

# iscte

INSTITUTO  
UNIVERSITÁRIO  
DE LISBOA

---

## **How is CSR incorporated into a firm's strategy – The pedagogical case study of Henkel**

Maria do Mar Santos Matos David Fonseca

Master in Management

Orientador:

Prof. Ana Margarida Madureira Simaens, Assistant Professor, ISCTE Business School, Department of Marketing Operations and General Management

November, 2020



BUSINESS  
SCHOOL

---

Department of Marketing, Strategy and Operations

**How is CSR incorporated into a firm's strategy – The pedagogical case study of Henkel**

Maria do Mar Santos Matos David Fonseca

Master in Management

Orientador:

Prof. Ana Margarida Madureira Simaens, Assistant Professor, ISCTE Business School, Department of Marketing Operations and General Management

November, 2020





## **Acknowledgements**

In first place, I would like to thank Prof. Ana Margarida Simaens for always supporting me throughout this journey both academically and personally, and for her commitment to my assignment during the many different stages of it.

Secondly, I would like to thank Carolina and Rita who have shared this journey with me, for their vigorous effort to support me during this phase, for the long conversations, and for always encouraging me to end this chapter the best way possible.

Lastly, I would like to thank to my family for being constantly supportive and always encouraging me to accomplish my goals and dreams.



## **Abstract**

Corporate Social Responsibility is a trending subject among company's communication towards their consumers, but the truth is that only a few companies can really own the concept of CSR, by having it as a key factor of its business strategy. The process of successfully implement a strategy that takes into account the impact of their operations in society and the environment constitutes a challenge for the management and it has to include a long-term perspective.

This pedagogical case study aims to assess how does Henkel, the world's number one adhesives producer and one of the biggest Home Care and Beauty FMCG companies globally, integrates Corporate Social Responsibility into its business strategy. Moreover, this case will identify Henkel's driver for being in business, the way it delivers additional value to its various stakeholders and what influence CSR has in the decision-making process and the day-to-day operations.

This essay can be a practical tool to comprehend the scale of strategic management on a renowned company, provide guidelines for what is essential when implementing a CSR strategy, and the benefits and challenges that can be meet.

**Keywords:** Corporate Social Responsibility, Strategy, Purposeful Business

**JEL Classification System:**

- M10 Business Administration: General
- M14 Corporate Culture; Diversity; Social Responsibility





## Resumo

A Responsabilidade Social das empresas (RSE) é uma nova tendência presente nos canais de comunicação dirigidos aos seus clientes, contudo são poucas as empresas que aplicam efetivamente este conceito de Responsabilidade Social como fator chave na sua estratégia de negócio. O sucesso da implementação desta estratégia, que tem em conta o impacto das suas operações na sociedade e no meio ambiente, constitui um desafio para a gestão e deve incluir uma perspetiva a longo-prazo.

O presente caso de estudo pedagógico propõe analisar se a Henkel, a maior produtora de *Adhesive Technologies* do mundo e globalmente uma das maiores empresas de *Home Care* e *Beauty Care*, integra o conceito de Responsabilidade Social das empresas na sua estratégia de negócio. Adicionalmente, este caso de estudo irá identificar as motivações da empresa para permanecer no negócio, como é que gera valor para os seus *stakeholders* e qual a influência que a RS tem ao longo do processo de tomada de decisão e nas operações do dia-a-dia.

Este caso de estudo pedagógico pode ser uma ferramenta prática para compreender a dimensão da gestão estratégica de uma empresa de renome, para apresentar diretrizes sobre os elementos essenciais na implementação de uma estratégia de RSE. assim como os potenciais benefícios e desafios que possam ser apresentados.

Palavras-chave: Responsabilidade social das empresas, Estratégia, *Purposeful Business*

Sistema de classificação JEL:

- M10 Business Administration: General
- M14 Corporate Culture; Diversity; Social Responsibility



**Table of Contents**

- Abstract ..... i**
- Resumo ..... iii**
- Table of Contents ..... v**
- Index of Tables, Graphs and Figures ..... vii**
- List of Abbreviations..... ix**
- 1. The Case ..... 1**
  - 1.1 Problem Identification ..... 1
  - 1.2. The company..... 1
    - 1.2.1 Henkel’s History ..... 1
    - 1.2.2 Brands & Business ..... 3
    - 1.2.3 Corporate Culture – Vision, Mission, Strategy and Values ..... 5
    - 1.2.4 Management & Corporate Boards, Governance and Compliance ..... 6
  - 1.3 Sustainability at Henkel ..... 8
    - 1.3.1 Sustainability Strategy..... 8
    - 1.3.2 Sustainability Indicators & Progress ..... 10
    - 1.3.3 Sustainability in Henkel’s Business Operations..... 11
    - 1.3.4 Henkel’s Stakeholders Relations..... 13
  - 1.4 Problem Review ..... 16
- 2. Pedagogical Note ..... 17**
  - 2.1 Target audience ..... 17
  - 2.2 Educational goals ..... 17
  - 2.3 Literature review ..... 18
    - 2.3.1 Definition of Corporate Social Responsibility and its evolution ..... 18
    - 2.3.2 The concept of Strategic CSR ..... 19
    - 2.3.3 CSR as a Strategic filter ..... 24
    - 2.3.4 Implementing CSR and Purposeful Business..... 27
  - 2.4 Pedagogical Case study methodology ..... 29
  - 2.5 Case study lecture Plan ..... 30
  - 2.6 Case questions..... 32
  - 2.7 Case resolution..... 32
    - 2.7.1 Question 1 ..... 32
    - 2.7.2 Question 2 ..... 37

2.7.3 Question 3 .....	39
2.7.4 Question 4 .....	41
2.8 Slides from case resolution .....	45
2.9 Conclusions.....	45
<b>Bibliography .....</b>	<b>47</b>
<b>Appendix .....</b>	<b>51</b>

**Index of Tables, Graphs and Figures**

**Index of Tables**

Table 1: Henkel’s Values Explained..... 20

Table 2: Arguments for Engaging in Social Responsibility..... 33

Table 3: Elements of a Strategy..... 34

Table 4: CSR Plan of Implementation..... 42

Table 5: The features of purposeful business..... 43

Table 6: Planning for Case Resolution (Time and Tasks Allotted)..... 45

**Index of Graphs**

Graph 1: Sales by Business Unit 2019-2018..... 17

Graph 2: Environmental indicators per metric ton of output, occupational accidents per million hours worked (base year 2009)..... 24

Graph 3: Value added statement 2019..... 25

**Index of Figures**

Figure 1: Henkel’s Adhesive Brands..... 17

Figure 2: Henkel’s Beauty Care Brands..... 18

Figure 3: Henkel’s Laundry & Home Care Brands..... 19

Figure 4: Henkel’s Sustainability Strategy..... 22

Figure 5: The Pyramid of Corporate Social Responsibility..... 32

Figure 6: Strategy as a link between the firm and its environment..... 33

Figure 7: Porter’s Model of Five Competitive Forces..... 35

Figure 8: Stakeholder Model – Types..... 36

Figure 9: Inside-out linkages with society..... 37

Figure 10: Strategy and Society Model..... 38

Figure 11: CSR Filter as a component of Strategy..... 39



## **List of Abbreviations**

B2B – Business to Business

B2C - Business to Consumer

BU – Business Unit

CCO - Chief Compliance Officer

CG – Corporate Governance

CRC - Compliance & Risk Committee

CSR – Corporate Social Responsibility

FMCG – Fast-Moving Consumer Goods

NGOs – Non-profit organizations

SDG - Sustainable Development Goals

SR – Social Responsibility





## **1. The Case**

### **1.1 Problem Identification**

Nowadays, every company is under examination regarding its values, and its approach on topics like climate change, pollution, and human rights. The various agents of society (suppliers, consumers, NGOs) will not hesitate to hold accountable any company that creates a negative impact provoked by its business operations. Considering this exposure, “*no multinational company can afford to ignore CSR*” (Chandler & Werther, 2014).

Companies operate within a dynamic environment with multiple stakeholders, and each one has different needs that the firm should meet at the best of its capabilities. The company's ability to build a sustainable competitive advantage within its operation environment, distinguishes a successful business strategy from a failing one.

Henkel as a multinational company, the world's number one adhesives producer and one of the largest Home Care and Beauty FMCG company in the world, impacts multiple stakeholders in the course of its value chain, both financially, socially and environmentally. Consequently, it is in a favourable position to use CSR as a resource to achieve a sustainable competitive advantage.

This pedagogical case study aims to evaluate how integrated is CSR into Henkel's business strategy, completing the following topics:

- Identifying Henkel's driver for its business operations;
- Assessing the social issues of the environment in which the company operates;
- Analysing how the company adds value to said issues within its activities;
- Perceiving how CSR concerns influence the decision-making process of business strategy;
- Providing a conclusion on CSR as a key element for Henkel's business strategy.

### **1.2. The company**

#### **1.2.1 Henkel's History**

It all begins in 1876 with a twenty-eight-year-old merchant who was interested in science: Fritz Henkel. In September of that year, Fritz and two partners founded the company Henkel & Cie in Aachen, Germany and marketed their first product, a universal detergent based on silicate.

During the following years, Henkel prospered into a global company with thousands of employees from all around the world.

*“Fritz Henkel was a true pioneer in every way – and it’s important to us to keep his entrepreneurial spirit alive”<sup>1</sup>* states Dr. Simone Bagel-Trah, Chairwoman of Henkel’s Supervisory Board and Shareholders’ Committee, and great-great-granddaughter of the company founder. The Chairwoman still mentioned the renowned name of the company on a global scale, and its successful brands and recognized that the business success is mainly due to their employees throughout the decades.

Since then, Henkel is a proud owner of production sites in about 184 locations around the world, and more than 85 percent of its sales are prompted outside of Germany – 43 percent come from the growth markets. The company’s internationality is not only a reflection of its presence in different parts of the globe but also in its workforce: Henkel’s employees come from 125 different countries.

Aiming to have a leading role in the field of sustainability and having a balance between the company’s economic success and social and environmental responsibility was important since the origin of the company’s and was significant topic to founder Fritz Henkel and his descendants.

Throughout Henkel’s history, an important part of it was the development of new and more sustainable production processes and products such as phosphate-free laundry detergents. Early on, there was a special concern with social and environmental responsibility that marked Henkel’s business, to what we see today.

Henkel was one of the first firms in Germany to publish an environmental report in 1992. Since then, their impressive work in this field led to the definition of their first interim goals of the company’s sustainability strategy for 2030. Launched in 2015, these interim goals focus on creating more value for customers, consumers, society and the company itself while simultaneously reducing its environmental footprint.

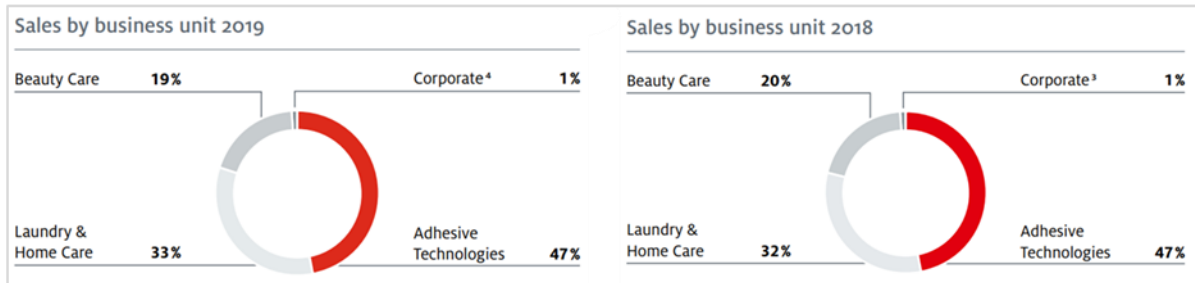
---

<sup>1</sup> Henkel AG & Co. KGaA (2016, September 22). *Henkel Celebrates its birthday*. Retrieved from <https://www.henkel.com/resource/blob/725636/53982af79b3fdfea64c6e8f09b29a6c5/data/2016-11-17-henkel-press-conference-presentation-strategy-website-download.pdf> – Consulted in 17<sup>th</sup> July, 2020

## 1.2.2 Brands & Business

Henkel's business focuses on three major business units: Adhesive Technologies, Beauty Care, and Laundry & Home Care – Graph 1.

