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Total words: 3,816
EXECUTIVE SUMMARY

When Matti Lievonen became the CEO of Neste in 2009, the Finnish oil refining company was facing strong headwinds – a sharp fall in oil prices, market overcapacity, falling margins and new carbon emissions legislation in the EU. The company’s market value dropped 50% between 2008 and 2011. Matti had to implement a radical strategic shift into renewable fuels.

NESTE CHALLENGES OVER THE YEARS

Neste faced multiple challenges over the next seven years to implement its renewables strategy.

THE L&D INITIATIVES

IMD and Neste collaborated on four L&D programs to enable the company’s transformation journey. The strategy implementation and organization development process required Neste to examine where it had come from, where it was at each stage and its ambition as a sustainability champion.

IMPACT

Throughout the Neste-IMD collaboration, the company has seen significant growth in its renewables business, profitability and market valuation.

Comparable EBIT by Business Segments (€ million)

<table>
<thead>
<tr>
<th>Business Segment</th>
<th>2012</th>
<th>2017</th>
</tr>
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<tbody>
<tr>
<td>Marketing and services</td>
<td></td>
<td></td>
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<tr>
<td>Renewable products</td>
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<tr>
<td>Oil products</td>
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In 2017 earnings from renewable products was higher than oil products, contributing 50% of the total.

Neste Share Price (€)

Neste market capitalization as at December 2017 = €15 billion, nearly six-fold increase from 2012 to 2017.

“In practice, our business based on renewable products and circular economics is eating away at our traditional business operations. This is a sacrifice that many did not believe in at first. But when it comes to the question of what kind of planet we will leave to future generations, the transition to sustainable lifestyles cannot be held back.”

Matti Lievonen, President and CEO of Neste
NESTE & IMD: PARTNERING FOR RENEWAL

INTRODUCTION

NESTE

Neste’s journey from a Finnish oil refining company to the world’s largest producer of renewable diesel from waste and residues has required a bold transformation. Its renewable diesel, based on proprietary NEXBTL technology, can reduce greenhouse gas emissions by up to 90% compared with fossil fuels. Replacing fossil fuels with Neste’s renewable fuels reduced global climate emissions altogether by 8.3 million metric tons in 2017. This figure equals removing 3 million passenger cars from the roads for a full year - more than the number of cars in London, UK. Beyond road traffic, Neste brings renewable solutions to the aviation, plastics and chemical industries. Its turnover in 2017 was €13.2 billion with operating profits of €1.1 billion. For 12 consecutive years Neste has featured in the Global 100 list of the world's most sustainable companies, ranking second in 2018.

IMD

IMD is a top-ranked business school, expert in developing leaders, transforming organizations and creating immediate and long-term positive impact. IMD custom programs are co-created with a select group of innovative global organizations to address their specific performance objectives. These tailor-made programs help companies to build new capabilities and address their most significant business challenges. The programs blend academic expertise with hands-on implementation and are designed for learning and business impact.
In response, Neste made a strategic shift under the leadership of newly appointed CEO Matti Lievonen to focus on its renewable fuel business as a key driver for growth. This required significant capital investment in new biofuel refineries (Singapore and Rotterdam) and a revamp of operations into a matrix structure with three business areas (Oil Products, Renewable Fuels and Oil Retail) and seven common functions. The aim was to implement a clean fuel strategy by driving customer focus, cost efficiency and long-term profitability.

The top management team – Neste Executive Board (NEB) – was also restructured through external recruitment and internal promotions to streamline management of the business units. Through these upheavals, the CEO had full board support, but the employees were not convinced. Their initial reaction was that the move into renewables would destroy the company.

Neste and IMD embarked on a collaborative journey in 2011 to deal with the internal organizational challenges facing the company – strategy implementation, leadership development and culture change. Multiple interventions over the next seven years resulted in deeper and wider impact at every stage and at all levels throughout the organization.

PHASE 1: NEXCELLENCE (2011)

By 2011, Matti Lievonen had set the strategic direction and put the organizational structure in place. It was time to mobilize employees, build their confidence in the strategy, and drive superior execution. But there were many barriers. Managers struggled to lead in a matrix organization, having operated in a functional line management mode for decades. Adding to the complexity, about 25% of senior management and 50% of upper professionals had job-rotated into new positions. Furthermore, overlapping roles and responsibilities had surfaced in the matrix structure, which required downsizing by about 10%. Employees remained skeptical about the renewable strategy. Neste had to build a nuanced understanding at the intersection of strategy and leadership.

