

The first five years at **Vestas**



Ditlev Engel, born 1964
Group President & CEO,
Vestas Wind Systems A/S (Denmark)

Ditlev Engel studied at Copenhagen Business School (CBS) in Denmark where he took an HD diploma in accounting and financial management (1990). In addition, he has completed a General Management Program at INSEAD, France (1997).

There are three things in particular that characterise Ditlev Engel's professional life:

From the beginning of his career, he has shown a strong interest in global affairs – and always viewed things from an international perspective.

And only one thing counts for Engel in business: setting ambitious goals at all times – goals that lead to concrete and measurable results.

Finally, when setting goals and defining strategies, he always maintains a 'people' focus.

From trainee to CEO: 20 years at HEMPEL A/S

Following his upper secondary examination (social sciences and language studies), Engel began his career as a **trainee** at HEMPEL A/S, one of the world's leading manufacturers of paints for industrial use - e.g. ships and wind turbines – and also one of Denmark's most international enterprises.

According to Ditlev Engel, '**Corporate Man**' is the most honourable title you can get and throughout his 20 years at HEMPEL, he developed a personal and very strong commitment to the company. Hence, at the age of 35, he was appointed Group President and CEO of the company after having held positions in largely all parts of the value chain.

Engel's passion for the international dimension of the job led to a number of lengthy stays abroad, i.e. in Norway, Holland and China (Hong Kong). During his time at HEMPEL, he was expatriated for more than 12 years - as President of the group's Norwegian operations and, based in Hong Kong, as President of the Chinese operations.

The road towards the position as President and CEO took Engel

back to Denmark in 1999. Initially, he worked as Head of Sales and Marketing and Research & Development and already after the first year, he was appointed President and CEO. He held this position until he was asked to take over the position as Group President and CEO of Vestas Wind Systems A/S in October 2004, a position he took up on 1 May 2005.

Turning Vestas around with 'The Will to Win'

When he accepted the job offer from Vestas, the new CEO had only little knowledge of the Company and its wind turbines. However, as Engel believes in the philosophy according to which a chief executive should, in principle, know (although not necessarily be involved in) everything, he spent the two months from he joined the Company until he took over his predecessor's position getting to know every corner of the Group.

During this period, he travelled the world on his own. His task was clear: He wanted to meet managers and employees on all levels and in all markets. Hear their opinion. Find out what challenges they saw. What they would prefer to be different. At the same time, it was important for him to find out who could and wanted to perform – and who didn't.

His priority was to **understand** the company he was to manage **before** he took over the position as CEO. Engel wanted to find the right diagnosis for the **turnaround** that the Board of Directors and he himself found essential for the Group to maintain global leadership in the wind industry.

Although it turned out to be more comprehensive than he had thought initially, this task matched his ambitions perfectly: Adapting the Company, turning developments around and not least continuing to develop the Company and its huge potential (he once described Vestas as a 'an unpolished diamond').

Ditlev Engel presented his diagnosis - or restoration plan, to be exact – together with the Q1 report on 26 May 2005. On this same occasion, which was well-attended by analysts and

the press, he introduced **'The Will to Win'**, which was the name he had chosen for his plan, strongly inspired by the willpower, passion and strong commitment he had met everywhere in the organisation during his two-month trip around the world.

In his external communication, and especially internally towards colleagues in Vestas, Engel demonstrated that now was the time to perform financially. Also in the short term and with a much more aggressive focus on profitability than previously. But even though Ditlev Engel does not mind being called a 'tough' executive who always thinks of what is best for the Company, he underlines that to him there is a world of difference between being a 'tough' and a 'cold' executive.

Hence, the first time he faced the entire group of employees – when he introduced The Will to Win – he emphasised that it was his wish that his 9,600 or so colleagues would benefit personally within the foreseeable future from the financial results that they contributed to creating. The individual colleague was to be in focus, among other things by way of introducing a bonus package for all employees, regardless of their areas of responsibility, position or geographic location. The latest statement of bonus payments (for 2009) showed total payments of around 60 million Euros to around 21,000 employees.