**Graph 1 – Sales by business unit 2019-2018**



Adapted from Henkel's Annual Report 2019 & Henkel's Annual Report 2018

### 1.2.2.1 Adhesive Technologies

Henkel leads the global market as a provider for adhesive, sealants and functional coatings, being world's number one adhesives producer. With trusted brands and high-impact solutions based on a unique technology portfolio, the BU is responsible for near half of global sales of the company (47 percent).

The main reason for its relevance in the yearly global sales is that it involves a stronger B2B component, where the remaining BU are, in its majority, directed to the final consumer.

The Adhesive Technologies unit encompasses four areas: Automotive and Metals, which includes Aircraft Manufacturing and Maintenance; Packaging and Consumer Goods, where it is created high-impact solutions for packaged food and beverages, hygiene products, clothes and shoes, furniture, etc.; Electronics and Industrials, regarding its manufacturing, maintenance and repair; and at last Craftsmen, Construction and Professional for final consumers (Figure 1).

**Figure 1 – Henkel's Adhesive Brands**



Adapted from Henkel's official website (2020)

### 1.2.2.2 Beauty Care

As with Henkel Adhesive Technologies, Henkel Beauty Care holds leading market positions worldwide, and the product's brand names are continuously expanding. This business unit develops, produces and sells various successful high-quality products (hair, body, skin and oral), which are available in more than 100 countries worldwide.

Beauty Care is for both B2C and B2B markets - by being active in the Branded Consumer Goods as well as the professional Hair Salon businesses. In the B2C business, Henkel will focus on the expansion of their innovation leadership in mature markets with the goal of growing their market share. In the B2B business, Henkel is continuing its globalization strategy, with focus on stimulating emerging markets, while holding their lead in all market segments.

Brand-name products under Henkel Beauty Care are specific to hair colorants, hair styling, hair care, body care, skin care, and oral care. Schwarzkopf Professional is among the world's three leading suppliers of hair salon products that was launched to create brand engagement. Adding to Dial and Syoss to the 3 top brands of this business unit (Figure 2).

Figure 2 – Henkel's Beauty Care Brands



Adapted from Henkel's official website (2020)

### 1.2.2.3 Laundry & Home Care

Henkel started with a product from this business unit, making the Laundry & Home Care business unit the cornerstone of Henkel's success story, where generations see Henkel as the expert in washing and cleaning.

As told before, it all began with the laundry product, in 1876, when Fritz Henkel launched a detergent based on sodium silicate, named "Universal-Waschmittel" (translated from German, "Universal Detergent").

From that point, the branded consumer goods business has grown into a globally active unit with recognized brands. For consumers everywhere, brand names have become an integral part of their daily lives. Henkel's Laundry & Home Care business sector leads on a worldwide scale.

The Laundry & Home Care product portfolio encompasses laundry detergents, laundry additives, dishwashing, hard surface cleaners, toilet care, air care and insect control products, with worldwide recognized brands such as Persil, Vernel, Bref, among others (Figure 3), developing solutions with smart formulas, natural ingredients and new product and packaging examples.

**Figure 3 – Henkel's Laundry & Home Care Brands**



Adapted from Henkel's official website (2020)

### **1.2.3 Corporate Culture – Vision, Mission, Strategy and Values**

Henkel's corporate culture and purpose, vision, mission and values unite their diverse workforce and provide a clear framework and guidance. This framework provides the necessary guidance for the behavior and actions of the employees in all the business areas around the world.

Henkel's purpose is to create sustainable value for customers and consumers, for teams and people, for shareholders, future generations as well as for the wider society and communities, in which Henkel operates.

Sharing this purpose with all stakeholders creates a united vision for the company, focused on leading with innovation, brands and technology. This vision exceeds the definition of being number one in terms of market share or size. The objective is creating a leading company that requires leadership in value creation, responsiveness to volatile markets, and changing customer and consumer demands as well as in innovation, quality, service, and sustainability.

Since its early days, Henkel has established its mission as to serve customers and consumers worldwide as the most trusted partner with leading positions in all relevant markets and categories, with a passionate team united by shared values and with one main purpose.

In 2016, Henkel presented its strategic priorities and financial ambition, which have the goal to shape the company until 2020 and further. Based on its strong groundwork, Henkel aims to generate continued profitable growth by focusing on four strategic priorities: Driving growth, accelerating digitalization, increasing agility, and funding growth (Appendix A).

The vision of generating sustainable value in all Henkel’s business activities is aligned with a set of solid values, which guides all their actions, decisions and behaviors: customers and consumers, people, financial performance, sustainability, and family business (Table 1).

**Table 1: Henkel's Values Explained**

Customers and Consumers	Henkel holds its customers and consumers in the highest regard and places them at the center of its activities. It is vital to the long-term success of the company to anticipate, respond and to exceed the customers’ and consumers’ expectations by providing the best value, quality, service and winning innovations, brands and technologies to create sustainable value.
People	The company values, challenges and rewards its employees. Henkel has a global team united by a strong set of values, such as respect, development, integrity and diversity.
Financial Performance	Henkel is a performance-driven company, committed to creating sustainable value, that aims to deliver excellent financial results and provide a competitive return to the shareholders.
Sustainability	As stated in Henkel's vision, the company aims to create sustainable value with everything it does. The company assumes the responsibility for the safety and health of our employees, customers and consumers, the protection of the environment and the quality of life in the communities in which it operates.
Family Business	Henkel has a proud tradition as a family business with the purpose to create sustainable value. Together with the solid financial basis, it forms the foundation on which it is created Henkel's successful future.

Adapted from Henkel’s official website (2020)

In conclusion, the ambition of Henkel 2020+ is the continuation of Henkel’s successful development, by focus driving growth, accelerating digitalization across all businesses and functions, increasing agility in the organization and teams, and funding the growth through targeted initiatives.

**1.2.4 Management & Corporate Boards, Governance and Compliance**

The Henkel’s Management & Corporate boards at the top of the structure are: The Management Board, which is responsible the management of the company’s business; the Shareholders’

Committee, that is involved with the latter board and it is a representation of the shareholders in the Annual General Meeting; and last of all the Supervisory Board, that is represented by both shareholders and employees, and its function is to regularly advise and monitor the company administration in its supervision of the company (Appendix B).

Henkel's strategy trusts that a close collaboration within the organization is a driver for success. For this reason, the three Management & Corporate boards are committed to ensure that the management and supervision of the company are conducted in a responsible and transparent manner aligned to achieving a long-term increase in shareholder value. For this motive, a pledge was following three principles: Value creation as the foundation of Henkel's management approach; Sustainability achieved through the application of socially responsible management principles; and Transparency supported by an active and open information policy.

Both local and global Corporate Governance and Corporate Compliance are a strong commitment and for an integral component for Henkel business. Everyone in the organization is expected to respect laws and standards, avoid conflicts of interest, and show consideration and appreciation for local customs, traditions, and social behaviors of the various countries and cultures where the business is conducted. In resume, it is anticipated for all employees to follow the Code of Conduct<sup>2</sup> in place by Henkel.

In addition to the Code of Conduct, Henkel also has available for its employees the Code of Corporate Sustainability<sup>3</sup>. The company felt the need to have a specific code that is fully aligned with its purpose of creating sustainable value, in order to assure every part of the company can contribute to that end.

Furthermore, Henkel has a Sustainability Council that is chaired by a Management Board that is responsible for routing global sustainability activities as a central decision-making body. It is intended for members to represent the business units and corporate functions responsible for putting its sustainability strategy into operational action.

Henkel has an internal Corporate Audit department, and its goal is to independently and objectively evaluate and improve the company governance, processes, and controls. Regular

---

<sup>2</sup> Henkel, (2017), *Code of Conduct*. Retrieved from <https://www.henkel.com/resource/blob/20062/e95f6fa610d0f902ce1922d4cd1b5ac5/data/code-of-conduct-en-de.pdf>

<sup>3</sup> Henkel, (2013), *Code of Corporate Sustainability*. Retrieved from <https://www.henkel.com/resource/blob/20068/fa282d91d4387f043594be0283218b12/data/code-of-corporate-sustainability.pdf>

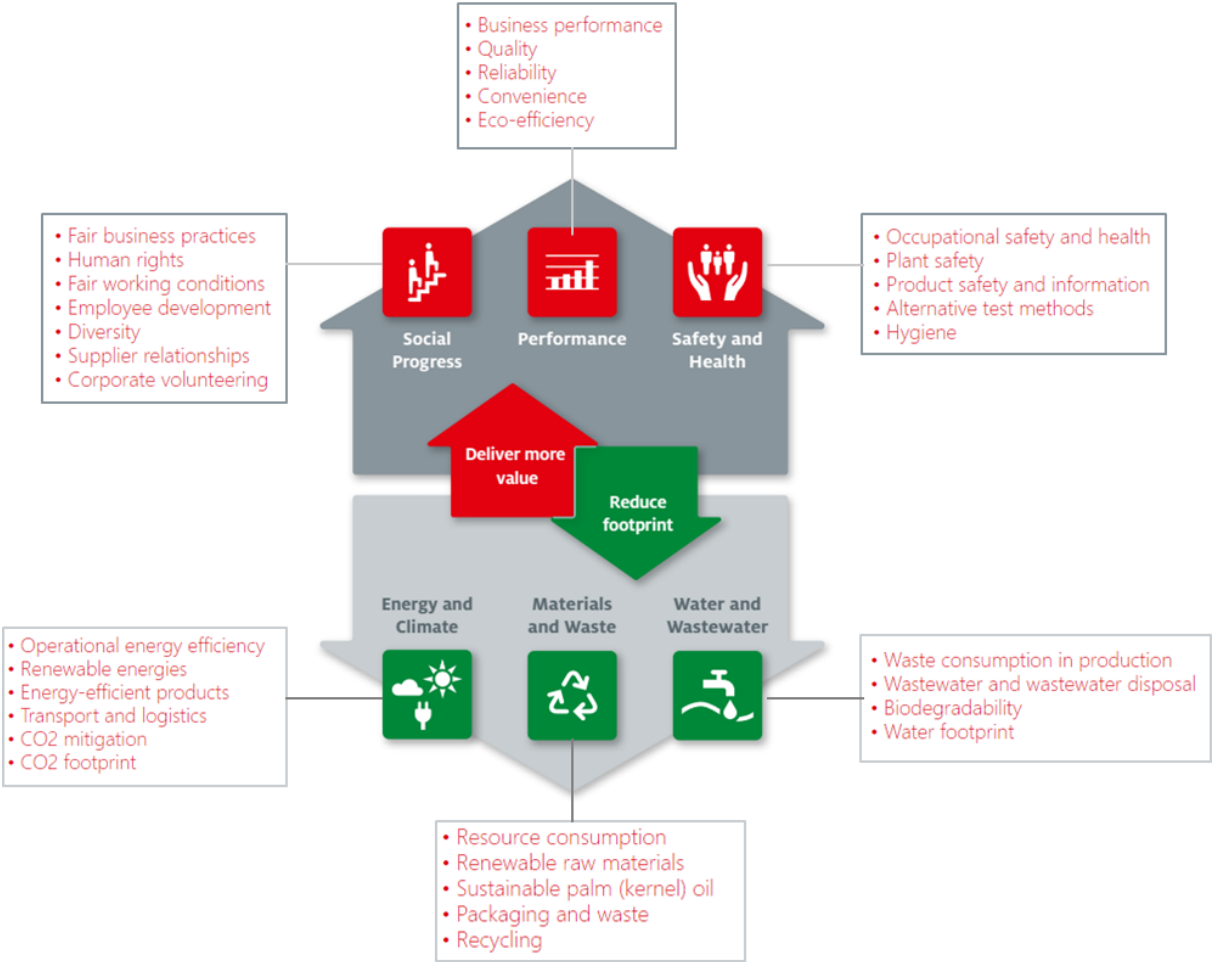
internal e external audits are performed at production and administration sites and, gradually, Henkel is auditing its subcontractors and logistics centers to verify compliance with its internal codes and standards.