“Everything was in place. Except that our customers, investors and employees didn’t believe in our story.”

Matti Lievonen, CEO and President, 2011

“We challenged IMD that we don’t want a regular leadership or strategy program. We want an influential change program that will catalyze our transformation. After going through the program, we want our people to understand the market drivers, what we are aiming for, the content of our strategy, why we have made these choices and how we will achieve our goals.”

Hannele Jakosuo-Jansson, Senior VP of HR
PHASE 1.1: ORGANIZATIONAL CULTURE BOOSTER CAMP (2012)

Neste’s shift into renewables meant that the traditional oil refining company had to think and lead in a totally different way. According to Program Director John Weeks, “It was a classic problem that incumbents face in moving to a new area while relying on the money being generated in the old area.” The entire organization had to be bold and innovative to face the new reality.

For the big shift to take root, a culture change was strategically important. Neste needed to challenge its current ways of working and behaviors. It was particularly difficult for employees to handle a turbulent business environment after a 60-year heritage of success. Moreover, following the restructuring, the organization was not working as a team; slow decision making and a fear of failure were pervasive. The challenge was to secure buy-in and boost efficiency and transparency. For this, Neste had to create a safe platform for people to raise issues, debate, and build trust and confidence.

PHASE 1.2: CUSTOMER FOCUS BOOSTER CAMP (2014)

Neste was moving from selling products to selling solutions, with a focus on value not volume. Clean products and services (e.g. renewable energy-based intelligent solutions for truck fleets) had to be developed, marketed and sold differently.

Beyond new value propositions around renewables, this meant replacing old solutions if they no longer met customer needs or were unnecessarily expensive operationally. However, Neste’s sales and marketing organization was not well equipped to do so. For example, the renewable fuel business was based on collaborations, whereas the organization had been operating in silos with limited communication between business units.

To realize the vision of being the preferred partner for cleaner fuel solutions, it was critical to co-create value with customers by understanding their specific needs and involving relevant people on both sides. Winning deals was no longer the sole responsibility of the sales division – clients required the expertise of the entire organization. In 2014, Neste embarked on the challenge of building customer focus to capture greater value and market share while responding to evolving market changes.

Over the next two years, Neste deployed its strategy in multiple ways: value creation programs to operationalize action plans, changing culture through new behaviors and ways of working, and customer focus projects. It also observed the impact, reflected on the changes and addressed issues that needed to be tackled differently. By 2016, Neste’s renewables strategy had proved successful.

In early 2017 the question was, “What next?” Neste had reached another strategic inflection point as it looked ahead to 2030.
PHASE 2: FUTURE IS NOW (2017-18)

By 2017, Neste had a clearly defined and well-communicated strategy for Destination 2030. The company had to deliver against its two key strategic objectives: [1] to achieve global renewables growth and [2] to become Baltic Sea champion, against a backdrop of increasing competition, technological advancements and stringent regulations. The top management team identified specific topics for strategy acceleration by assessing the areas with the greatest potential to add value.

An outside-in approach was adopted to address Neste’s challenges of **achieving its strategic goals more rapidly and effectively** and enabling its employees **to embed complementary mindsets**. Neste sought to enhance different parts of the value chain by undertaking both exploration (seeking to discover and innovate) and exploitation (seeking to improve on what already exists).

"For a successful company, it is easy to become inward looking. A large part of what we are doing is to enable Neste to develop an outside-in approach.”

**Professor Knut Haanaes**
THE COMMITMENT
The seven-year Neste–IMD collaboration began with a strong partnership between Program Director Professor Ginka Toegel and Neste’s Hannele Jakosuo-Jansson, Senior VP of HR, and Sanna Kauppi, Director of HR Development. Over the years, many IMD professors brought their areas of expertise to help Neste achieve its objectives.

Both partners view the longitudinal nature of the collaboration as the most important feature of the L&D process.

**PHASE 1**

Professor Toegel interviewed Neste’s senior managers to identify company strengths and areas for improvement. Key issues included the need to improve strategy prioritization, to build a risk-taking approach and to instill pride in Neste’s pioneering “green” technologies. These findings served as inputs for the program design, which included learning elements at three levels – individual, business and organizational.

NExcellence was designed for: (1) senior executives, including the NEB, and (2) high potentials – future change facilitators. With a dual focus on leadership and strategy, the objectives were to:

- Create a shared agenda to enable change in leadership culture
- Develop excellence in strategy execution
- Identify barriers to change and find solutions
- Build shared commitment to operational excellence, high performance and expected behavior
- Learn to work together.