Together with the publication of The Will to Win, Ditlev Engel introduced a new short vision for Vestas: **'Wind, Oil and Gas'**. Four words. Because, as opposed to what is often seen for more traditional corporate visions, Engel wanted Vestas' vision to be easy to remember. It was important that everybody understood that the vision was now about making wind power **mainstream** – that, in future, wind was to be considered on a par with oil and gas. And – just as importantly: Everybody should know that Vestas intended to spearhead this vision on a global level. A new mission was also born – **'Failure is not an option'** – which had special focus on quality. Engel stated that if Vestas was to maintain its position as the world's leading wind turbine manufacturer it was essential that the Company prioritised its commitment to quality improvements. For the same reason, Vestas soon adhered to the Six Sigma philosophy which should be seen as an integral part of the mission. Vestas – and its suppliers – were to reach 4 Sigma before the end of 2008. This was accomplished, and the goal for 2010 is to reach 5 Sigma. By 2015, Vestas is to become a Six Sigma company, which according to Ditlev Engel is essential for maintaining global leadership.

The Vestas Government: 'YES to Government' = 'NO to Opposition'

As part of The Will to Win, Engel implemented a drastic managerial restructuring of the Group – changes that from day 1 introduced a new very narrow Executive Management consisting of CFO Henrik Nørremark, as the only member of the previous management board, and himself.

Soon focus turned to the executives' ability – and will – to make fast decisions. Clarity and unambiguity in all matters regarding

the individual executive's role and responsibilities was reflected in the way the new executive forum – The Vestas Government – was set up. This Government comprised the heads of all business units together with Engel and Nørremark and from the outset it was made clear that heads of units who had accepted membership of the Vestas Government had at the same time opted out of membership of the 'opposition'. Members of the Government blaming each other for mistakes would not be tolerated. Solidarity on the executive level was a **must**, because if the poor financial performance prevailing at the time was to be turned around, it was essential for the individual heads to always take a holistic approach and not consider what was best for their own areas of responsibility.

A concrete, measurable example of this is reflected in the fact that the bonus targets for members of the Vestas Government depend entirely on the overall performance and not on performance in the area of responsibility that is most easily impacted by the individual member.

Communication as driver

At the same time, Ditlev Engel put communication at the top of the agenda. **'That is my most important management tool'**, he repeated again and again. Internally in Vestas, communication was highly prioritised – among other things in the form of **live transmissions** with simultaneous interpretation from English to five other languages to enable colleagues around the world to follow the publication of quarterly reports on the Internet. The Group CEO made it clear that he expected everybody to watch the publication – and that he expected production to be on standby during the transmission.

Before the goals presented in The Will to Win were met, Ditlev Engel made it clear that it was necessary always to set new and increasingly ambitious goals. Hence, he introduced 'Phase II' of the Group's new, global development: the Group strategy **'No. 1 in Modern Energy'**.

The key words of this strategy were **'Best in Class'** at all times. At the same time, the notion of 'Modern Energy' was to reignite and fuel the global debate on renewable energy. Together with Bent Carlsen, Chairman of the Board of Directors, Engel stated that the aim was to become the world's strongest **energy brand**. In 2010, a new **tagline** was introduced: **'Wind'**. It means the world to us'. While Vestas' competitors for the most part are members of industrial conglomerates, where everything from nuclear power and white goods over electric bulbs to banking operations demand the attention of the executive management, the new tagline is to underline the passion and the continued focus on the one thing that has given Vestas its global leadership position: Wind power.

In this context, the customers are in focus. Ditlev Engel is very aware of customer loyalty and one of his personal success criteria is meeting as many customers as possible during a year. A few years ago, the customers' view of and loyalty to Vestas was quite

poor. Hence, through new methods, measures and tools the organisation was reminded that Vestas' most important stakeholders at all times are its customers. From a low of 46, the loyalty score surged to 64 at the latest survey. The aim for 2010 is 70 and by 2012, the score should be 75. Anything lower than that is not good enough – and even though the road to 75 is not easy, there is no doubt **what** should be accomplished **why** and **when**.

