www.arabianbusiness.com/mobily-looks-boost-market-share-in-08-49488.html>. Accessed 26 Feb. 2019.
- ⁷ Alkabti, Mohammed. "Cultural Transformation at STC." Sept. 2018. (Internal STC document.)
- ⁸ Culture Change Team. "STC Culture Change Journey." Sept. 2018. (Internal STC document.)
- ⁹ Alkabti, Mohammed. Personal interviews. 6-10 Jan. 2019.
- ¹⁰ Alaoudah, Emad. Personal interview. 7 Jan. 2019.
- ¹¹ Schein, E. H. "Organizational culture." *American Psychologist*. 45(2). 1990: 109-119.
- ¹² Whetten, David A. and Kim Cameron. "Leading Positive Change." *Developing Management Skills*. 9th ed., Pearson, 2016.
- ¹³ Whetten, David A. and Kim Cameron. "Leading Positive Change." *Developing Management Skills*. 9th ed., Pearson, 2016.
- ¹⁴ Whetten, David A. and Kim Cameron. "Leading Positive Change." *Developing Management Skills*. 9th ed., Pearson, 2016.
- ¹⁵ Whetten, David A. and Kim Cameron. "Leading Positive Change." *Developing Management Skills*. 9th ed., Pearson, 2016.
- ¹⁶ Whetten, David A. and Kim Cameron. "Leading Positive Change." *Developing Management Skills*. 9th ed., Pearson, 2016.
- ¹⁷ "Organizational Health Index." *McKinsey & Company*. <https://www.mckinsey.com/solutions/orgsolutions/overview/organizational-health-index>. Accessed 26 Feb. 2019.
- ¹⁸ Jurisic, Nikola. Personal interview. 8 Jan. 2019.
- ¹⁹ Malek, Rafat. Personal interview. 9 Jan. 2019.
- ²⁰ Al Nasser, Nasser. Personal interview. 8 Jan. 2019.
- ²¹ Al Faisal, Prince Mohammed. Personal interview. 8 Jan. 2019.

Notes



Established at the University of Michigan in 1992, the **William Davidson Institute** (WDI) is an independent, non-profit research and educational organization focused on providing private-sector solutions in emerging markets. Through a unique structure that integrates research, field-based collaborations, education/training, publishing, and University of Michigan student opportunities, WDI creates long-term value for academic institutions, partner organizations, and donor agencies active in emerging markets. WDI also provides a forum for academics, policy makers, business leaders, and development experts to enhance their understanding of these economies. WDI is one of the few institutions of higher learning in the United States that is fully dedicated to understanding, testing, and implementing actionable, private-sector business models addressing the challenges and opportunities in emerging markets.