### 1.3 Sustainability at Henkel

#### 1.3.1 Sustainability Strategy

As sustainability leaders, Henkel aims to pioneer new solutions for sustainable development while continuing to shape their business responsibly and increasing economic success. This ambition encompasses all the company’s activities, along the entire value chain. The company is committed to expand its leadership in sustainability, by ambitioning delivering more value and reducing their environmental footprint (Figure 4).

**Figure 4 – Henkel’s Sustainability Strategy**



Adapted from Henkel’s Sustainability Report 2019, p.12



Reducing Henkel's environmental footprint along the value chain is possible since it is based on activities such as energy and climate, materials and waste, and water and wastewater. The goal for 2030 is to triple the value created for the environmental footprint made by the business operations, products and services, and for this, specific goals have been defined in the six areas of the strategy, and the company proposed to achieve them by the end of that year (Appendix C).

With this strategy in mind, Henkel made a significant partnership with the Plastic Bank, a social enterprise that aims to reduce the amount of plastic waste that enters the oceans while also providing opportunities for people in poverty. This partnership is three years old and has been a key element in Henkel's focus to deliver more value and fighting for environmental sustainability.

Several initiatives were established to increase consumer awareness of the need to handle resources responsibly, such as the initiatives "*Be smarter. Save water*" and the "*Be sustainable. Wash cold*" that were created to raise consciousness about the responsible use of water as an important resource. For example, if consumers of Henkel's laundry products washed their clothes with a lower water temperature, it would be possible to avoid more than 7 million metric tons of CO<sub>2</sub> emissions each year.

Having in mind the economic balance of the economic classes at a global scale, and since the middle class is growing worldwide, there are still large sections of the population that still face poverty, poor labor conditions and lack of development opportunities. That is why Henkel is engaged in helping women and girls build a positive and enduring future through different initiatives such as Million Chances. Also committed to improving income opportunities for people that are in any way connected to Henkel's supply chain or business by helping smallholder farmers in the palm oil industry.

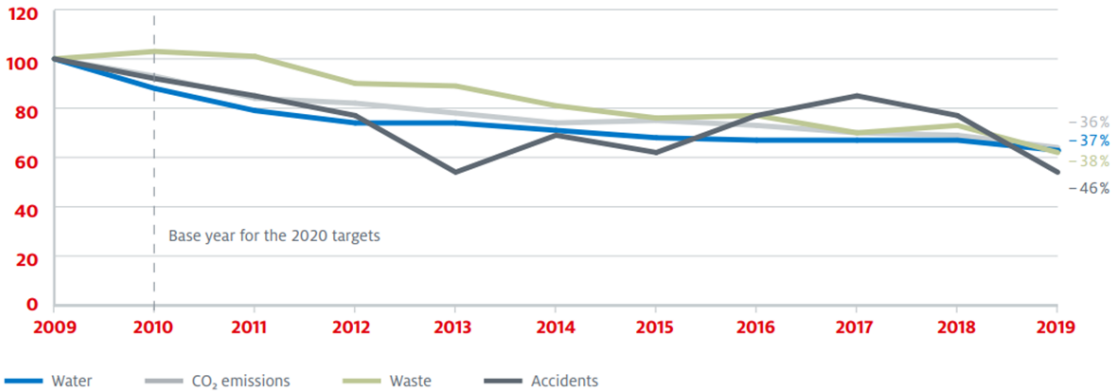
The promotion of the sustainable palm oil is an important and challenging issue that Henkel works in collaboration with its stakeholders, including NGOs (for example, World Wide Fund for Nature) and retail chains (for example, Carrefour). Since 2008, the company has been a member of the cross-sector initiative "Roundtable on Sustainable Palm Oil" (RSPO) - the world's largest organization for the certification of palm oil – that has the goal to promote progress in the sustainable production of palm and palm kernel oil and, in the future, develop ongoing partnerships to promote sustainable palm oil industry.

Henkel ensures that they aligned with the Sustainable Development Goals adopted by the United Nations – these goals are an important step towards the challenges and what is needed to tackle globally in order to enable sustainable development and social progress. Henkel’s commitment to sustainability and to the 17 SDG - adopted by United Nations Member States in 2015 - is proven by the different initiatives and contributions across communities and countries (Appendix D).

**1.3.2 Sustainability Indicators & Progress**

Henkel has been working in a long-term trend as can be seen in Graph 2, which shows the sustainability performance from 2009 to 2019. In the business units (water, CO2 emissions, waste and accidents), Henkel’s optimization efforts focus on improving value creation and occupational health and safety in their production operations while reducing the environmental footprint (Appendix E).

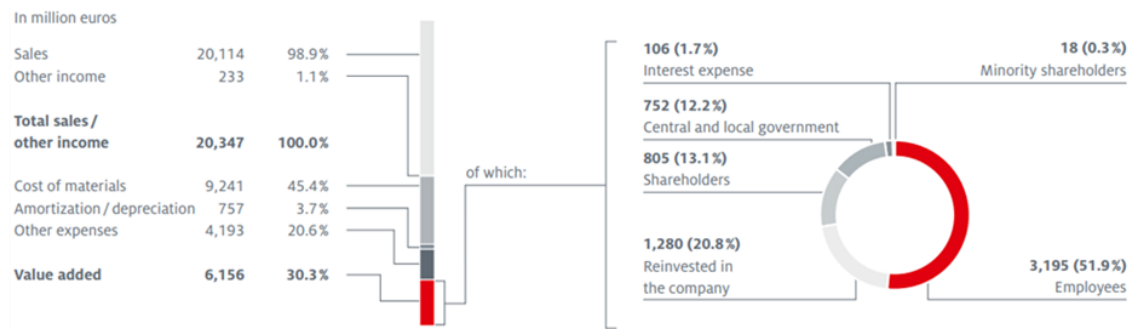
**Graph 2 – Environmental indicators per metric ton of output, occupational accidents per million hours worked (base year 2009)**



From Henkel’s Sustainability Report 2019, p. 177

There is an alignment with Henkel’s goals and initiatives with the global and national priorities to ensure that they are always working on relevant subjects to Henkel’s business and sustainable development. The majority of the value-added of the company (51.9 percent) went to the employees in the form of salary and pension benefits, which went back to the global economy. About 21 percent of the value-added maintain inside to reinvest in the future growth of the company in diverse activities, some of them related directly with sustainability (Graph 3).

**Graph 3 – Value added statement 2019**



From Henkel's Sustainability Report 2019, p. 178

### 1.3.3 Sustainability in Henkel's Business Operations

In a tight partnership with different Stakeholders, Henkel was able to draw a sustainable value chain: Raw materials (1) → Production (2) → Logistics (3) → Industry and Retail (4) → Consumers (4) → Disposal/Recycling (5). (Appendix F)

#### Purchasing and suppliers (1)

To reduce the environmental footprint, Henkel's supplier base is one of the most important resources. Around 78 percent of purchasing volume comes from countries in the Organization for Economic Cooperation and Development (OECD). The selection of business partners has five key factors: safety, health, environment, social standards, and fair business practices – which represents the early commitment to responsibility along the entire value chain.

Henkel collaborate vigorously with the strategic business partners to ensure the procurement of sustainable raw materials. Henkel has implemented a six-step responsible sourcing process, which accesses the sustainability performance of Henkel's suppliers, and it covers around 86 percent of the purchasing volume in areas of packaging, raw materials and contract manufacturing (Appendix G).

Additionally, the company is a member of the "Together for Sustainability"<sup>4</sup> initiative, which is based on the principles of the United Nations Global Compact and the Responsible Care Initiative of the International Council of Chemical Associations (ICCA) and aims to coordinate complex supply chain management processes regarding sustainability and to optimize dialog among worldwide partners. The main objective is to create synergies so that

<sup>4</sup> Together for Sustainability (2020). Retrieved from <https://tfs-initiative.com/>

resources can be used more efficiently and with a minimum of administrative effort (Appendix H).

### Production (2)

Henkel works continuously, with 184 production sites worldwide, with a mutual objective: reduce the environmental footprint while maintaining high quality and safety standards. The long-term goal, by 2030, is to become three times more efficient than today by reducing the direct and indirect CO<sub>2</sub> emissions at the production sites, cut the amount of waste generated and decrease the water consumption.

At Henkel's Laundry and Home Care sites, the efficiency improvements include implementing heat recovery systems. Additionally, a site in Bogotá (Colombia) manufactures in modified shift system to reduce water and energy consumption. When Henkel builds a new plant, the efficiency and renewable energy is integrated in the design phase – for example, in 2019, for the aerospace applications in Montornès del Vallès (Spain), they were able to incorporate high standards for sustainability into the new Adhesive Technologies production facility due to a holistic concept including the use of renewable energies and smart technologies for equipment and infrastructure.

### Logistics (3)

Globally, Henkel wants to reduce the emissions from transporting their products by five percent per ton of product in five years (2015-2020) – by 2019, Henkel already achieved reducing 7 percent per ton compared to 2015. The focus is expanding intermodal transport while improving the warehouse network and optimization transportation, working closely with customers and suppliers, therefore optimizing products and packaging in terms of weight and volume without compromising the performance, convenience, and stability.

The location of the warehouses and distribution centers is selected to minimize the distance between production sites and customers. Also, the company uses their concept of “mega warehouse” to help small groups of main distributors centers to store the products until the required quantities are due for on-time delivery to regional warehouses and retailers.

The use of alternative mobility solutions is part of their approach to optimizing the transportation and logistics. For example, in Düsseldorf, it was already used an electric vehicle into the internal fleet since 2012 and, in 2019, the first hydrogen-powered car was added. The

deployment of conventional combustion engines that run on CNG (Compressed Natural Gas) is another innovative alternative that was implemented into the business operations.

#### Industry & Retail and Consumers (4)

Henkel's technology is used in a diverse range of industrial and consumer applications. The expert teams and customers work together to develop tailor-made solutions to help them overcome the specific challenges in the market. There is a close cooperation between the industry and the retail partners supporting their sustainability activities through e-learning and measuring instruments for example. Also, retail groups are an important partner and they have an essential role informing consumers about sustainable products, through their platforms, and encouraging them to use these products in an environmentally responsible way.

#### Disposal/Recycling (5)

Henkel's goal is to reduce the amount of virgin plastics from fossil sources in consumer products by 50 percent, achieving this by reducing the plastic volume and increasing the use of bio-based plastics. To prevent waste from being disposed of in the environment, the company is supporting waste collection, recycling initiatives and investing in innovative solutions and technologies to promote closed-loop recycling – aiming to enable contact with more than 2 billion consumers per year by providing targeted and clear information about recycling.

Progress towards sustainability in packaging will only be possible if organizations from all stages in the packaging value chain work together to drive innovation and to improve the recycling infrastructure allowing for a circular economy, especially plastic waste (Appendix D). By 2025, Henkel has the goal to 100 percent of the packaging be recyclable, reusable or compostable (excluding adhesive products where residue may affect recyclability or pollute recycling streams).

### **1.3.4 Henkel's Stakeholders Relations**

Henkel uses a variety of tools to record and evaluate the challenges and opportunities of sustainable development. The company measures the importance of these topics for the environment, society and stakeholders. Social engagement (1), external assessments (2) and, especially, stakeholders' dialog (3) helps the company to acquire insights and different perspectives from outside the main business.

### **1.3.4.1 Social engagement**

Since the foundation of the company, that corporate citizenship has been an integral part of Henkel's corporate culture. The goal for 2020 was to improve the quality of life of 10 million people, which was already achieved by mid-2019. This long-term commitment to social investment goes beyond direct business interests and it is based in four pillars of the corporate citizenship program: (1) corporate volunteering, (2) social partnerships, (3) brand engagement and (4) emergency aid

#### **(1) Corporate volunteering**

In 1998, Henkel created the initiative "MIT Volunteering" (Make an Impact on Tomorrow) that supported the voluntary activities of Henkel employees and pensioners in over 15,500 projects and more than 100 countries around the world. Alongside this global initiative, other ones are embraced by locally such as "Hot meals for the homeless" where volunteers from the Detroit (USA) Office provided meals, offers shower facilities and clothing.

#### **(2) Social partnerships**

Henkel support social initiatives and public institutions around the world, where the main propose is to promote education and equal opportunities. Since 2014, Henkel employees have been helping voluntarily to build new homes for families in need, together with Habitat for Humanity organization, and supporting the non-profit educational initiative Teach First Germany which encourages young adults in disadvantaged communities to achieve a better school-leaving certificate.

