

Clean Tech

THE AMROP INTERVIEW

From Minor League Club to Premier League





Amrop

Clean Tech

THE AMROP INTERVIEW

"From Minor League Club to Premier League"

As President of the Offshore business unit at the Danish wind turbine company Vestas, Anders Soe-Jensen is leading potentially the most challenging part of one of the fastest growing companies in the world. Formerly CEO in charge of the offshore maintenance division at telecommunications giant Alcatel, Mr. Soe-Jensen impresses as a man firmly committed to the environmental benefits that offshore wind electricity generation can bring, but also as a tough executive who never takes his eye off the bottom line. Amrop spoke to Mr. Soe-Jensen recently about the future of offshore wind generation and the challenges of onboarding the best talent during a period of rapid change and growth.

IT IS A CHALLENGE FROM A PRODUCTION VIEWPOINT, BUT IT IS INDEED A CHALLENGE FROM A BRAIN CAPACITY POINT OF VIEW AS WELL.

WHERE THE WIND BLOWS

Global warming has focused the public's and politicians' minds on alternative energy sources. Faced with the need to move quickly away from more polluting sources of electricity production, more and more countries are increasing investments in wind turbines. Although currently wind provides only about 1% of global energy needs, over the next few years wind capacity is expected to triple and may account for 10% of worldwide electricity production by 2020. In Denmark wind power already meets 20% of electricity demand.

A very important part of the future of wind energy will be taking place offshore. Due to the higher cost and engineering challenges of construction, at the moment only about 1% of wind energy is generated offshore. However, offshore has huge potential. Wind speeds are higher and visual and noise pollution less, so offshore wind farms can be sited closer to densely populated areas along the coast. Over the same period in which overall wind capacity is expected to treble, offshore wind capacity is expected to grow by 800%.

One of the leading producers of wind turbines internationally is the Danish company Vestas, which has been building windmills since 1979. From humble origins Vestas has grown exponentially to become one of the top three wind turbine producers in the world, with over 21,500 employees and annual revenues in the region of €4.7 billion.



Anders Soe-Jensen, Vestas

Amrop: Mr. Soe-Jensen, Vestas has been riding an exciting roller coaster for the past 20 years. Could you please give us just a little background of how Vestas got to where it is today?

Anders Soe-Jensen: Denmark is a country with a considerable amount of wind and a ban on nuclear power. Hence we started doing a lot of research into wind energy. A number of the major players in wind today grew out of that period of initial research and development into wind. In the early days the industry was very much dependent on the United States where there was considerable interest in wind energy. However, it was very dependent on the US support system called PTC, a support system which was renewed from year to year. This meant that the market could disappear with short notice and resulted in a very volatile market that actually meant a bankruptcy for Vestas back in 1986.

If you look at wind energy's share of total electricity production, being 1% of the total electricity production worldwide, you might say that it is a niche market. This may be true, but our aspiration is to become bigger, much bigger. One of our most significant challenges today is the rapid growth rate. We are looking at annual growth rates of 15 to 25%. It is a challenge from a production viewpoint, but it is indeed a challenge from a brain capacity point of view as well.

We also come from an industry that used to be very much driven by individuals. The sector has grown from being a group of blacksmiths to a high-tech multi-billion-dollar industry: that is from being a minor league club to the Premier League. When a windmill in the past broke down it was acceptable to send a



Amrop

repairman, today we wish to be able to compare ourselves to the aviation industry. Reliability is everything, and, in such a young industry, this is no easy matter. We are definitely moving towards becoming a Six Sigma company. When the wind industry began it was the case of setting up one windmill here or another windmill there, according to where subsidies were available. However, today we are selling mass projects to the major utilities. This means that we have changed the way we do our selling completely. We now send out teams with a wide variety of skills. Today, we are selling complex power plants. We have turned it into a high-tech team effort. It is a whole different ballgame today. It is a global team effort.

Amrop: Is it a challenge to find the right talent?

