

**“Successful companies can exist only in successful and sustainable societies.”**

The sustainability challenges facing Henkel in developing economies such as India are qualitatively different from those it faces in the western world. Overexploitation of natural resources, poor infrastructure, varying levels of enforcement of environmental standards and a growing disenchantment with big business are a few of the challenges facing transnational corporations in India. Paradoxically, these overlay, a burgeoning population, with rising standards of living and globally synchronized value systems.

Henkel’s challenges in India are further accentuated by two factors. One, customer needs, societal expectations, and resource availability in developing economies are of a different order compared to more advanced economies. Two, Henkel’s products, particularly in the detergents and cosmetics sector, not only meet customer needs but also have the power to transform the societies it is located in, by impacting local culture, community aspirations and sustainability practices. Against these complex realities Henkel needs to evolve its own vision of sustainability, one that straddles the contradictions above, and yet simultaneously leverages the opportunities related to growth and financial viability. Interestingly Henkel’s greatest challenge, to create products and services that not only make people’s lives *easier, better and more beautiful*, but do so in a manner that is *culturally sensitive and socio-economically relevant*, is also its greatest opportunity.

Successful companies can exist only in sustainable and successful societies.

Sustainability for Henkel implies future economic, social and environmental viability for the communities Henkel operates in, the customers served and for Henkel itself. In serving developing country markets, a strategic challenge would be to incorporate social sustainability issues – in addition to economic and environmental issues - into Henkel’s decision-making processes. For instance, the marketing approaches for cosmetics need to include and build on rather than disrupt the traditional notions of beauty, a deeply cultural construct.

Given the above, Henkel’s sustainability approaches and implicitly product-market choices need to incorporate the following concerns. First, existing advantages need to be renewed and enlarged using the sustainability lens, i.e., by adopting a triple bottom line approach – social economic and environmental parameters- in evaluating product market decisions. Second, existing competencies need to be leveraged to create newer advantages, particularly for exploiting the newly emerging opportunities at the bottom of the pyramid. Third, in pursuing globalization opportunities, Henkel must proactively seek to create newer competitive advantages from a new class of products and services

which empower, increase access and improve the quality of life of Henkel's customers living in economically lesser-developed nations of the world.

Operationally these translate into the specific sustainability challenges mentioned below:

### **Creating Appropriate Product/Service-Market Portfolios for the Bottom of the Pyramid:**

- To meet the challenge of serving over half a billion people, a vast majority of them with low purchasing power, by innovating a new class of environmentally sound, low resource consuming products/services and which are appreciative of local culture and social context. To evaluate, in line with Henkel's product stewardship efforts, the sociological, ecological and toxicological aspects of its business processes, products/services and raw materials over the global value chain.

### **Engaging With Local Communities/Stakeholders:**

- Tailoring and adapting Henkel's business processes and practices to generate outcomes that are culturally inclusive and exceed community aspirations. From an operational point of view this involves engaging with local communities to help realize their vision of sustainability and adopting the best in-class practices adapted to Indian context.
- To intensively analyze the sustainability ethics it's of product-market choices, facilities location and expansion decisions on relevant stakeholders including local communities, customers, supply chain partners and competitors. The key question here relates to whether Henkel's product/service offerings promote/increase social or cultural inequalities, unsustainable consumption, cause disenfranchisement of the poor, or are culturally alienating in the context of India? In other words the challenge is to bring in global standards of service, production, quality and accountability into the Indian market and do it in a manner that is locally relevant and culturally integrating.

### **Promoting Sustainable Partnering along the Value Chain and Competition:**

- To partner with the local industry, particularly the small and medium scale sector, in Henkel's global value chain, a particularly challenging task in an environment where regulatory avoidance is often perceived to be a source of competitive advantage. To help build capacity and transfer technology by sharing best practices, in ways that do not significantly compromise Henkel's own competitive advantages and yet bootstrap the performance of suppliers and competitors.
- To work on a fair profit concept in dealing with the local industry, particularly small-scale sector engaged with Henkel as suppliers and vendors and with the customers recognizing that they are considerably less privileged than comparable players in the western world, while their aspirations are similar.
- To adopt, build on and further improve local indigenous practices taking care to adequately compensate the original.