#### **(3) Brand engagement**

Apart of Henkel's social engagement on a corporate level, all the brands are involved in partnerships with social initiatives and public institutions worldwide. There are three main projects: Million Chances which helps girls and women overcome challenges, while giving them confidence and prospects for their future; NaturKinder that helps children to develop environmental awareness; and Welcome Home that assistances to provide a safe home for families in need.

#### **(4) Emergency aid**

Henkel, through Fritz Henkel Stiftung foundation, provides aid after natural disasters around the world. For example, in October 2019, three major earthquakes occurred within two

weeks in Mindanao (Philippine Island). For this case, the Fritz Henkel Stiftung foundation supported a local aid organization purchasing tents, blankets, clothing, food, and hygiene items. In collaboration with global and local organizations, Henkel supported the reconstruction of homes and cities following natural disasters in 2019.

#### **1.3.4.2 External assessments**

Historically, Henkel has been included in two of the most significant Indexes related to sustainability: FTSE4Good Index and STOXX Global ESG.

The FTSE4Good Index Series is designed to measure the performance of companies demonstrating strong Environmental, Social and Governance (ESG) practices. It can be a useful tool, considering its transparent management and clearly defined criteria, to assess suitable investment produces.

STOXX Global ESG Index consist of one broad and three specialized indices for the environmental, social and governance areas, which assesses the companies from their performance on those areas.

Adding to these Indexes, Henkel has been recognized throughout Ratings and Awards given by independent sustainability experts, which increases its market transparency and provides important feedback on how the sustainability strategy is implemented (Appendix J).

#### **1.3.4.3 Stakeholder Dialog**

Customers, consumers, suppliers, employees, shareholders, local communities, government agencies, associations, non-governmental organizations, politicians, and academia – these are all the stockholders Henkel promotes dialog with. This conversation is a key element of approaches to innovation and risk management that help to continuously develop the sustainability strategy and reporting.

Henkel does specific surveys and continuously monitor the opinions of stakeholders at various levels: in direct dialog, in multi-stakeholder initiatives, through dialog platforms about sustainability-related topics. Cooperation with NGOs and opinion leaders gives insights into global challenges such as those related to developing sustainable packaging solutions. One of the surveys made in 2014 concluded that the stakeholders placed a great importance on Henkel's efforts to integrate sustainability into all the activities and product life cycles and also

the targeted support of consumers, helping them to lead more sustainable lifestyles, to use Henkel's products and the related packaging responsibility.

In 2019, there were many events around the subjects of sustainable packaging and circular economy. Henkel is a founding member of a new initiative focusing on plastic waste named Alliance to End Plastic Waste (AEPW), where 30 international companies along the value chain for plastics and consumer goods have joined forces to tackle the global challenge of a circular economy together by stopping plastic waste in the environment, especially in the ocean.

#### **1.4 Problem Review**

Henkel as the world's number one adhesives producer and one of the biggest Laundry and Beauty FMCG companies globally, impacts multiple stakeholders in the course of its value chain, both financially, socially and environmentally. Therefore, it is of extreme importance the integration of CSR.

This case study intent to evaluate the extent of CSR integration within Henkel's business strategy by:

- Identifying Henkel's driver for its business operations;
- Assessing the social issues of the environment in which the company operates;
- Analysing how the company adds value to said issues within its activities;
- Perceiving how CSR concerns influence the decision-making process of business strategy;
- Providing a conclusion on CSR as a key element for Henkel's business strategy.



## **2. Pedagogical Note**

### **2.1 Target audience**

Using Pedagogical Case Study methods, students and other interested parties can study real-life situations, challenges, and opportunities from a specific example. Presenting a Pedagogical Case Study involves showcasing the company in question and afterwards deconstructing the subject from there. In this case, Henkel is the example and Sustainability within Corporate Social Responsibility is the subject of evaluation.

This Pedagogical Case Study is intended to undergraduate and graduate students, majoring in management, and that have a significant interest and academic path in topics such as corporate social responsibility, sustainability, and strategic management.

A Pedagogical Case Study is a useful tool to perform the assessment and apply knowledge in real-life situations, developing strategic thinking by grabbing an example and working it hands-on. That is why professionals can find this Pedagogical Case Study as a productive tool, that can serve as an example for situations they are facing themselves in the area of Corporate Social Responsibility.

### **2.2 Educational goals**

Pedagogical Case Studies display complex real-life situations that can be studied, with concrete facts, challenges and opportunities that are a pedagogical tool for those studying, debating, and analyzing it.

As a pedagogical tool, this Pedagogical Case Study has as main goals: 1) to assist in the consolidation of the student's theoretical knowledge on the topic in question; 2) to apply this knowledge through the most appropriate frameworks and concepts; and 3) to foster further development of the student's problem solving skills and facts organization capacity as the base to the application of good practices in similar situations.

This Pedagogical Case Study intends to be a systematic and structured support, with good practices and scientific knowledge, for organizations that intend to expand their activities or need some real-life examples to make the best strategic decision according to the reality at hand.

## 2.3 Literature review

### 2.3.1 Definition of Corporate Social Responsibility and its evolution

It is a difficult challenge to trace in time the origin of the concept of Social Responsibility (SR), as well as its historical evolution. Howard Bowen was one of the first authors to explore the field of SR, arguing that business managers have the obligation to consider the objectives and values of society when pursuing policies and making decisions (Bowen, 1953).

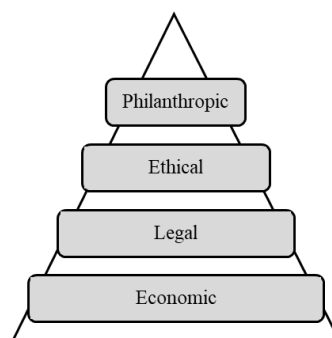
Almost two decades later in the 1970s, the petroleum crisis led to some authors express a different interpretation on the role of Social Responsibility, like Friedman (1970) that claimed that society benefits most when business focus on maximizing their financial success, believing that the principles that guided SR constituted a distraction from the firm's economic goals.

In 1984, Freeman advocates for the need of organizations to balance the maximization of value for the shareholders with the interests of other agents who can influence their outcomes. The author defines these agents as stakeholders, meaning *“any group or individual who can affect, or is affected by, the achievement of a corporation's purpose”* (Freeman, 1984).

Around the same time, Peter Drucker was the pacesetter for SR to be perceived as a strategic element that could help organizations achieve profit, claiming that turning a social problem into an economic opportunity and economic benefit, is the proper ‘Social Responsibility’ of business (Drucker, 1984).

One of the most respected academics in this matter, Carroll (1979) defended that the business SR incorporates *“the economic, legal, ethical and discretionary expectations that society has of organizations at a given point in time”* (Carroll, 1979, p.500). Following this view, in 1991, the author developed a framework that reflects the integration of SR and Strategy, named the *“The Pyramid of Corporate Social Responsibility”* (Carroll, 1991) (Figure 5).

Figure 5: The Pyramid of Corporate Social Responsibility



Adapted from Carroll, A. B. (1991)

Zadek (2004) defended that when it comes to developing a sense of SR, companies usually go through five stages along the learning curve. The first stage is to deny responsibility of its practices and impact on its surroundings. Secondly, the adoption of a compliance policy as a cost of conducting a business. Third, organizations begin integrating SR into its management practices, until the fourth stage where SR is embed within the strategy planning process. The final stage is when a company promotes the best practices industry-wide.

On the topic of integrating SR with the firm's global strategy, Chandler and Werther (2014) identify four arguments that intent to explain the motivation for this integration to happen regardless the size of the organization: Economic, Rational, Moral and Ethical arguments (Table 2).

**Table 2: Arguments for Engaging in Social Responsibility**

<b>Ethical Argument</b>	Companies must act ethically according to the conventional standard and absolute values.
<b>Moral Argument</b>	SR broadly represents the relationship between a company and the principles expected by the wider society within which it operates - this obligation goes beyond profit.
<b>Rational Argument</b>	SR is a rational argument for businesses seeking to maximize their performance by minimizing the operational and financial costs of the business.
<b>Economic Argument</b>	SR is a way of matching corporate operations with societal values as these parameters can change rapidly. By doing so, it is more likely to retain its societal legitimacy, and maximize its financial viability, over the long term.

Adapted from Chandler, D., & Werther, W. B. J. (2014)

### 2.3.2 The concept of Strategic CSR

The basic framework to define what the strategy of a company is as the link between the firm objectives and capabilities and the environment surrounding it (Figure 6).

**Figure 6: Strategy as a link between the firm and its environment**



Adapted from Grant, R. M. (2010)

This static perspective of strategy allows businesses to identify the main competitors in the market, and better define the basis for the competitive advantage it presents. Nevertheless, a firm should have in consideration the long-term course of the business, and for that, it must establish a Vision, a Mission and a set of guidelines/tactics to achieve the latter two (Table 3).

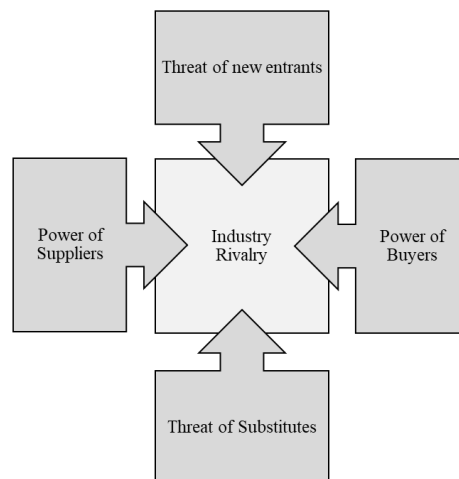
**Table 3: Elements of a Strategy**

<b>Vision</b>	The Vision is the answer to why the organization exists: What problem it aspires to solve.
<b>Mission</b>	The Mission reports the activities seeks to perform in order to achieve its vision.
<b>Strategy</b>	The Strategy paths the way to negotiations in the competitive environment in order to conquer a sustainable advantage, that supports the organization's mission.
<b>Tactics</b>	The management decisions made on the day-to-day basis to implement the strategy formerly defined.

Adapted from Chandler, D., & Werther, W. B. J. (2014)

Commonly, the tool used to commence the strategy planning process is the SWOT analysis. This analysis allows the organization to identify its Strengths and Weaknesses from an internal perspective and exploring the external Opportunities and Threats. From the SWOT analysis, strategy is usually seen through two competitive perspectives: The Resource perspective and the Industry perspective. The resource perspective supports that a firm should be built around a portfolio of core competencies, rather than a portfolio of business units (Hamel & Prahalad, 1994). On the other hand, the Industry perspective is based on the organizations’ operating environment being the most defining element for the determination of the complete advantage. Michael Porter was the leading advocate of this viewpoint and developed a model with the forces he considered the competitive ones – Porter’s Model of Five Competitive Forces - Figure 7.

Figure 7: Porter's Model of Five Competitive Forces



Adapted from Porter, M. (1979)

Although the two perspectives are valuable conceptual tools that provide insight into the potential to build a sustained competitive advantage, Chandler and Werther (2014) identified to each a set of limitations that makes them both unable to provide a more complete understanding of the organization strategy in the global business environment.

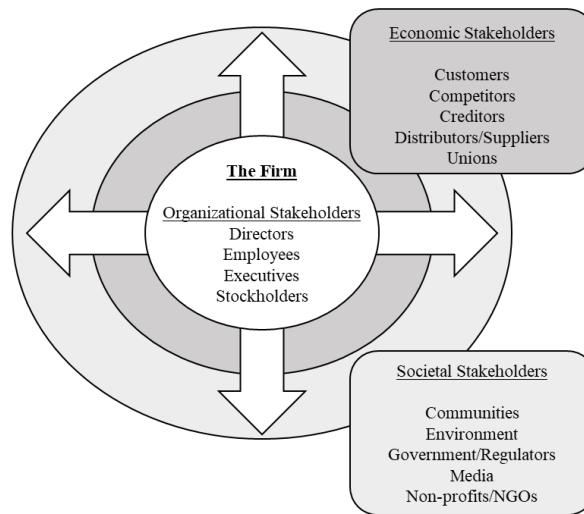
Following this argument, the authors suggested a broader tool to analyze the operating context of an organization and to create the most adequate strategic plan of action – The Stakeholder Perspective. This perspective, allows firms to determine the agents that are affected by the organizations' actions and at the same time, prioritize among those stakeholders' demands (Chandler & Werther, 2014). Consequently, stakeholders constitute a strategic element and a possible source of competitive advantage for the company, since the *“Success of a firm is directly related to its ability to incorporate stakeholder concerns into its business model”* (Chandler & Werther, 2014: 9).