IMD faculty proposed relevant strategy and leadership topics, which were fine-tuned with Neste’s leadership, HR and line managers. IMD introduced two fundamental concepts: must-win battles and transformational leadership.
Must-Win Battles (MWBs)

MWBs are three to five key battles that an organization must win to achieve its objectives. They drive actions that the top team can track, monitor and discuss. MWBs have priority in resource allocation and organizational decisions. Professor Cyril Bouquet led the strategy discussion and Neste identified five MWBs – Profitable Growth, Productivity, Renewables Feedstock, Customer Focus, and Winning Culture.

Transformational Leadership

Transformational leadership emphasizes the importance of vision, motivation/inspiration, intellectual stimulation, and personal development of subordinates. It focuses on the emotional elements of leadership.

Neste leaders needed to build:

- Self-awareness of their leadership style
- Coaching skills for questioning, listening, clarifying and reframing
- Positive mentoring relationships with high potentials.

"Formulating the MWBs was not easy. Neste wanted to experiment, enter new spaces and become sustainable. At the same time it needed to be efficient and succeed in the short term. The question was, what is the tolerance for failure in such a winning culture? Participants became aware of the challenge in reconciling the two approaches to get the best of both worlds."

Professor Cyril Bouquet

"The right to lead should not be taken for granted."

Professor Ginka Toegel

Identifying Must-Win Battles¹

<table>
<thead>
<tr>
<th>Intellectual Inputs</th>
<th>Organizational Capabilities</th>
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<tbody>
<tr>
<td>Company Objectives</td>
<td>Our resources, and our ability to use those resources to best effect</td>
</tr>
<tr>
<td>Competitive Marketplace</td>
<td>Our changing markets, our changing competition, suppliers, regulators</td>
</tr>
</tbody>
</table>

<table>
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<tr>
<th>Emotional Inputs</th>
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</thead>
<tbody>
<tr>
<td>Must-Win Battles</td>
</tr>
<tr>
<td>Collective Ambition</td>
</tr>
<tr>
<td>Personal History/Agenda</td>
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</tbody>
</table>

PHASE 1.1: ORGANIZATIONAL CULTURE BOOSTER CAMP (2012)

A culture change process had to be integrated into Neste’s strategy discussion. Hannele Jakosuo-Jansson believed that business profitability, customer satisfaction, and employee satisfaction and safety were long-term indicators of a culture change. Professors John Weeks and Dan Denison led the culture booster camp with the following objectives:

- Create a common sense of urgency
- Define the desired change
- Integrate changes with existing business challenges
- Engage and motivate the organization toward the desired change.

The Denison Organizational Culture Survey served as a mirror for Neste to identify its existing ways of working. This was vital for top management to understand the gaps. Additional insights came from IMD interviews with a cross-section of people and an internal satisfaction survey conducted by Neste HR.

Professor Weeks delved deeper with the participants into the what (elements of culture to preserve or change), why (the business case for change) and how (the process and critical success factors) of culture change, especially for leading into an uncertain future.

PHASE 1.2: CUSTOMER FOCUS BOOSTER CAMP (2014)

As an engineering company, Neste was not very customer centric, and improving customer focus had been identified as an MWB. Although the project team worked hard on implementation, traction was limited in the first two years. So Neste ran a booster camp, led by Professors Wolfgang Ulaga and Daina Mazutis. It aimed to:

- Understand and remove the obstacles to building customer focus
- Set priorities for gaining traction
- Develop a roadmap for customer acquisition and market share growth.

“Being a business school, we don’t develop dependency. We help the company to embed the learnings on its own.”

Professor John Weeks

“IT came as a shock to the company that the renewable product did not sell itself. We needed to work more collaboratively and take a holistic approach. Who are our customers and what is their motivation for buying from Neste? How can we help them to be more successful? What is the value of our product/service and are we pricing correctly? Do we have the right people and the necessary skill sets? How should we organize ourselves more efficiently? Many questions had to be answered.”

Jeremy Baines
VP North America Sales, Renewable Products
PHASE 2: FUTURE IS NOW – DESTINATION 2030

In 2017, Neste and IMD came together again to mobilize the company’s leaders for building the roadmap and organizational readiness to achieve Neste Destination 2030. The company’s directive was clear:

“We have the what – the strategy and our ambition; we have the why – our changing external environment. This journey is about helping us to successfully realize the how.”