Anders Soe-Jensen: When I am looking for people for Vestas Offshore I am not necessarily looking for wind turbine experts. At Vestas we have a lot of wind and wind turbine experts. For me it is a matter of getting people who can execute a highly complicated project in a very challenging environment. So it is a totally different game that I am doing offshore. One needs to get people on board with the right attitude. You must get people to buy into the concept. We want people who are totally committed to wind to join us and people who are willing to live offshore wind and believe in our mission. It makes life much easier when everyone is pulling in the same direction.

Amrop: What else do you need to be a success on your team?

Anders Soe-Jensen: Professionalism: the ability to work cross border, cross business unit. The way Vestas is structured you must have the ability to work in a global high-tech company with production and sales units all across the world. Vestas is called a people culture business. The focus is to get people on board and bring them up to speed before they take on their full responsibilities. I do not think there are many companies in Denmark or globally that have invested so much in people so fast.

Until only a few years ago Vestas was a conglomerate of several different companies. To get people thinking in the same way internationally was a very big challenge. When the new CEO, Ditlev Engel, stepped in in 2005 he introduced the "will to win" program, which was an internal journey where we fought within the company to establish a common culture and common mindset. Now we are looking at the "customer journey" whereby we need to get closer to our customers. It is a strategic plan which is developing in parallel to the maturity of the company

Amrop: How did you as a senior executive cope with the speed and complexity of the rapid changes Vestas has gone through in recent years?

Anders Soe-Jensen: When I came on board in 2006 the offshore business unit did not exist. Before this, offshore was dealt with by various regional business units. I was recruited to tap into the tremendous potential we saw in the sector. It will be a huge market. The UK has a medium-term plan to develop 29 GB of capacity offshore in the future. This is a significant growth. If you look at this 5 to 10 years down the road on a European basis offshore could be 15 to 25% of the wind market in Europe. The question will be whether the political will is there to make this happen, because offshore is more expensive than onshore. Then the next question is: is the brain capacity and the technology there to make it happen? And that is what we are dealing with at Vestas Offshore.

We deal internationally as a competency centre cross border in every context. Not only country wise, but also business unit wise. To develop a competency centre which could handle these jobs globally and create a learning centre it has





Amrop

very much been pioneering. Vestas was the first to invest so much in offshore and we have paid some healthy money for this learning curve. And it has been an interesting ride so far: we are not bored. By no means!

Amrop: Where do you find your talent?

Anders Soe-Jensen: Last year revenues reached €4.7 billion. But compared with a utility company, which could easily have revenues 10 times that figure, you might say that we are not one of the big players. But we want to play ball with the big guys. And you do not find Premier League players in your local newspaper. You find them where they are globally. And that is the mindset we have. When I need an offshore expert I like to go to the UK or US, because both countries have a long tradition in offshore. Aberdeen and Houston is where we will find our people. Besides our current employees, we are not going to find many offshore experts in Denmark.

WE DEAL INTERNATIONALLY AS A COMPETENCY CENTRE CROSS BORDER IN EVERY CONTEXT.



Amrop: What are your main human capital issues? For example, how are you and your colleagues dealing with the internationalization of what used to be a very Danish company, retention of skilled labour, which is clearly in great demand by your competitors, and the promotion of talented individuals and monitoring of their career paths?

Anders Soe-Jensen: We have a lot of people from large companies, such as General Electric. Thus, we have individuals from all over the world. I would claim now that Vestas is very much an international environment. But clearly people must adapt to our company culture. Our major growth areas are today outside of Denmark. We have matured considerably. Still, many wind experts are, due to historical reasons, to be found in Denmark and Danes still play a significant role in the company.

Traditionally, Vestas has been a "Wind Academy" for the industry and we have suffered because of this. We are now working hard to put an end to this attrition because it is pretty expensive. We are attuned to employee satisfaction. In Denmark and internationally we are a very attractive and popular employer.