As mentioned in 4.3.1., Stakeholders are *“any group or individual who can affect, or is affected, by the achievement of the corporation's purpose”* (Freeman, 1984). Additionally, stakeholders have multiple, and sometimes antagonizing, interests in the organization actions (Carroll, 1991).

Chandler and Werther (2014) differentiate between three types of stakeholders: organizational, economic, and societal stakeholders - Figure 8. The authors note that some stakeholders may exist simultaneously in different types, so it is indispensable for the

organization not only to identify them but also to prioritize each one by their relevance to specific issues and the nature of said issues to the business operations.

Figure 8: Stakeholder Model - Types

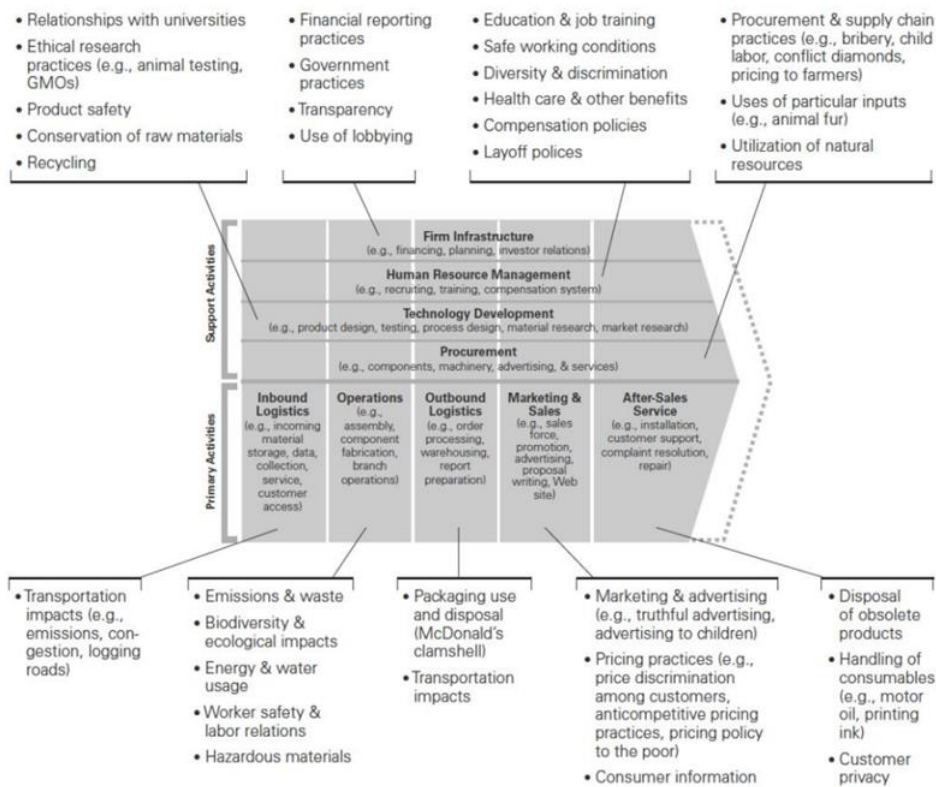


Adapted from Chandler & Werther (2014)

Over the course of years, Businesses all around the world have been given increasingly more importance to the fast-passing environment in which they operate, which leads to SR occupying a central positioning in the strategy plan and the daily operations of the business.

Regarding the integration of Corporate Social Responsibility (CSR) with business strategic plan, Michael Porter grew from the Industry Perspective, and together with Mark Kramer wrote three articles defending the case for CSR integrated in the business strategy. In their latest venture essay in 2011, "Creating Shared Value", the premise is that considering the large interdependence between Business and Society, firms set both economic and social goals and then use their expertise to create market-based solutions, maximizing both economic and social value. Every aspect of a firm's value chain as an interaction with society either in a positive or negative manner (Kramer & Porter, 2006), therefore the firm can strategize its CSR through mapping its value chain touch points on society and evaluate its impact - Figure 9.

**Figure 9: Inside-out linkages with society**



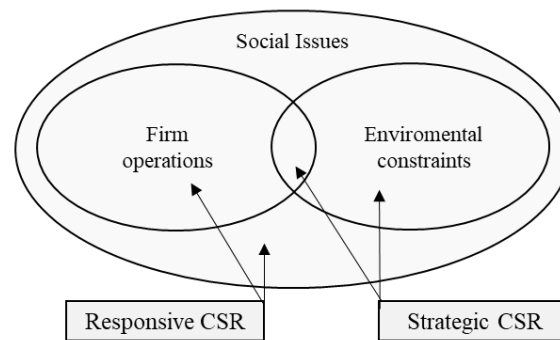
Adapted from Porter, M. (1979)

This idea developed by Porter & Kramer throughout the decade of the 2000's, was not widely received by other authors that argued that CSR is not yet fully settled in all business activities and perceived as an important part for the strategic plan to all CEOs around the globe. Chandler and Werther (2014) went further and argued that in the field of Strategic CSR, the focus should remain as economic, while the paths taken to achieve it should have CSR in consideration.

In an effort to give a response on how can organizations define SR actions as strategic, Chandler and Werther (2014) developed a combination of four components that they deem as essential to define what Strategic CSR is: the incorporation of CSR Perspective within the planning, a set of core operations, the implementation of the Stakeholder perspective at medium to long term.

The CSR Perspective can happen at different levels of integration within the strategic plan of the firm, therefore Kramer & Porter (2006) suggested a framework that provides a guide on types of integration relating to the approach of each firm to the social issues surrounding the society in which it operates - Figure 10.

**Figure 10: Strategy and Society Model**



Adapted from Porter, M. E., & Kramer, M. R. (2006).

With this framework, it is possible to verify the interactions of the firm and its operations among the social issues and environmental constraints present in the surrounding context. The authors were able to distinguish two types of CSR: Responsive CSR, when the firm tackles an issue that has no correlation with its strategy or structures, and Strategic CSR, that has implicit an integration of a social dimension into the firms' strategic plan (Kramer & Porter, 2006). In the latter, CSR occurs as the organization pursues vigorously the benefit of the society as a consequence of the activities of its value chain (Kramer & Porter, 2006).

Another component is the fitted relation of the actions made by the firm with its core operations, meaning that the higher the relevance of the issue to the firm's vision and mission, more likely is classified as Strategic CSR (Chandler & Werther, 2014)

The implementation of a Stakeholder Perspective was considered another vital element of Strategic CSR. As mentioned previously this perspective allows firms to determine the agents that are affected by the organizations' actions and at the same time, prioritize among those stakeholders' demands (Chandler & Werther, 2014).

Lastly, the organizations must make the shift from a short time view to a medium long-term one, when it comes to managing its resources and the relationship with the surrounding stakeholders. A focus on short-term outcomes is often driven by the shareholders that have their interest in the yearly cash flow rather than the health and viability of the organization, which does not align with the views of CSR.

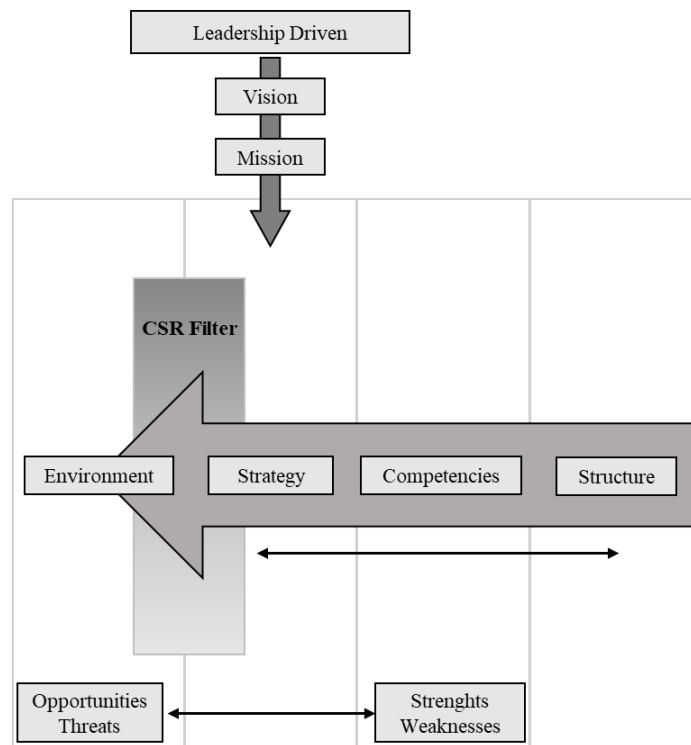
### **2.3.3 CSR as a Strategic filter**

Further on the context of the implementation of Strategic CSR within a firm, Chandler and Werther (2014) explored the concept of a CSR filter in order to provide an extra support into



the decision-making process by considering the impact on the daily tactical actions of it - Figure 11.

Figure 11: CSR Filter as a component of Strategy



Adapted from Chandler & Werther (2014)

Generically speaking, the formulation of the strategy aims to correlate the organization's internal strengths with opportunities provided by the environment it intent to operate. The organization's vision and mission, both determined by the top management, are a restriction to a viable strategy, considering it is the starting point of its formulation (Chandler & Werther, 2014).

Chandler and Werther (2014) also defined has strategy limitations the structure, competencies, and the environment. The organizational characteristics consist in a chart where each department and employee position in the company is identified. The drawing of it has to be made in order to support the strategy defined, as well as it being functional in the daily activities of the operations. The organization competencies refer to the actions in which the firm exceeds its competitors, and it takes work and resources for any competitor to replicate. Lastly, the environment in which the organization operates in – that includes any force within society that can be a driver for change, meaning, a Stakeholder.

Chandler and Werther (2014) identify five forces in the environment surrounding the organizations that leads CSR to the forefront of corporate strategic thinking: Affluence,

Sustainability, Globalization, Media, and Brands. Collectively, these five forces are redesigning the business-operating environment by endowing the diverse groups of stakeholders.

The issues related to CSR have the tendency to set a grip in societies that have a wealthy and stable economy. This affluence can be verified because in these societies, the basic human rights are ensured, and for this it is willing to hold accountable the organizations that do not conform to the more developed standards in its overseas operations. One recent example of this force in action was Nike requiring its subcontractors in Asia to provide fair wages and working conditions above the local norms, as per pressure from US activists (Berstein, 2004).

Secondly, and possibly the most talked of the forces, concerns Sustainability. There is an emergent concern regarding the management of the limited resources there are available, and also over issues such as pollution, waste, natural resource depletion, climate change that are endangering the environment as we know it. With all the information available and the scientific community belief that climate change is one of the major concerns of the century, it not possible for anyone to be indifferent to this matter.

Another force with incredible impact for CSR was Globalization. For instance, the visible enlarged power of multinational corporations headed to questions on how the products are made and under what conditions for workers and the various stakeholders overseas. Globalization allowed to held corporation accountable and demand a higher level of responsibility that should be leveled with its increased power. Consequently, nowadays “*no multinational company can afford to ignore CSR*” (Chandler & Werther, 2014, p.153)

Easily accessible and affordable communication technologies and electronic devices, besides changing the way we interact socially, also made a significant shift in the flow of information making it further authentic and transparent. With this free flow of information, stakeholders – particularly consumers, NGOs, and the general media - have a mean to hold organizations accountable if they intend to do so regarding evident misleading behaviors.

Last of all, the power of the Brand. At the present time, Brands are the pivotal point of business success, that in some cases the value of the intangible brand can exceed the value of the firm’s tangible assets. Much of the wealth of the brands sits on the perception of public eye of it, meaning reputation is key. Moreover, as many brands are built on ideals that normally appeal to aspirational values, having a truthful CSR strategy implemented is a way to protect the firm’s reputation while attempting to match its values with the ones of the stakeholders.

