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Sustainability

Sustainability-Based Performance Drives Innovation

Terry Waghorn, 03.02.99, 1:00 PM ET

It's clear that sustainability--the idea that what's good ethically and environmentally is also good for business--is a hot topic these days. Most companies now understand that they have to do things like reduce their carbon footprint and use natural ingredients in their products to win over customers and employees. But how many of them actually consider sustainability a competitive advantage?

Henkel, the German maker of best-selling consumer brands like Dial, Right Guard and Purex, considers sustainability to be part of its core DNA, something woven into its 133-year old corporate culture. The company made it onto the 2008 Dow Jones Sustainability World Index, and the Ethisphere Institute has ranked it as one of the world's most ethical companies.

Rather than simply hanging their hats on awards, Henkel's leadership team believes that thinking sustainably drives its ability to innovate, to create new products that are not just eco-friendly but also profitable market leaders, says Christian-André Weinberger. He is corporate senior vice president and global chief marketing officer of Henkel's Laundry & Home Care business sector, and he serves on the company's Sustainability Council.

"We have a clear statement for each of our 750 brands to strike a balance between people, planet and profit," he says. "One of the visible signs of this worldwide initiative is the 'Quality & Responsibility' banderole that, since beginning of 2008, is applied to all packages of Henkel's laundry and home care products. Our aim is to establish a new quality standard in the marketplace and to continue to assume leadership in the field of sustainability within the markets of importance to us."

You need only look at Purex Natural Elements brand laundry detergent--the No. 1 seller in its category in the U.S.--to see how successful this approach can be. Its formulation combines excellent laundry power and performance with the optimum environmental quality. Because of that, it was chosen to be the first brand which was included in the U.S. Environmental Protection Agency's "Design for the Environment" Program. In Weinberger's view, companies that learn to deliver performance based on sustainability will be the ones to lead the way out of the global economic crisis.

I recently interviewed Weinberger and asked him about how his firm ties sustainability together with innovation.

Forbes: Can you give me an example of how Henkel considers sustainability a competitive advantage?

Today everybody talks about what I call "avoidance currency," which means we have to use less fuel or less carbon. While those are obviously critical goals, we must not forget about the importance of "achievement currency," which means we still need to be thinking about ways to do things better. The problem is that too many people view this as an either-or scenario. In order to accomplish one, you must trade off on the other. At Henkel, we don't even begin developing a new product unless it can address both of those priorities. If you look at our detergent business over the past 30 years, where we have invested in new technologies like enzymes that clean clothes in colder water, we have reduced both the amount of detergent and water needed to wash a load of laundry by 70%. That, in turn, drastically reduces the amount of energy and carbon dioxide involved, which will help in our struggle against global warming. Henkel is also taking part in Germany's

"Product Carbon Footprint" pilot project with the aim of driving forward the development of appropriate methods for determining all climate-relevant emissions attributable to a product.

When you talk about combining sustainability with innovation, what do you do to weave this concept into your organization?

I was recently asked a similar question where someone from the automobile industry asked me how many employees we have involved with sustainability. My answer was more than 55,000. Each and every Henkel employee works on the topic. The same idea applies to innovation. This has been a core value of the company ever since it was founded by Fritz Henkel in 1876. In 1907, he and two partners created the first self-acting laundry detergent, Persil, which dramatically cut down the time and effort needed to wash clothes. That has translated into our mission of today to gain a competitive advantage in the market by combining sustainability with innovation.

An example of how we push this idea throughout the organization is something we call Henkel InnoGate, which is our internal launch pipeline. Everyone understands that for an idea for a new product to move through that pipeline, they must show not only that it offers consumers outstanding quality but also that it is sustainable. This combination means for us performance based on sustainability. This development offers great potential as a driver for innovative products. Here, the roles of business and of consumers are linked. Consumers choose to buy a product for a combination of reasons. One is and will remain excellent performance at an adequate price. In the future, delivering performance that is both based on sustainability and recognized as added value will become increasingly important for consumer choices.

Are there any lessons you can share with readers about how they too can use sustainability to drive innovation in their organizations?

I like to use the concept of the "three Es": envision, energize and enable. I think it all begins with setting an ambitious vision. The key is to look beyond whatever is already feasible. That can mean working with external organizations to tap into the best possible talent. For example, we partner with Arizona State University to get access to the best expertise and knowledge possible of what might be achievable tomorrow. With that vision in place, make it clear to the organization where you are headed, and communicate it endlessly. I am convinced that if you throw out the challenge, people will get excited and energized to take it on.

Finally, you need to create a rewards system that encourages action. I think too many people today just talk about issues like global warming. We need more people working on solving it. Our standards are higher than others. All our new products need to contribute to sustainability in at least one of our five focal areas: energy and climate, water and wastewater, materials and waste, safety and health, and social progress. Sometimes that means coming up with more creative and smarter consumer-relevant solutions that link top product quality to the shared responsibility of producers and consumers. It also means working closely with consumers in terms of the sustainable use of our products, communicating the added value of sustainable products and enabling behavior changes.

We at Henkel embraced the thought of performance based on sustainability many decades ago, and we will continue to do so in the future.

Terry Waghorn is an adviser to senior executives in companies ranging from small to Fortune 500. He is co-author of Mission Possible and author of The System.