Professors Knut Haanaes and Tom Malnight interviewed senior executives to understand the organizational context. In an exclusive workshop with the NEB, the two key elements that would underpin the journey were developed – six accelerator topics and three mindset pairs.

Accelerators

The accelerator topics considered Neste’s ambition and the external environment. For the 2017-18 journey, the focus was on external exploration to generate ideas about deploying the accelerators; it was not “industry tourism.” The outside-in perspective allowed participants to delve deeper into the relevant challenges and build concrete recommendations based on the company’s internal strengths. All NEB members were an integral part of the accelerator teams.

Baltic Sea Champion

Global Renewables Growth

Partnerships & ecosystems

Reliability

Customer’s customer

Services

Execution

International growth
Mindset pairs

The learning journey was underpinned by three mindset pairs. These mindsets already existed within Neste, but to varying degrees, often with an EITHER/OR focus. The aim was to enable participants – and the wider organization – to fully understand and embed the AND philosophy for the mindset pairs. The mindsets would act as a frame of reference for all content and learning activities.

The program was jointly designed by IMD and Neste with the following objectives:
- Accelerate implementation of the Destination 2030 strategy
- Reinforce outside-in thinking
- Develop common mindsets
- Empower leaders to make choices and lead transformation
- Facilitate networking and sharing.

Flexibility was a key feature of the program design. Learning elements of successive modules were adapted after a joint review of the previous ones.
PHASE 1: NEXCELLENCE (2011)

Three modules ran during the year, each with two cohorts – top management and high potentials. Professor Toegel innovated in the module design through alternate sequencing of the cohorts, creating an overlap at specific points when key topics were facilitated together. High potentials thus engaged with top management on critical issues; senior leaders had to listen while younger talents spoke up.

In parallel to the learning modules, participants undertook project work and experiential coaching workshops.

For example, working together on strategy but separately on leadership development."

Professor Cyril Bouquet

Project work

Participants identified, debated and developed the MWBs by detailing the important shifts:

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<tr>
<th>FROM</th>
<th>TO</th>
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<tbody>
<tr>
<td>Cost &amp; profit</td>
<td>Outperforming the competition</td>
</tr>
<tr>
<td>Baltic Sea mindset</td>
<td>Globally local</td>
</tr>
<tr>
<td>Supplier</td>
<td>Customer-focused</td>
</tr>
<tr>
<td>Product</td>
<td>Solution</td>
</tr>
<tr>
<td>Internal focus</td>
<td>Active partnering</td>
</tr>
<tr>
<td>Functional</td>
<td>Cross-functional collaboration</td>
</tr>
<tr>
<td>Suitable feedstock</td>
<td>Wider feedstock range</td>
</tr>
<tr>
<td>Technology</td>
<td>Customers &amp; technology</td>
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</table>

CEO Matti Lievonen played a central role, sharing his perspective on the MWBs, so the group did not get "stuck." Professor Bouquet created war games where participants put themselves in competitors’ shoes to anticipate their reactions to Neste’s MWBs.

Each MWB was translated into project work, driven by high potentials with top management as sponsors and advisers. The teams chose key customers, discussed their needs, identified new opportunities and developed ideas for implementation. They also consulted authorities to ensure compliance of their new products/services/solutions. As the program ended, the high potentials presented their projects to the NEB and senior management to take the initiatives forward.
Experiential coaching workshops

At both individual and group levels, coaching workshops enabled participants to practice and improve their leadership skills in line with their action plans. Professional coaches coached the senior team, and the seniors coached the young talents.

Facilitated outdoor group challenges helped to examine issues related to team effectiveness and enhance team leadership styles. Afterwards, a debrief by coaches provided insights into participants’ self-awareness and strategies for leveraging others.

In the later stages, Professor Toegel introduced reverse mentoring. Initially top management was not keen. They asked, “What am I going to learn from 30-year-olds?” They soon discovered – a lot!

**PHASE 1.1 ORGANIZATIONAL CULTURE BOOSTER CAMP (2012)**

Culture change was one of the five MWBs, but Neste quickly realized it could not be a standalone project. The booster camp was designed to build momentum and enable the change leaders to mobilize the entire organization. The NEB members set the direction and created a sense of urgency for organizational change.

