

GAINING INSIGHTS ON ORGANISATIONAL PERFORMANCE ISSUES AT NESTE OIL

Many large international businesses commonly use workforce analytics to enhance their organisational performance. Rigorously collecting and analysing “big data” to validate and improve people practices can be just as valuable for smaller companies also, as the case of Neste Oil shows.

ABOUT NESTE OIL

Neste Oil is a Finland-based oil refining and marketing company. Although still reasonably compact in size with just 5,000 employees, it operates in 15 countries and in 2012 achieved net sales of €18 billion, making it the biggest company in Finland by revenue. The national playing field for the company is not quite level, however: the Finnish state is the majority shareholder in the company. This means that Neste Oil must adhere to a set of complex guidelines relating to pay and transparency, which can put it at a disadvantage to the competition; the company has had to remain as flexible as possible to hold on to its top talent.

The company’s mission is to “refine” the future, both in terms of its daily business of producing premium-quality fuels as well as in its overall way of working. In its constant efforts to develop the right policies, practices, and procedures, Neste Oil has been able to create its own niche within the traditional oil industry.

The company has four business units. It produces, markets, and sells a wide range of high-quality premium oil products — its oil retail business comprises a network of 1,000 stations around the Baltic region — and it is also one of the world’s leading producers of base oils. However, its flagship project — and future growth strategy — is centred on renewable fuels. Neste Oil is a global pioneer in creating renewable diesel and, according to industry benchmarks, is five years ahead of the competition in this field.

MOVING FROM A ‘WINNING CULTURE’ TO ‘THE WAY FORWARD’

2008 proved to be a watershed for Neste Oil. The company had just invested €2 billion into its growth area of renewables only to see demand dry up as the global financial downturn took hold. Neste Oil had to rethink its business strategy, but it also realised that it had an opportunity to rethink its working practices, performance culture, leadership, and recruitment plans.

Neste Oil’s previous way of working — its “winning culture” — had four principal elements: performance, attractiveness, engagement, and safety. The company had already engaged Mercer in 2010 to start laying the foundations for a more performance-based culture. The close cooperation resulted in a major revamp of core people practices across the workforce, pay, and performance areas. However, because the phrase “winning culture” failed to resonate with the majority of employees, a new way of working, “the way forward”, was launched in 2012. To assess and reinforce this transformation, Mercer conducted a major big data analysis across multiple people strategy and organisation areas.

PROJECT BACKGROUND

The work began in late 2012 and lasted until early 2013. A big data approach would help provide detailed insights into Neste Oil’s core people strategy and organisational areas and provide a holistic picture that would help inform decisions going forward. Significantly for Neste Oil, the project would also reinforce transparency and fairness by robustly examining promotion and pay patterns across different demographic cohorts.

There was also a “hidden” agenda: Neste Oil was keen to facilitate fact-based decision-making among its line managers, and to remind them that people decisions do matter for the business. The top team felt that managers were often distracted by the volume figures in the larger corporate picture — Neste Oil can process up to 15 million tons of petroleum products per annum, for example — and sometimes failed to see how people issues contributed to the company’s overall success. The highly analytic work by Mercer has supported Neste Oil HR’s transformation into a more strategic partner.

KEY ‘PEOPLE STRATEGY’ AREAS

For Mercer, it was important to understand the foundations of Neste Oil’s existing people strategy. Five main areas were identified, including workforce structure, capabilities and sourcing, and recognition and rewards. The most pressing business issues within those areas were then identified and focused on, and data gathered on issues such as the effectiveness and shape of existing organisation hierarchies; the long-term evolution of reward patterns; talent flows (including hires, promotions, and exits, as well as potential choke points in the talent pipeline) and what drives them; and links between pay and performance.

THE FIT BETWEEN STRATEGY AND PRACTICE: SAY VS. DO?

During its big data analysis, Mercer evaluated propositions in Neste Oil’s corporate strategy, highlighting disconnects and suggesting subsequent action points.