Therefore, a strategy must be developed within constraints mentioned and evaluated through a CSR Filter to assess its impact on those stakeholders that are essential for the it to be a success, even before a competency-based strategy being deployed. The given definition by the authors for this filter was a “*conceptual screen through which strategic and tactical decisions are evaluated for their impact on the firm's various stakeholders*” (Chandler & Werther, 2014, p.141).

#### **2.3.4 Implementing CSR and Purposeful Business**

After assessing the importance of CSR within the current environment where firms operate, and how vital it is for organizations to insert it as a central aspect in their strategic plan, the next stage is the implementation of a CSR Policy – the drivers for it, the issues to be addressed and the set of actions to achieve it.

The motivation of the organization to implement the policies regarding CSR can be maximizing its core competencies while identifying innovative competitive advantages, seeing the fundamental value of CSR as the opportunity for it (Chandler & Werther, 2014). On the other hand, the motivation can be responsive, where the organization sees the value of CSR, primarily for avoiding criticism and other attacks from the social and environment surroundings.

The perception of the stakeholders on the motivation of each firm, and to which standards it should be held accountable, varies from industry to industry, through cultures and it is mainly based on the value proposition of the organization. Following, on the matters of concrete measures to implement CSR within a for-profit strategy, Chandler & Werther (2014) suggested a plan with a set of actions to take both short and medium long-term – Table 4.

**Table 4: CSR Plan of Implementation**

<b>Short to Medium Term</b>	Executive Investment	The top management must actively support CSR, establishing all the components needed to an effective and institutionalized CSR policy present in the day-to-day operations.
	CSR Officer	Besides the support of the top management, CSR must have visibility within the organization. Therefore it is important to create a CSR Officer Position staffed by an employee with a tight relation with the board of directors.
	CSR Vision	Similar to the strategy's vision, the organization should have a statement that enables stakeholders to understand the firm's CSR position.
	Performance Metrics	The existence of measures and rewards that align the firm's operations and its corporate responsibility goals, raises awareness of the firm's position on CSR.
	Integrated Reporting	Adding to the organization financial reports, the organization should develop a report on the results regarding its CSR activities and goals. Both should be subjected to a wide audit by an external entity.
	Ethics Code and Training	These documents allow the organization to established expectation and boundaries of acceptable behaviour with its employees and suppliers.
	Ethics Helpline	Having an anonymous whistle-blowing procedure that is available to all stakeholders, is a key component of the reinforcement needed for a CSR policy.
	Organizational Design	It is necessary to have a tangible support alongside the entire organizational structure in order to demonstrate the firm's genuine commitment to its CSR policy.
<b>Medium to Long Term</b>	Stakeholder Involvement	A central part of integrating CSR in the organization strategic outlook, is having an open communication channel with the broader set of stakeholders.
	Manage the message	A substantive strategic CSR needs to be strongly communicated to the different stakeholders, so it is fundamental to establish a strong social media strategy.
	Corporate Governance	Corporate governance is the combination of rules, processes or laws by which businesses are operated, regulated or controlled. Transparency and accountability are structural for an effective CG, as well as a written commitment to implement it along the various sides of the business signed by the board of directors.
	Activism and advocacy	The association to causes or NGO's helps to define the organization identity and eventually solidify relationships with its stakeholders.

Adapted from Chandler and Werther (2014)

The blunt implementation of Strategic CSR as formerly presented, throughout the business layers of strategy sets the basis for the creation of Valued-based business. Chandler and Werther (2014) stated that Valued-based business happen on firms that were created with a vision and mission based on social and environmental values and on the principles of: (i) higher purpose (value creation); (ii) stakeholder interdependence; (iii) conscious leadership; and (iv) conscious culture.

As CSR becomes more mainstream, other authors, like The British Academy, studied the concept of valued-based business. The British Academy (2019) suggested the concept of purposeful business, in their report “Principles for Purposeful Business”, and concluded that the driver of a business should be solving the problems of people and planet lucratively, instead of profiting from causing problems to the same agents.

Similar to the work developed by Chandler and Werther (2014) on the matter, the paper research by The British Academy (2019) provided a framework as a kickoff to develop new

practices for the enactment of organizing business around purpose, expressed as a set of principles - Table 5.

**Table 5: The features of purposeful business**

Law	The adoption and commitment to a purpose supported by the board of directors should be mandatory by corporate law.
Regulation	If businesses are regulated, it should be required to adopt social licences to operate as their purposes require and maintain that licence throughout its engagement.
Ownership	Ownership should recognise the obligations of shareholders and engage them in supporting corporate purposes as well as in their rights to derive financial benefit.
Governance	Establish board governance arrangements that promotes the effective adoption and implementation of the organization's purposes. It will determine a set of values consistent with their purposes may create appropriate and inclusive forms of accountability to relevant stakeholders.
Measurement	Ensure the existence of a standardised set of metrics that assess the extent to which companies are accomplishing the minimum standards of conduct in relation to people and planet. Also, companies will determine the metrics that are most relevant to their specific corporate purposes and adopt key performance indicators to evaluate said metrics.
Performance	Restate their profits to make provisions for the costs of remedying failures to fulfil their purposes and avoiding negative impacts on their workers, societies and natural assets both within and outside the firm.
Finance	Provide, through their shareholders, the financial risk capital required by the nature, scale and duration of corporate investments.
Investment	Establish partnerships with relevant organisations and demonstrate their commitments to them by making the investments required to support these partnerships.

Adapted from The British Academy (2019)

These principles were designed to be useful to a diverse range of characteristics such as sector, region, business model and size, so organizations will need to apply these principles on their own settings, considering its governments, its particular jurisdictions, and with a strong leadership required across major markets and economies.

## 2.4 Pedagogical Case study methodology

The development of a case study with a pedagogical note enables the application of theoretical concepts, bridging the gap between both theory and practice (Davis & Wilcock, 2003). For a case study analysis to be successful, the reader *“must develop a capability to analyze and synthesize data that are sometimes ambiguous and conflicting”* (Barney and Hesterly, 2014, p.365). The authors suggested a set of steps for the preparation of the essay:

- (i) Skim through the case quickly, to gain familiarity with the broader facts of the case;

- (ii) Read the case more carefully while making notes and underlining important parts, separate the most important facts that seems essential to identify key facts that will prove useful when deconstructing the case study;
- (iii) Define the basic issues, a step that requires the most wisdom and judgement, so it is possible to clearly define the most important concepts that are fundamental to the issue at hand;
- (iv) Develop and elaborate the analysis of the key issues, by organizing the previously identified key issues and examining the facts - step conducted during the previous steps - to finally assess the key facts to assemble and analyze them, never recurring to unsupported opinions;
- (v) Draw conclusions and formulate a set of recommendations, do the most complete analysis possible clearly stating priorities and sequence of actions recommended;
- (vi) Prepare for class discussion, since preparation is key - only this way it is possible to absorb, learn and contribute with meaningful insights to class discussion.

This case study's object is Henkel and was selected considering the following reasons:

- The relevant presence that the company has in the global economy;
- The link between the industries in which Henkel operates and the main issues debated nowadays related to Sustainability, such as pollution and climate change;
- The variety of worldwide familiar brands, such as Persil, and the number of consumers it reaches.

The information presented in the case has been collected, analyzed and selected and contains the following secondary data: The annual financial report of Henkel for 2018 & 2019, Henkel's 2019 Sustainability Report and Henkel's official website, newspaper articles, press releases, and industry-related reports.

## **2.5 Case study lecture Plan**

There are established guidelines that should be followed in order to effectively apply this pedagogical case study and achieve the desired outcomes. Each student should solve the case individually. All students should read the case before its discussion in the classroom, collecting information about the organization and exploring a set of relevant sources. Similarly, the case's questions also need to be prepared before each class.

During classes, the students are expected to solve the questions under the time given, using the appropriate concepts and tools, so they can reach the expected goals. In the end of each lesson, two students will be selected to present their conclusions regarding a specific question and discuss the similarities and disagreements that may exist. The rest of the class is expected to critically analyze these answers and to add any information it deems relevant. The professor is responsible for lecture the students about theoretical background needed for the resolution of the case and for appropriately addressing the doubts that may arise from it. In addition, the professor should guide the discussion towards the expected pedagogical goals. Table 6 presents the tasks and respective time allotted to each question.

**Table 6 - Planning for Case Resolution (Time and Tasks Allotted)**

<b>Question 1</b>	
<i>Task:</i>	Explanation of the evolution of the concept of Strategic CSR.
<i>Time:</i>	15 Minutes
<i>Task:</i>	Provide a clear example from the case, for each of the components of the Strategic CSR.
<i>Time:</i>	20 Minutes
<b>Total Time</b>	<b>35 Minutes</b>
<b>Question 2</b>	
<i>Task:</i>	Definition of the CSR Filter Model and its components, and mention its advantages and challenges.
<i>Time:</i>	15 Minutes
<i>Task:</i>	Conclude on Henkel's application of the Model within its strategy.
<i>Time:</i>	15 Minutes
<b>Total Time</b>	<b>30 Minutes</b>
<b>Question 3</b>	
<i>Task:</i>	Identify the five driving forces of CSR.
<i>Time:</i>	10 Minutes
<i>Task:</i>	Provide clear examples from the case of each driving force.
<i>Time:</i>	10 Minutes
<b>Total Time</b>	<b>20 Minutes</b>
<b>Question 4</b>	
<i>Task:</i>	Definition of Purposeful Business and identification of its principles
<i>Time:</i>	10 Minutes
<i>Task:</i>	Correlate the literature on the Implementation Plan for a Long term CSR Strategy (Chandler and Werther, 2014) and the principles of Purposeful Business (The British Academy, 2019)
<i>Time:</i>	10 Minutes
<i>Task:</i>	Provide a clear example from the case study of each principle/measure.
<i>Time:</i>	15 Minutes
<b>Total Time</b>	<b>25 Minutes</b>

Source: Author

## 2.6 Case questions

**Question 1:** To what extent does Henkel use CSR as a key element of business strategy? Please justify your answer.

**Question 2:** What are the advantages a CSR Filter presents to a company? Is Henkel successfully utilizing the model in its activity? To justify your answer, contribute with examples from the case.

**Question 3:** What are the Five Driving Forces of CSR according to literature? Use examples from the case to illustrate each force.

**Question 4:** Can we consider that Henkel has a purposeful business? Support your answer with examples from the case.

## 2.7 Case resolution

### 2.7.1 Question 1

**Proposed Answer:** The answer should include an understanding of business strategy (1) and the explanation of the components of Strategic CSR (2) illustrated with clear examples from the case.

(1) Understanding of business strategy:

- Strategy aims to provide the business with a foundation of a sustainable competitive advantage;
- The strategy must be accepted by the wider environment in which the company competes.

(2) Components that define strategic CSR: (i) Incorporation of a CSR perspective within their strategy; (ii) Every action has to be directly linked to core operations; (iii) Incorporation of a stakeholder perspective; (iv) Shift from a short term to a medium-long term perspective regarding the management of the firm's resources and its stakeholders' relations.

i) Incorporation of a **CSR perspective** within Henkel's strategy: Identify each component of Strategy and Society Model (Kramer & Porter 2006) adapted to Henkel's reality and conclude on the type of CSR in place.



### Social Issues

- The environmental footprint of companies that have a direct impact on climate change and the increment of non-degradable waste.

### Firm Operations

- Henkel's operations entail the production, distribution and sales of Adhesive Technologies, Laundry and Beauty Care Products (B2B & B2C).

### Environmental constraints

- The nature of Henkel's operations requires the existence of CO<sup>2</sup> emissions at diverse stages of the value chain, as well as the recurrent need of energy and water. Furthermore, the packaging of Henkel's products relies mostly on plastic, considering that it is well known for preserving the product formula and key properties intact, without increase the final cost for consumers.