We have made a significant investment in our management team, through coaching, developing soft skills and testing to make sure that our employees actually are fit for being managers. In the old days you saw a number of technicians/engineers being promoted into managerial spots without proper prior



Amrop

WE HAVE MADE A SIGNIFICANT INVESTMENT IN OUR MANAGEMENT TEAM, THROUGH COACHING, DEVELOPING SOFT SKILLS AND TESTING TO MAKE SURE THAT OUR EMPLOYEES ACTUALLY ARE FIT FOR BEING MANAGERS.

evaluation. Today, we make sure that our future managers are ready for their jobs. We have invested considerable effort into increasing employee satisfaction and loyalty. Retaining a quality employee is much more cost-efficient than recruiting a new one. If a manager has a serious problem with low satisfaction of his staff, he will be moving on pretty quickly.

Let us not forget that Vestas is growing exceptionally rapidly; for example, from 18,000 to 21,500 over the past year. Clearly this blood transfusion is needed and skills must keep pace with the growth. Those who cannot keep pace with the situation will need to move aside or downwards or out. Just because you are a manager today does not mean you will be a manager tomorrow. It is not a given that you will be a manager forever.

Amrop: Which geographic area is the most challenging for you from a talent management perspective?

Anders Soe-Jensen: Countries with big growth rates. A country with challenges for retention is China. Some managers are not as loyal as they could be in China, while in Europe, also, we have too many of what you call "sappers", individuals who are highly talented and motivated, but are only in it mainly for the money. It has been a challenge to keep them on board.

Amrop: How do you see the world economic crisis affecting Vestas?

Anders Soe-Jensen: Yes, the crisis will to some extent affect our growth rate - I would be naive to think otherwise - but the world economic crisis has not hit us that much yet. We are the only true global player in the wind industry. Many of our clients are the major utilities which still are well-funded. If you look at China, demand for wind turbines is still growing rapidly, untouched by the current economic crisis. It is a political decision in China: they want wind and they will do wind.

Amrop: Will lower oil and gas prices affect demand for wind energy?

Anders Soe-Jensen: How long has the price of oil been low? Not long ago the price of oil was around \$140 a barrel. Now it is below \$40 a barrel. And how much of that oil is being traded at that price? There is always a natural level at which an economy can afford to pay for oil. All our expectations are that the price of oil will be going back up again.

Amrop: Has there not been quite an opposition to wind from the electricity industry due to the fact that the wind does not necessarily blow when there is demand as well as the major problems with channelling electricity through the grid on the one hand and storing it on the other?

Anders Soe-Jensen: Currently, only about 1% of electricity consumption worldwide comes from wind. At the moment because demand for wind is so high it is not a question of transportation or storage, simply of consumption. I agree that in the future as electricity production from wind grows rapidly, there could be issues with the grid and storage. However, I imagine if in 10 years time 10% of cars will be electric, you will have a tremendous capacity to store electricity. It is a matter of balancing. It is indisputable that the grid must be expanded to accommodate wind. It must also become easier to transfer electricity cross-border.

Amrop: What is the biggest obstacle to Vestas in reaching its goals?

Anders Soe-Jensen: Brains. Development is the key area. If we do not maintain our position as the sharpest knife in the drawer, we will fail. We have to keep



Amrop

ahead. We must have our "edge". China is a market we are monitoring very closely. In China there is a governmental institution called the National Development Reform Committee that plays a crucial role in the development of strategic industries. Before it was "made in China" now it is "invented in China". If we do not keep up with our own R&D efforts, China will certainly overtake us. This, however, also applies to other competitors.

Amrop: Are there any unique skills or competencies that you see are needed to be successful in Clean Tech? Or can people be moved from any industry into yours?

Anders Soe-Jensen: Clearly our goal of growth has been stunning over the past few years. To manage well from a cost perspective, I think, is much harder during a period of rapid growth than, say, when times are hard. It does not make any sense if your revenue and cost line are parallel. To get this on line and to capitalize fully on your market is one of the biggest challenges I would say.

In an industry where you have to onboard a large number of people at a rapid rate, you need to find the right talent. As a challenge it sounds simple. It is easy to get individuals involved who want to spend money. It is always easy. But to get talented managers on board in such an industry, who want to achieve results and pull everybody in one direction that is much more difficult. You are past the one-man band phase and it is a team effort. It has been challenging to solve these issues.