For example, the company aimed to reward employees fairly and equally, and data revealed that to be true: the company had one of the lowest gender pay gaps across Finland’s listed companies. It was not as successful with some of its other stated

objectives, however: although Neste Oil sought to hold on to its high-performing employees, turnover statistics showed that highly rewarded employees were actually retention risks and more likely to leave the organisation, as were young urban males. HR's intuition proved right at times, but not always. What organisations think or say is only occasionally what they do.

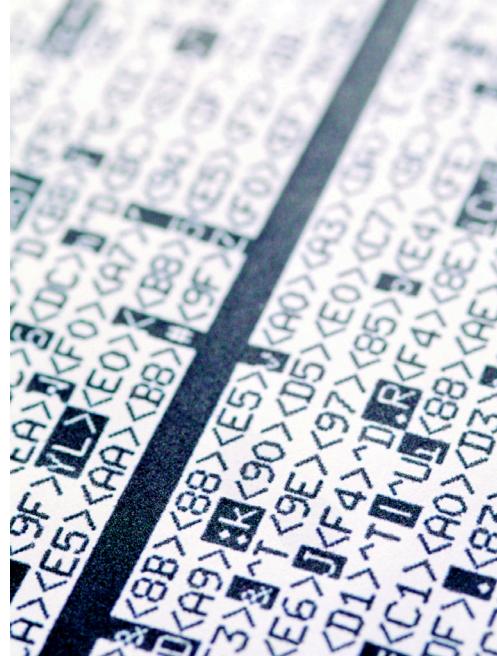
ACTIONABLE INSIGHTS

The results of Mercer's data analysis were an eye-opener for Neste Oil's HR staff, as well as for the entire executive team, and emphasised the importance of getting the people plan right.

The actionable insights from the analysis phase were prioritised, and performance culture was addressed first. To that end, in collaboration with Mercer, Neste Oil started to redesign its performance management. Line managers were invited from all functional teams to contribute their thoughts and insights about what shape a new strategy could take and how it could address common challenges, particularly target-setting.

Reward principles were also redesigned and made more effective, and there was a shift of focus from equalising pay to equalising career opportunities. The talent management process was fine-tuned; the company's job architecture was implemented, clarifying roles and responsibilities across all locations and facilitating internal mobility.

Furthermore, the existing short-term incentive (STI) plan was overhauled and improved. It is hoped that by early 2014, a new job-grading structure, revised job architecture, and the updated STI scheme will be rolled out across all locations.



PROCESS: NO STRESS, ANGST, OR PANIC

A number of crucial actions contributed to the success of Neste Oil's collaboration with Mercer.

First, Mercer requested and received a huge volume of data, including multi-year payroll and specific information relating to crucial corporate issues such as financial performance, turnover, and people development. The data was then "cross-fertilised" to gain insights that a siloed approach would miss. No complicated HR information systems were required here — sound methodology, when applied consistently, is very effective and enables a genuinely holistic analysis. A series of high-level statistical methods, including multiple regression and Mercer's Internal Labor Market Analysis® tools, were then used to interrogate the data further.

Second, communication was crucial to success — constant dialogue and "reality checks" helped both parties focus on business-relevant issues and keep priorities in mind. The project was undertaken to improve the whole business, rather than HR alone.

FINAL RESULTS

The workforce and data analysis project resulted in a number of positive outcomes for Neste Oil, not least an improved and holistic understanding of its people strategy and organisational drivers. It has also been a rigorous input into action planning across all areas of the business.

After having had many of its intuitive decisions verified by the big data analysis, the in-house HR team has gained confidence, works more strategically, and is a better business partner for its respective management teams.

CONCLUSION

It was always the intention of Neste Oil's HR team to add value to the business. As a result of the project, the company has been able to adopt a coherent picture of the dimensions driving organisational performance. Big data has therefore supported the journey. Although there are still challenges ahead, patience, rigorous work, and clear communication will help Neste Oil to move in the right direction.

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For more on workforce analytics and planning, visit www.mercer.com/talent/workforce-analytics-and-planning.