### Type of CSR employed at Henkel

- Henkel's sustainability purpose undertakes on the social issues, considering its operations and environmental constrains - "*Creating more value for customers and consumers, for the communities it operate in, and for the company – while reducing environmental footprint at the same time*".
- Henkel's effort to reduce the impact of it environmental footprint is based on three areas:
  - Energy and Climate (Renewable energy, CO<sup>2</sup> mitigation, etc.)
  - Material and Waste (Resource, Smarter Packaging, Recycling)
  - Water Waste (Reduction of consumption)
- After this analysis, we verified that Henkel pursues to reduce its environmental impact on society throughout the various phases of the value chain, thus we can conclude it constitutes an example of Strategic CSR as defined by the Strategy and Society Model (Kramer & Porter 2006).

ii) Every action has to be directly linked to **core operations**: Design the value chain of Henkel and provide a set of actions taken by the firm in each activity

## Raw materials

- Henkel established a policy for the selection of Suppliers based on five factors: safety, health, environment, social standards, and fair business practices;
- Henkel has implemented a six-step responsible sourcing process, which assess the sustainability performance of Henkel's suppliers, and covers more than 80% of the purchasing volume.

## Production

- At Laundry & Home Care plants a heat recovery system is implemented, that allows for the product to be more energy efficient;
- In the most recent production centers is being implemented a modified shift system to reduce water and energy consumption;
- For all new facilities, a set of high standards is incorporated since the beginning of the design, to ensure the maximum energy efficiency (Example: Montornès del Vallès, Spain).

## Logistics

- The focus on expanding intermodal transport while improving the warehouse network and optimization transportation;
- The location of the warehouses and distribution centers is selected to minimize the distance between production sites and customers;
- The use of alternative mobility solutions to optimizing the transportation and logistics (Example, usage of electric vehicles in Düsseldorf).

## Industry and retail

- Close cooperation with other companies of the chemical industry to ensure the responsible use of chemicals and transparency on the substances used in our products and their safety.
- Partnerships with Retail groups to promote the spread of information to the consumers regarding a more sustainable consumption. Retailers often provide a wider platform, either through their stores or through e-commerce website, to reach more directly the final consumer.

### Consumers

- Inform consumers through targeted communication on how they can lead a more sustainable lifestyle, while using Henkel's products – for example the campaigns “*Be smarter. Save water*” and “*Be sustainable. Wash cold*”.

### Disposal/ recycling

- The company supports waste collection, recycling initiatives and investing in innovative solutions and technologies to promote closed-loop recycling, working in tight partnerships with Alliance to End Plastic Waste (AEPW) and the participation on the “Circular Economy Mission”

Alongside each segment of the value chain, there are two imperative areas: Financial Performance and Human Resource Management. Both areas are intrinsically bonded to Henkel's values, therefore being a guide for all tactical decisions to be made across the value chain.

iii) Incorporation of a **stakeholder perspective**: Identify the main stakeholders of the firm using the Stakeholder Model (Chandler & Werther, 2014) and present an example of how Henkel addresses their interests.

### Internal (Board of directors, Executives, Stockholders and Employees)

Henkel is a company driven by performance: While committed to creating sustainable value, excellent financial results need to be delivered, so a competitive return can be provided to the stockholders. Meeting the desired financial results, will allow the firm to act more flexibly in the long-term future, and enable healthy and profitable growth. This growth will not only benefit the stockholders, but also Henkel's employees.

### Economic

- Customers
  - (B2B) Develop tailor-made solutions for the specific challenges of each client market;
  - (B2C) Creating Smart packaging without increasing the cost on the final consumer.

- Competitors
  - Founding member of the Alliance to End Plastic Waste, where more than 20 multinational companies in the plastics and consumer goods industry join forces to tackle the global challenge of a circular economy;
  - Member of the initiative “Together for Sustainability – The Chemical Initiative for Sustainable Supply Chains”. This initiative aims to harmonize complex supply chain management processes with regard to sustainability and to optimize synergies so that resources can be used more efficiently.
- Suppliers
  - Member of the cross-sector initiative “Roundtable on Sustainable Palm Oil”, the world’s largest organization for the certification of palm oil. The goal of the organization is to promote the sustainable production of palm and palm kernel oil.

## Societal

- Communities
  - Initiative “MIT Volunteering” (Make an Impact on Tomorrow) that supported the voluntary activities of Henkel employees in over 15,500 projects and more than 100 countries around the world;
  - Internal Projects: Million Chances, NaturKinder and Welcome Home;
  - Local Social Engagement – “Hot meals for the homeless” (Detroit, USA); For each product sold, Sonasol donating 0, 05€ to Operação Nariz Vermelho.
- Environmental
  - Partnership with the Plastic Bank: social enterprise that aims to reduce the amount of plastic waste that enters the oceans.
- Governmental Regulators
  - In the “Circular Economy Mission” event were held discussions about the circular economy that are taking place between the European Commission in Brussels, regional government authorities and Henkel.
- Non-Profit/NGO
  - Volunteer work of Henkel's employees at the Habitat for Humanity organization; Support the non-profit educational initiative Teach First Germany;
  - Creation of the Fritz Henkel Stiftung foundation that provides aid to various NGOs.

iv) Shift from a short term to a **medium-long term perspective** regarding the management of the firm's resources and its stakeholders' relations.

After the analysis of the other three components of Strategic CSR, and concluding for their incorporation within Henkel, we can affirm that CSR is a key element of the company business strategy, therefore the shift from a short term perspective to a medium-long term one has already occurred.

### **2.7.2 Question 2**

**Proposed Answer:** The answer should include an explanation of the CSR Filter, the identification of its advantages (1) and a conclusion on Henkel's application of the Model within its strategy (2).

(1) Advantages of the model:

- Companies operate within a dynamic environment with multiple stakeholders, and each one has different needs that the firm should meet at the best of its capabilities. The company aptitude to build a sustainable competitive advantage within its operation environment, distinguish a successful business strategy from a failing one.
- Furthermore, the application of a CSR filter reinforces the implementation of a CSR perspective from a short term to a medium-long term regarding the management of the firm's resources and its stakeholders' relations.

(2) Henkel's application of the Model within its strategy.

- Corporate Culture
  - Purpose: Creating sustainable value
  - Vision: Leading with innovations, brands and technologies
  - Mission: Serving customers and consumers worldwide as the most trusted partner with leading positions in all relevant markets and categories
  - Values: Customers and Consumers, People, Financial Performance, Sustainability, Family Business
- Strategy
  - Henkel 2020+: Successful development, by focus driving growth, accelerating digitalization across all businesses and functions, increasing

agility in the organization and teams, and funding the growth through targeted initiatives.

- Sustainability strategy: Creating more value for customers and consumers, for the communities, and for the company – while reducing the environmental footprint at the same time.
- Structure
  - Management & Corporate boards at the top of the structure:
    - Management Board, which is responsible the management of the company’s business that it divided by BUs and regions;
    - Shareholders’ Committee, that is involved with the Management Board and it is a representation of the shareholders in the Annual General Meeting;
    - Supervisory Board is represented by shareholders and employees, and its function is to regularly advise and monitor the company administration in its supervision of the company.
    - Sustainability Council chaired by a Management Board is responsible for routing global sustainability activities as a central decision-making body.
- Competencies
  - Henkel’s Core Resources:
    - Organizational structure (Plan and Control);
    - Financial stability and growth;
    - Production innovative technology;
    - Respectable reputation amongst stakeholders.
  - Henkel’s Core Competencies:
    - Unique portfolio of breakthrough innovations and tailor-made solutions in adhesives industry (47 percent of global sales in 2019).
    - Strong alignment of CSR/Sustainability and Henkel’s Strategy.
- Environment
  - Present the analysis of Henkel’s Internal, Economical and Societal Stakeholders in Question 1. C.

- The CSR Filter Mechanisms
  - Close collaboration between Management & Corporate boards, to ensure that the management and supervision of the company are conducted in a responsible and transparent manner.
  - Procurement and purchasing strategy: the selection of raw materials suppliers is based on a five factors policy (safety, health, environment, social standards, and fair business practices), and follows a six-step sourcing process.
  - Production and Logistics Strategy: Every production site has to follow a plan of energy efficiency and water consumption. Furthermore, every new centre has to implement from the design phase, systems that allow being as efficient as possible regarding energy, water and CO<sup>2</sup> emissions.
  - Disposal/recycling strategy: Investment in innovative solutions and technologies to promote closed-loop recycling, to reduce the plastic waste and pollution created as a consequence of Henkel's operations. The partnerships with external organization, like with the Plastic Bank, made along the value chain provides guidance when decisions regarding packaging have to be made.

Considering the mechanisms in place by Henkel to ensure the assessment of the impact its actions will have in the surrounding environment (stakeholders), we can affirm that the company has successfully employed a CSR filter, and it contributes actively for the decision-making process of business strategy and tactical operations.

### **2.7.3 Question 3**

***Proposed Answer:*** The answer should include an explanation of the driving forces and provide clear examples from the case of each one.

#### **(1) Affluence**

- Henkel was founded and currently is headquartered in Germany. Henkel's motherland historically has the largest and strongest national economy in Europe and the fourth largest by nominal GDP worldwide.
- Germany is currently within the top five countries with the higher Human Development Index, which measures the country's average achievements in key indicators, such as life expectancy, education and decent standard of living.

- More than half of Henkel's sales originate from developed regions, like Western Europe (30%) and North American (26%).
- Considering the national context that the company is inserted, that has all the basic economic and human development needs ensured, as well as having developed regions providing more than half of its sales annually, places Henkel in a position of choice and socially responsible activism.

## **(2) Sustainability**

- The reduction of the emissions of carbon dioxide and other greenhouse gases, that have a big part on the intensification climate change and global warming, is one of the prevalent challenges' civilization must face in our time.
- Beyond its corporate purpose statement "*Creating sustainable value*", Henkel has a specific sustainability strategy implemented - Delivering more value for a diverse set of stakeholders, while reducing its environmental footprint at the same time.
- It has a specific goal of becoming three times more efficient by 2030 – “Factor 3”, triple the value created while leaving the environmental footprint at the same level.
- For said goal, Henkel focused on three explicit environmental indicators – CO<sup>2</sup> emissions, Water and Waste – to measure its performance on the road to achieve it.

## **(3) Globalization**

- The three business units of Henkel hold leading positions in both B2B and B2C markets. The well-known brands are present in people's everyday life of people in over 100 countries. Additionally, the company engages with suppliers from around 120 countries, with 184 production sites on every continent.
- Considering Henkel's dimension, it has a major impact in every phase and intervenient of its value chain. As analysed in question 1 of this case study, the company incorporates CSR successfully in step of the chain.

## **(4) Media**

- New accessible technologies and media allowed the creation of an elevated degree of transparency, smoothing the path for stakeholders, like consumers and NGOs, to hold organizations accountable when a situation requires doing so.
- The flow of information has two main sources:



- Henkel makes use of its website and social media platforms to promote which actions are being done to tackle the intrinsic themes associated with its operations, like the reduction of the company's environmental footprint.
- The media outlets that act as an independent agent are prompt to report on facts, even if they deem to be detrimental for the company involved.
- As an example, beyond the publications available at Henkel's platforms, gather newspaper articles/press releases related to Henkel activities:
  - [http://www.koreatimes.co.kr/www/nation/2019/06/694\\_271304.html](http://www.koreatimes.co.kr/www/nation/2019/06/694_271304.html)
  - <https://www.globalcosmeticsnews.com/henkel-to-launch-social-plastic-packaging-for-beauty-laundry-home-care-divisions/>
  - <https://www.afr.com/companies/retail/consumer-brands-link-with-terracycle-in-war-on-waste-20201123-p56h00>

#### **(5) Brands**

- Nowadays, Brands are a crucial point of corporate success, and most of its health is dependent of the public perception.
- Henkel is the world's number one adhesives producer, leading the segment global market.
- On the global household care industry, Henkel is a major player in the alongside Procter & Gamble, Unilever and Reckitt Benckiser, with over 100 brands worldwide.
- Henkel Beauty Care products include hair colorants, hair styling, hair care, body care, skin care, and oral care. From the over 80 brands in this segment, is Schwarzkopf Professional the most relevant considering it is among the world's three leading suppliers of hair salon products and in was ranked in the top 25 most valuable cosmetic brands of 2019.
- Henkel performs surveys and continuously monitors the opinions of various stakeholders about sustainability-related topics. One of the surveys performed in 2014 concluded that the stakeholders placed a great importance on Henkel's efforts to integrate sustainability into all the activities.