Meanwhile, the Denison Organizational Culture Survey had been conducted organization-wide, and the results (by department, business and geography) were shared and discussed. The goal was to cooperate and succeed together _internally_ to win battles _externally_. The participants then developed implementation plans to create a culture change that would stick.
NESTE & IMD: PARTNERING FOR RENEWAL

THE L&D INITIATIVE

PHASE 1.2 CUSTOMER FOCUS BOOSTER CAMP (2014)

Neste and IMD came together for a booster camp on customer focus – another MWB. After interviewing key stakeholders, Professor Wolfgang Ulaga identified a gap in the interpretation of customer focus. The sales people felt they were already focusing on customers by growing volumes, efficient order taking and timely delivery. But management saw customer focus as selling value-added solutions.

The booster camp comprised two modules in Finland followed by regional implementation in the Baltics. The workshops allowed management to explain the goals, and regional managers to react. This helped to clarify the customer focus concept, define common objectives and defuse tensions on both sides.

PHASE 2: FUTURE IS NOW (2017-18)

In 2017, Neste was ready to look long term at Destination 2030. Program Directors Knut Haanaes and John Weeks designed four modules that built on the accelerator topics and mindset pairs defined by the NEB.

The 140 participants were divided into 24 teams; 4 teams worked on each accelerator topic, all with a different perspective. An outside-in approach was encouraged, not only for ideas and best practices but also to better understand Neste’s challenges.

For example, a reliability accelerator team went way beyond their industry boundary to talk to an amusement park. IMD also drew upon seasoned corporate executives – e.g. Jose Lopez, former COO of Nestlé – to bring additional perspective.

After module 2, the teams presented their projects to the whole group, including the NEB, who decided on initiatives to take forward. The teams were encouraged to create a 5-minute video and communicate more creatively as next-generation leaders.

Professor Wolfgang Ulaga

“...They were saying the same words but not putting the same notion behind them. You can come up with a logical initiative that makes sense on paper but is not adopted because of a lack of common understanding.”

Future is Now Program Design

Launch Challenging the future agenda Leading for the future Sharing & learning

Launch of the Journey Helsinki: Full Group

Helsinki: Full Group

IMD 3 cohorts

IMD 3 cohorts

Launch Challenging the future agenda

September 25, 2017

Cohort 1: Oct 4 -6
Cohort 2: Nov 1 -3
Cohort 3: Nov 6 -8

Jan 30-31, 2018

Cohort 1: Oct 4 -6
Cohort 2: Nov 1 -3
Cohort 3: Nov 6 -8

June 14-15, 2018

Cohort 1: March 14-16
Cohort 2: March 21-23
Cohort 3: April 11-13

1 day 3 days 2 days 3 days 2 days
Pedagogical Innovations

Professor Haanaes introduced IMD’s newly developed web-based app, *Global Signals*, so participants could explore various megatrends and identify those that Neste should take on board. He also conducted Business Model Labs, where participants made sense of different business models.

To help build the AND philosophy for the mindset pairs, Professor Weeks had participants take a psychometric test (Hogan Survey). This gave them insights into their leadership behavior, with a debrief by professional coaches. Going forward, the aim was to work on key leadership behaviors (such as empowerment, driving results, and seeking new perspectives) under each of the three mindset pairs.

A community learning platform – IMD’s most interactive and ambitious one to date – was built for Future is Now. Faculty webcasts, team calls, update videos and learning manager inputs were regularly posted on the platform to maintain the heartbeat of the program.
The multiple interventions over Neste’s seven-year journey with IMD resulted in deeper and wider impact at every stage and at all levels throughout the organization.

**NEXCELLENCE + BOOSTER CAMPS**

**Individual level impact**

The extent of positive individual change was evaluated through 180-degree surveys in 2011 and 2013.

4 dimensions emerged from the factor analysis of the questions:

1. **Relations-oriented behavior**
   - Reflecting active listening, receptivity to feedback and degree of empathy

2. **Integrity**
   - Taking responsibility for mistakes, managing conflicts appropriately and challenging assumptions in conversations

3. **Coaching leadership style**
   - To what extent leaders ask more questions rather than giving advice

4. **Task-oriented behavior**
   - The capacity to communicate a clear direction, to delegate work effectively and to demonstrate self-confidence

3 out of 4 factors indicated a statistically significant improvement in executive performance.

The feedback from the reverse mentoring, or inverted pyramid, revealed many insights to both senior leaders and young talents.

**High Potentials**

“Bottom-up initiatives could be encouraged if there were more formal situations such as this where it is clearly stated that the subordinate has the power.”

“Managers can give a surprising amount of power to their reports without losing authority.”

“We have a follow-up discussion scheduled. We both agreed that this is a process where the real results can only be seen over time. The last few months were more learning, rather than expecting to see a result of empowerment.”