Amrop: Could you say a few words about the role subsidies play in wind production?

Anders Soe-Jensen: This is a fascinating discussion. Politicians are quite sensitive about complaints from the public regarding visual and noise pollution from wind energy. For example, it is clear that Germany is running out of good onshore sites for wind farms. It is a very densely populated country and inland the wind resource is low. In the UK the offshore wind resources are fantastic, but they are also excellent in Scotland for example. Logically, it would make sense to plaster Scotland with wind turbines, but no British politician would be willing to support this due to local opposition. Hence, both the German and UK governments are looking towards supporting large wind developments offshore. The question is whether they are willing to subsidize offshore projects, which naturally are more expensive to construct than onshore wind generation. The higher cost is a matter of where you are on the learning/risk curve for your investment. Offshore wind is the youngest industry in the most challenging of environments. The cost of offshore wind energy will go down as this industry matures and that goes for the entire supply chain. It is, however, important to note that wind speeds are usually higher offshore and much more consistent than most onshore locations. For this reason alone I am optimistic that offshore electricity generation from wind has a very bright future.

Amrop: Which role do government relations play at Vestas? Are you yourself involved in lobbying efforts?

Anders Soe-Jensen: Politicians are committed to wind. And there has been a lot of focus on wind from the political elite over the recent years. As a country, wind gives you independence. Not many countries have oil, but everybody has wind. Wind gives you the ability to grow capacity very quickly. If you want to build a nuclear plant, you would be looking 10 years down the road. In that period we can install a considerable amount of wind capacity. It is clean. And wind industry means jobs, which is a very important factor these days.

We have a government relations department sitting just outside of Copenhagen



DEVELOPMENT IS THE KEY AREA. IF WE DO NOT MAINTAIN OUR POSITION AS THE SHARPEST KNIFE IN THE DRAWER, WE WILL FAIL. WE HAVE TO KEEP AHEAD.



Amrop

and we have offices in Brussels and Washington DC. Many of the top managers at Vestas are expected to meet politicians on a regular basis. Many governments are interested in the offshore option and we must provide them with the best solutions and information that they need. We have been participating in the drafting of the suggestions for legislation on wind energy. There is no better way to predict the future than to shape it yourself.

Amrop: Looking to the future, in which direction do you see the company going? What other business models are you looking at; servicing, leasing etc.?

Anders Soe-Jensen: From the producer side, as turbines become more reliable, my best guess is that we eventually will move to a situation where we will promise our customer a specific amount of electricity generation based on estimates of wind availability. Where Vestas is unique is that we have a wind surveillance centre which is linked online to 11,000 wind turbines worldwide. Today, we can look at the output and analyze wind availability, temperature and other factors over a long enough period of time enabling us to go to our customer and give a sound prediction of electricity production over a specific period of time.

Servicing of course is already a big part of our business, and we are looking to increase the number of long-term servicing contracts we have with our customers. However, do not expect us to branch out in fundamentally new directions. We are a high-tech wind company with manufacturing, execution, maintenance and operations.

Amrop: Finally, do you see Vestas playing a major role in fighting climate change and global warming?

Anders Soe-Jensen: We are part of an overall solution to the challenges facing us from climate changes. It is not a matter of either/or, it is a matter of improving insulation and other forms of energy conservation hand-in-hand with electricity production from renewable energy sources, such as wind, hydro and solar.

YOU ARE PAST THE ONE-MAN BAND PHASE
AND IT IS A TEAM EFFORT.
IT HAS BEEN CHALLENGING TO SOLVE THESE
ISSUES.





Amrop



From left to right: Niels Bentzen, Partner Amrop Denmark, Anders Soe-Jensen, and David Young, Partner, Amrop Hungary.

Niels Bentzen heads the Amrop Technology and Media Practice Group. David Young leads the Amrop Clean Tech Initiative.

For more information on Amrop Executive Search please visit our website at: www.amrop.com