If an employee is not introduced to a new and bigger task than the one he or she is already working on - well, then the employee should define a new task him/herself. This is also part of Engel's leadership philosophy, because development is a **must**. At all times. Another example of this is the many initiatives taken by Vestas over the past few years within Corporate Social Responsibility, with the **'As Green as it Gets'** initiative being the most visible one. This attitude to sustainability is evident, among other things, in the new Group headquarters which is under construction in Aarhus, Denmark. The construction is based on the requirements to the highest degree of sustainability according to the American LEED standard and will be finished in 2011.

The greatest ambition

At the end of 2008 – and the expiry of The Will to Win – Ditlev Engel was able to present the best-ever financial statements for Vestas. With an EBIT margin of 11.1 per cent, the goal of lifting EBIT to not less than 10 per cent had been achieved. At the same time, net working capital was historically low.

Nevertheless, Engel introduced his ambition of the greatest leap when he published the guidance for 2010. He introduced the **'Triple15'** which is a detailed roadmap towards 2015 where Vestas aims at an EBIT margin of **15** per cent of the overall revenue and revenue of **15** billion Euros. Both aims should be achieved by **2015**.

With Ditlev Engel in charge, from 2005 to 2009 Vestas has achieved revenue growth of more than 85 per cent – from 3.5 to 6.6 billion Euros. However, as focus was first and foremost on earnings, Engel finds it more interesting that EBIT has been doubled many times over: from a loss of 116 million Euros in 2005 to the record high 856 million Euros in 2009.

Engel is equally pleased with a different and less visible result of the targeted efforts of all employees and managers: The number of work-related mishaps and accidents has gone down by 75 per cent. In 2009, the company reached as low as 8 incidents per 1 million working hours, which is close to world class in the safety area. And the decline will continue, according to the CEO. Engel **will** not accept mishaps and accidents among colleagues.

Seen from another employee-based angle – **'People before megawatt'** – the number of employees has increased considerably. This is about hiring and training people before the need occurs in full. Quality and consideration for the customers are pivotal. For this reason, the number of employees has increased from 10,618 at the end of 2005 to 20,826 at the beginning

of 2010 - a figure, which is expected to reach 24,000 during 2010. This would mean an increase of more than 125 per cent since 2005 – even though Vestas (in a number of Northern European markets) had to lay off a large number of colleagues as a result of the credit crunch.

Despite these layoffs, the latest employee satisfaction survey (autumn of 2009) showed increasing satisfaction. And the employees' commitment to this type of employee involvement was demonstrated by the fact that as much as 92 per cent of all colleagues participated in the satisfaction survey.

Only yes to work-related positions of trust

Alongside his job as Group President and CEO, Engel has taken on a few positions of trust, but only positions which are relevant to his job at Vestas:

Member of the General Council of the Confederation of Danish Industries (Denmark), the Industrial Policy Committee of the Confederation of Danish Industries (Denmark), the International Advisory Panel (IAP) on Energy under the Singaporean Ministry of Trade and Industry (Singapore), the Industry Advisory Group of the International Energy Agency, IEA (France) and special advisor for EQT (Sweden). Also, Ditlev Engel is involved in the World Economic Forum's annual summit in Davos, Switzerland, both as a speaker and as participant.

In 2008, he was appointed 'Executive of the Year' by the Danish Association of Managers and Executives and in late 2009, he was admitted to the list of the hundred 'Best-Performing CEOs in the World' as no. 91 and as the only Scandinavian. The list, which originates from a research project from INSEAD in France, was published in **Harvard Business Review** in January 2010 and the concrete unit of measurement is that the CEO should create long-term value to the shareholders without losing focus on short-term performance.

In April 2010, Engel received the Danish Order of Chivalry from HM Queen Margrethe II of Denmark.

Ditlev Engel is married to Marianne Engel, Lady-in-Waiting and private secretary. The couple lives in Aarhus (Denmark) with their two children.

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