“The manager must be ready to ‘let go’ – the fear of losing power in many areas is the most detrimental mental block in a leader.”

“This requires courage by managers. One of my team is ‘in flames’ with her tasks and I feel I have been able to give support and, most of all, independent responsibility.”

**Senior Team**
The career progression of high potentials in the NExcellence program was accelerated. The coaching culture took hold post NExcellence, where the concept of transformational leadership was introduced. All participants became peer-coaches for two participants in the company’s own NExLeader leadership development program.

40% promoted
40% given new challenges

66 high potentials
5 years’ work experience and exposure to at least 2 positions

2011
2017

All 132 participants coached 2 internal leadership program participants

264 coaching pairs

“Not everyone could join an IMD program. With the program participants acting as internal coaches, we continued to develop the coaching culture inside the organization.”

Sanna Kauppi
Director of HR Development

“At the IMD programs, the participants include 50% top leaders and 50% high potentials or change leaders. With these approximately 150 people as ambassadors, our CEO has been able to move the other 4,900 in the company. That has been a very astute way of reaching deep into the company.”

Jeremy Baines
VP North America Sales, Renewable Products

“What makes IMD programs valuable is that we are exposed to academic theory in a manner that catalyzes our thinking and we can see the application in our business. There is a balance between hard content and soft aspects such as how people behave – leaders, employees and customers. That makes it very powerful. The delivery is designed so that it is also very easy for us to communicate and cascade to our colleagues who are not attending the program. The level of people engagement is high, so we achieve a lot more as we go forward.”

Bart Leenders
VP Production, Renewable Products
Organizational level impact

Neste launched a “Way Forward” culture development journey which was integrated into the strategy at each business unit. The aim was to make impact felt in everyday work and instill pride in being a sustainability champion.

A Way Forward behavior change cascaded from the CEO and the NEB down to every employee. At 17 internal events, employees made public announcements listing behaviors that they would start and those they would stop. These behaviors were progressively embedded into the people processes – capability building, performance management, leadership development and target-setting discussions.

“Our 5,000 employees made their behavior change commitments publicly; the process took one year. The culture was being defined very powerfully in the new behaviors.”

Sanna Kauppi
Director of HR Development
The results of the Denison Culture Survey revealed an **improvement in 10 out of 12 indices**. For example, indices such as strategic direction and intent, team orientation, creating change, and coordination and integration moved to a higher quartile. Neste continued to introduce new ways and tools to communicate its strategy and encourage discussion at individual, business and organizational levels. In 2017, a Forward Pulse survey compared employees’ understanding of the strategy and future direction with a global benchmark.

Results: Neste’s position was much higher than the global benchmarks.

- **92%** believe this company has an outstanding future
- **86%** have a clear understanding of the company’s strategy
- **80%** say senior leadership has communicated a vision of the future that excites them
- **79%** can see a clear link between their work and the company’s vision
Business level impact

From 2013 to 2016, Neste established and ran four value creation programs, based on the MWBs. An NEB member was responsible for each program, and progress was monitored regularly at NEB meetings with the board. The target was to double Neste’s market value.

### Value Creation Programs

**Profitable Growth**
- In existing businesses and new opportunities
- High sales margin
- Increased market share in selected countries
- Profit improvement initiatives completed as set in strategy

**Productivity**
- Become the most competitive company in our market segments
- Safety results
- High availability
- Efficient production and energy supply
- Effective maintenance
- Aligned operations and lower logistics costs

**Renewables Feedstock**
- Ensure the availability of competitive and sustainable feedstock
- Availability and acceptability of feedstock
- Increased amount of feedstock availability to use
- Identify new feasible feedstock
- Increased waste- and residue-based feedstock types

**Customer Focus**
- Create value together with our committed customers
- Satisfied customers
- Growth of each customer portfolio
- Increased value of solutions business
- Account plans executed and value propositions presented to customers
- Identifying new viable feedstock
- Increased waste- and residue-based feedstock types

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“I liked the systematic approach to the value creation programs where we learned to build upon what we have – our strengths and our strategy. It helped to direct the management focus, clarify targets, measure achievements, follow up, and communicate better. Some of that work is still going on.”

**Elina Harrala**
Director Harbors & Terminals

“The MWBs defined during the NEExcellence program helped to crystallize the most critical areas for us to go forward with our strategy. Back at Neste, we created a spearhead project based on each battle and called them value creation programs. The projects were led by the company’s selected talents supported by a program management office.”

**Sanna Kauppi**
Director of HR Development
Customer focus was progressively built in moving from products to solutions by focusing on **value selling to customers**.

**2013-14**
**Build foundation for change**
- Segment all customers
- Identify and prioritize strategic customer accounts
- Change the rhythm of business with customers
- Reallocate resources
- Create account plan

**2014-15**
**Introduce key account management model**
- Introduce Neste account management model
- Pilot with strategic customers
- Define sales process with clear milestones and targets
- Drive new value proposition discussions
- Start journey toward value selling

**2015-16**
**New way of working**
- Implement Neste account management model globally
- Separate sales execution and sales development & support teams; redefine sales roles and job descriptions
- Introduce 3-year account strategy and 12-month action plan to drive solution business
- Track customer delivery performance actively and manage customer satisfaction
- Build commercial capabilities

**2017-18**
**Commercialization**
**Changing business model**
- Create service catalogs for selling solutions
- Focus on strategic pricing and B2B marketing
- Roll out CRM platform globally
- Launch customer community platform with strategic customers
- Adopt service design to create new value propositions
- Set new targets for service business growth
- Measure service business growth

**Increase awareness of customer value**
**Co-creating value with customers**
**Understand cost of serving foundation**
**Customer loyalty**
NPS score 51 vs target of 50
The impact of the initiatives is reflected in the **2017 business results**:

**Comparable EBIT by Business Segments (€ million)**

<table>
<thead>
<tr>
<th>Segment</th>
<th>2012</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marketing and services</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Renewable products</td>
<td>0</td>
<td>500</td>
</tr>
<tr>
<td>Oil products</td>
<td>100</td>
<td>400</td>
</tr>
</tbody>
</table>

In 2017 earnings from renewable products was higher than oil products, contributing 50% of the total.

**Waste- and residue-based renewable feedstock**

Extending the feedstock base became a key goal of Neste’s R&D. Since 2011, the **use of waste and residues as feedstock had increased systematically**. In 2013, Neste became the world’s largest buyer of waste animal fat.

**Neste Share Price (€)**

From €8 to €55

Neste market capitalization as at December 2017 = €15 billion, nearly six-fold increase from 2012 to 2017.
FUTURE IS NOW

Early indicators of impact in the six months the program has been running include:

- **Traction on accelerators** in three areas which was validated through a participant survey:

- **Traction on mindsets** which has resulted in leadership focus areas and behaviors being internally renewed to link to the mindset pairs. The concepts of exploration and exploitation had started to feature strongly in the strategy conversations.

The plan is to measure impact on the wider organization six months after the program finishes in 2018. The questions: How have we changed our ways of working? Are we becoming more outside-in? Are we driving opportunities in new ways?

Survey Results after Six Months

- **48%**
  
  outside-in approach developed

  Participants first identified 60 organizations to study. Halfway through the program, the ambition level doubled and they contacted 150 companies.

- **28%**
  
  networks developed inside Neste

  Stronger and richer networks were built among the top 140 executives through interactions between teams as they worked on their accelerator topics. The next challenge was to grow the networks throughout the organization.

- **19%**
  
  opportunities we jointly develop

  Securing new opportunities and different approach to processes in supply, sales and content.

"The Hogan analysis of my personal style and feedback from my coach has highlighted what/how I can improve in the mindset shifts with practical application in my group."

Elina Harrala,
Director Harbors & Terminals
CONCLUSION

Organizational transformation is a slow process that has to be continually driven to make a wide and deep impact over time. Today, Neste’s transformation continues apace.

In 2011, the company did not come to IMD to find a turnaround plan that would be completed and pay back in the following year. Neste knew that business and organizational transformation could not be achieved by an episodic intervention – it was a long journey. At each stage the leadership team challenged themselves and asked fundamental questions. They were dedicated to the effort and committed for the long haul. Neste employees and IMD faculty alike attribute a key success factor of the journey to the sponsorship and role modeling behavior of CEO Matti Lievonen.

Neste’s overall journey has been one of empowerment as the company moved from being a top-down, conservative and centralized organization to become a dynamic and forward-looking, sustainability-focused organization with a clear strategy, bold leadership and strong capabilities.
APPENDICES

APPENDIX 1
FUTURE IS NOW
COMMUNITY LEARNING PLATFORM

APPENDIX 2
REFLECTIONS
APPENDIX 1: FUTURE IS NOW COMMUNITY LEARNING PLATFORM

WELCOME TO THE COMMUNITY !!!

PS: Please do not forget to check out tips & tricks on using the online communities. To run the community on your smart phone or tablet take a look at the Jive app in 8 simple steps guide.

Thank you for making Module 2 a great success!
APPENDIX 2: REFLECTIONS

Today, we are a much more flexible, business oriented and customer centric company, but the main impact has been the culture change that started back in 2011 when we changed our behavior and the way we work.

After the first program, my personal development was in leading people through coaching. I had never practiced that before, and at IMD, I was asked to coach an NEB member. That boosted my self-confidence – if I can coach an NEB member, I can coach anybody!

What I like about the current program is that we have a different approach – looking long term at 2030. In my daily work, I tend to think a lot about tomorrow, the next week, next month and so on. So it is very motivating to be part of the process to get to the future in 2030.

The outside-in approach has been interesting, something new, and actually easier that I thought. I would not have thought about going outside and asking how are you doing something? Having four teams working on one accelerator and sharing learnings was very valuable because I saw different aspects that my group had not even touched upon. When we combine the outputs from the four groups the result will be very powerful.

I am part of the execution accelerator group. In my area of responsibility for harbors and terminals, there are a lot of investments that I need to manage. I hope that by the end of this journey we will find a solution and a roadmap to make the investment process much more efficient, using fewer resources than we do currently.

Throughout, I have been impressed by the level of top management participation.
APPENDIX 2: REFLECTIONS

It was an important time for me as I was moving from being a specialist trader to head the customer focus value creation program.

We decided to move from a sales organization to a key accounts organization. We carried out a large customer segmentation exercise to understand where the value comes from. For the first time, we created key account managers dedicated to the strategic customers (contributing more than 5% of the company’s EBIT). These managers pulled together all the competences – product knowledge, finance, treasury, taxation – such that Neste had one face to the customer.

We also realized that the value chain extends way past the wholesaler. Now we are working directly with the distributor, with the distributor’s customer and even marketing to the end customer. It is a much more involved process to understand how we can create and capture value.

Our company tends to have a “not invented here” attitude. If a product is not designed and made by Neste, it cannot be good. The idea in 2017 is, “Wake up and look outside – at the ideas, innovations and solutions – and learn from those.” For example, we learned about cycles of maturity. Oil products is a mature, low-growth business (especially with global warming); renewables are on an upward trend, but we recognize that it is very much a transportation fuel. So, what is going to be the next wave of growth for us?

When I look at other companies that are undertaking big changes, often the attitude is “Out with the old and in with the new.” However, Neste takes an inclusive approach, stating “We have had a great run so far with these employees. Let us provide them with the skills and the opportunity to develop into something different.” Our people have been quite keen to go on these journeys.

I must say on a personal note, when presented in this way, wow! what a transformation this has been! Last week I was discussing this journey with one of our senior account managers. He was saying how sorry he had felt for me when I took on the Customer Focus challenge. When I asked why, he replied that he never thought Neste was prepared to change in such a way. He said he has clearly seen the change and that it has helped him very much professionally. Those kinds of comments make the work that we are doing all the more worthwhile.
APPENDIX 2: REFLECTIONS

Back in 2011 we were a fact-focused, engineering-driven, top-down company. It was also a risky time for Neste as regulatory changes were going on and the company was under the spotlight from critical NGOs that questioned the sustainability of its feedstock sourcing. People felt insecure and confused, resulting in some skepticism about the renewables strategy. It was imperative to challenge the status quo within the company so that Neste could move from transactional leadership to transformational leadership.

We deployed the value creation programs as an outcome of the NExcellence program, with common targets and alignment on what needs to be done. We also paid more attention to the way we led the organization. It was a paradigm shift. We started to transform from an inward-looking Finnish company to an extroverted global company. That was the biggest impact.

We now operate as one sales organization for both renewable and oil products. We offer packages combining the two to maximize value for our partners and the Neste group. Experts in commercial strategic marketing analyze customer needs and propose value-adding alternatives. The collaboration between renewables and oil products on many topics – including production – has increased steadily in the last five years.

Today, Neste is a fast-growing company, particularly in the renewables business. The challenge is to get an outside-in view and at the same time cherish our heritage – to explore and to exploit. The current program participants are having conversations which generate curiosity and insights that they did not necessarily have before to challenge the organization. For example, in our accelerator topic of partnerships and ecosystems, we have been discussing what drives people to be active in the waste and residue value chain, how they make profits and what makes them successful.

Thanks to the training, targets from the NEB and a lot of hard work on our part to influence everything we can, we have built a new Neste culture. Now we can say that we are truly successful!