#### **2.7.4 Question 4**

**Proposed Answer:** The answer should include the definition of purposeful business and identification of its principles. Additionally, it should include the correlation between the Implementation Plan for a Long term CSR Strategy (Chandler & Werther, 2014) and the

principles of Purposeful Business (The British Academy, 2019) and provide a clear example from the case study of each principle/measure.

- **Corporate law**

- Correlation with Executive Investment

- The top management actively support CSR, establishing the components needed to an effective and institutionalized CSR policy present in the day-to-day operations - Analyzed in Question 2 (Implementation of CSR Filter).

- Correlation with CSR Officer

- CSR must have visibility within the organization. Henkel has a Sustainability Council that is chaired by a Management Board that is responsible for routing global sustainability activities as a central decision-making body
    - Additionally, Henkel has specific departments related with CSR topics, like Sustainability Management, Diversity & Inclusion and Corporate Citizenship that report directly to the Management Board.

- **Regulation**

- Henkel operates within businesses that are highly regulated. The company included in its Code of Conduct the obligation of respecting laws and standards, avoiding conflicts of interest, and showing consideration and appreciation for social behaviors of the multiple countries and cultures where the business is conducted. The code is design for every employee in any department of Henkel's structure.

- **Ownership**

- Correlation with Stakeholder Involvement

- Recognition and integration of stakeholder's engagement: Present the analysis of Henkel's Internal, Economical and Societal Stakeholders in Question 1. C.

- **Corporate governance**

- Correlation with Corporate governance: Combination of rules, processes or laws by which businesses are operated, regulated or controlled.

- Henkel's Code of Conduct and Code of Corporate Sustainability;
    - Henkel's Corporate Audit department.

- Shareholders' Committee is involved with the management board and it is a representation of the shareholders in the Annual General Meeting;
- Supervisory Board is represented by shareholders and employees, and its function is to advise and monitor the company administration in its supervision of the company.
- Annually with the presentation of Henkel' Sustainability Report, these entities reinforce its commitment to Sustainability.
- Correlation with CSR Vision: The organization should have a statement that enables stakeholders to understand the CSR position.
  - Henkel's sustainability strategy: *“Creating more value for customers and consumers, for the communities, and for the company – while reducing the environmental footprint at the same time.”*
  - Alignment with United Nations Sustainable Development Goals, through different initiatives and contributions across communities.
- Correlation with Organizational Design: Tangible support alongside the entire structure to demonstrate the genuine commitment to its CSR policy.
  - Crosswise, above the management of regions and business unit, Henkel has specific departments like Sustainability Management, Diversity & Inclusion and Corporate Citizenship that report directly to the top management of the organization.
- Correlation with Ethics Code and Training: Documents that allow to established expectation and boundaries of acceptable behavior:
  - Henkel's Code of Conduct and Code of Corporate Sustainability;
  - Henkel's Corporate Audit department.
- **Measurement & Performance**
  - Correlation with Performance Metrics: Existence of a standardized set of metrics to measure the accomplishment of the standards in various areas, settled by the company and its stakeholders.
    - Henkel follows standardized metrics worldwide accepted in the following areas:
      - Finance: Generally Accepted Accounting Principles (GAAP)
      - Sustainability: Standards of the Global Reporting Initiative (GRI).
    - In addition, Henkel is evaluated externally over its performance:

- Finance: DAX-30, one of thirty major German companies trading on the Frankfurt Stock Exchange.
  - Sustainability: included FTSE4Good Index and STOXX Global ESG.
- **Corporate financing**
  - Correlation with Integrated Reporting: Adding to the organization financial reports, the organization should provide a report on the results regarding its CSR Strategy.
    - Quarterly, Henkel provides information regarding the financial results of the period in question by BU and Region and the business priorities for the next quarter.
    - At the end of each fiscal year, Henkel makes two publications:
      - Annual Report and Financial Statements of Henkel AG & Co. KGaA: Financial results of the year and evaluation of the goals previously settled.
      - Sustainability Report: Non- Financial results of the year according to the principles and standard disclosures specified in Standards of the Global Reporting Initiative (GRI).
- **Corporate investment**
  - Correlation with Activism and advocacy: The association to causes or NGO's helps to define the organization identity and strengthen relationships with its stakeholders.
    - Partnership with the Plastic Bank: social enterprise that aims to reduce the amount of plastic waste that enters the oceans;
    - Volunteer work at the Habitat for Humanity organization;
    - Member of the cross-sector initiative “Roundtable on Sustainable Palm Oil”, the world’s largest organization for the certification of palm oil;
    - Founding member of the Alliance to End Plastic Waste;
    - Member of the initiative “Together for Sustainability”.

In conclusion, we can affirm that Henkel considers the environment it operates in as a driver of its business, as is expressed by the company’s Sustainability Strategy purpose. In addition, with the analysis of the company practical application on each feature, we can

conclude that Henkel has a purposeful business, and has performed a set of actions to ensure a long-term implementation of CSR as a key element of its strategy.

## **2.8 Slides from case resolution**

The slides for case study resolution are presented on Appendix K.

## **2.9 Conclusions**

Nowadays, all companies are under tight scrutiny of consumers, competitors, NGOs, amongst other various stakeholders. This scrutiny focus mainly on environmental issues, like climate change or pollution, and social issues, such as human rights. Companies no longer the luxury to be indifferent to these matters, because stakeholders will not hesitate on holding them accountable for any negative impact made by their operations.

Companies operate within a dynamic environment with multiple stakeholders, and each one has different needs that the firm should meet at the best of its capabilities. The company ability to build a sustainable competitive advantage within its operation environment, distinguishes a successful business strategy from a failing one. Therefore, a multinational company like Henkel, being at the forefront of the social and environmental needs of its stakeholders, contributes for the build of a sustainable competitive advantage.

This case study proposed to evaluate the extent of CSR integration within Henkel's business strategy, considering that the company is in a favourable position to use CSR as a resource to achieve a sustainable competitive advantage. The conclusions reached are:

- Henkel considers the creation of value for customers/consumers, for the communities, and for the company itself as a driver for its business. Aligned with the corporate purpose of "*Creating sustainable value*", is the goal of reducing the environmental footprint has stated in the Henkel's sustainability strategy.
- Additionally, we verified that in order to fulfill the strategy and goal mentioned above, the company has a set of actions employed at every phase of its value chain.
- Also, Henkel has mechanisms implemented to measure the impact that its operations have in the multiple stakeholders across the value chain. These mechanism contribute actively has a filter for the decision-making process regarding the company's business strategy and tactics.

- The verdict on the integration of CSR in Henkel's strategy is that CSR plays a significant role on the business strategy and is a core resource of one of Henkel's competitive advantages.

This pedagogical case study can be a practical tool:

- To apply strategic management tools to the reality of the multinational company that operates in three different markets;
- To comprehend how companies can address CSR as a whole;
- To identify the benefits and challenges faced by companies, when implementing a CSR strategy.

## Bibliography

### Books and articles

- Almeida, L. (2012). *Responsabilidade Social das Empresas – O exemplo EDP*, Unpublished master dissertation, Universidade Católica Portuguesa. Lisboa, Portugal
- Barney, J.B., & Hesterly, W. (2014). *Strategic Management and Competitive Advantage* (5<sup>th</sup> edition). Upper Saddle River, NJ: Prentice Hall
- Berstein, A. (2004, September 20). *Nike's Game Plan for Sweatshops*, Bloomberg Business Week
- Bowen, H. R. (1953). *Social Responsibilities of the Businessman*. Iowa City: University of Iowa Press.
- Carroll, A. (1979). A three-dimensional conceptual model of corporate performance. *Academy of Management Review* 1979, Vol. 4, 497-505
- Carroll, A. B. (1991). *The Pyramid of Corporate Social Responsibility: Towards the Moral Management of Organizational Stakeholders*. Elsevier, 39–48.
- Carroll, A. B. (1999). *Corporate Social Responsibility: Evolution of a Definitional Construct* | Archie Carroll. Sage Publications
- Carroll, A. B. (2016). Carroll's pyramid of CSR: taking another look. *International Journal of Corporate Social Responsibility*, 1(1): 3.
- Carroll, A. B., & Shabana, K. M. (2010). *The Business Case for Corporate Social Responsibility: A Review of Concepts, Research and Practice*. International Journal of Management Reviews
- Chandler, D., & Werther, W. B. J. (2014). *Strategic Corporate Social Responsibility: Stakeholders, Globalization, and Sustainable Value Creation* (3<sup>rd</sup> ed.). London: SAGE.
- Dahlsrud, A. (2008). *How corporate social responsibility is defined: an analysis of 37 definitions*. Corporate Social Responsibility and Environmental Management
- Drucker, P. F. (1984). *Converting Social Problems into Business Opportunities: The New Meaning of Corporate Social Responsibility*. California Management Review
- Freeman, R. E. (1984). *Strategic Management: A Stakeholder Approach*. Massachusetts: Pitman Publishing Inc.
- Friedman, F. (1970, September 13). *The Social Responsibility of Business is to Increase its Profits*. The New York Times.
- Eiras, M. (2015). *O processo de réplica: caso de estudo pedagógico do projeto Re-food*, Unpublished master dissertation, ISCTE Business School. Lisboa, Portugal
- Grant, R. M. (2010). *Contemporary Strategy Analysis*, (7<sup>th</sup> edition). West Sussex: John Wiley & Sons Ltd.

- Hargrave, T. (2015). *Review: Strategic Corporate Social Responsibility: Stakeholders, Globalization, and Sustainable Value Creation*, The Academy of Management Learning and Education. Vol. 14, No. 4, 1–3
- Hamel, G. & Prahalad, C. K. (1994), *Competing for the Future*, Harvard Business Review, July-August
- Hesselbein, F. (2010, June 9). *How Did Peter Drucker See Corporate Responsibility?* Harvard Business Review
- Knudson, H. (2018). *Making the business case: The effects of corporate social responsibility on SME competitiveness, The Road-CSR project Interreg Europe*. Retrieved from [www.interregeurope.eu/fileadmin/user\\_upload/tx\\_tevprojects/library/file\\_1523518061.pdf](http://www.interregeurope.eu/fileadmin/user_upload/tx_tevprojects/library/file_1523518061.pdf)
- Porter, M. E. (2008). *The five competitive forces that shape strategy*. Harvard Business Review, (January). <https://doi.org/Article>.
- Porter, M. E., & Kramer, M. R. (2006). *Strategy and Society: The Link Between Competitive Advantage and Corporate Social Responsibility*. Harvard Business Review, (December): 78–93.
- Porter, M. E., & Kramer, M. R. (2011, January-February). *Creating Shared Value*. Harvard Business Review
- Santana, J. (2014). *How to think and act strategically –The pedagogical case study of Haiti Healthy Kids*, Unpublished master dissertation, ISCTE Business School. Lisboa, Portugal
- Silva, M. (2019). *Strategic Social Responsibility and its impact on Startup Strategy: A qualitative study with Portuguese Startups*, Unpublished master dissertation, ISCTE Business School. Lisboa, Portugal
- Smith, N.C. (2003). **Corporate social responsibility: Whether or how?**, California Management Review, Vol. 45, p. 52-76.
- The British Academy. (2019, November). *Principles for Purposeful Business - How to deliver the framework for the Future of the Corporation*.
- The British Academy. (2018, November). *Reforming Business for the 21st Century – A framework for the Future of the Corporation*.
- Visser, W., & Toldhurst, N. (2010). *The world Guide to CSR: A country-by-country analysis of Corporate Sustainability and Responsibility*. Greenleaf Publishing Limited
- Yin, K. (2003). *Case study research: Design and Methods* (3<sup>rd</sup> ed.). London: Sage Publications.
- Zadek, S. (2004, December). *The Path to Corporate Responsibility*. Harvard Business Review, pp. 125–133.

### **Electronic documents and sources**

Association of Corporate Citizenship Professionals (n.d.). *Corporate Social Responsibility: A Brief History*. Retrieved from [www.accprof.org/ACCP/ACCP/About\\_the\\_Field/Blogs/Blog\\_Pages/Corporate-Social-Responsibility-Brief-History.aspx](http://www.accprof.org/ACCP/ACCP/About_the_Field/Blogs/Blog_Pages/Corporate-Social-Responsibility-Brief-History.aspx) - Consulted in 17th May, 2020

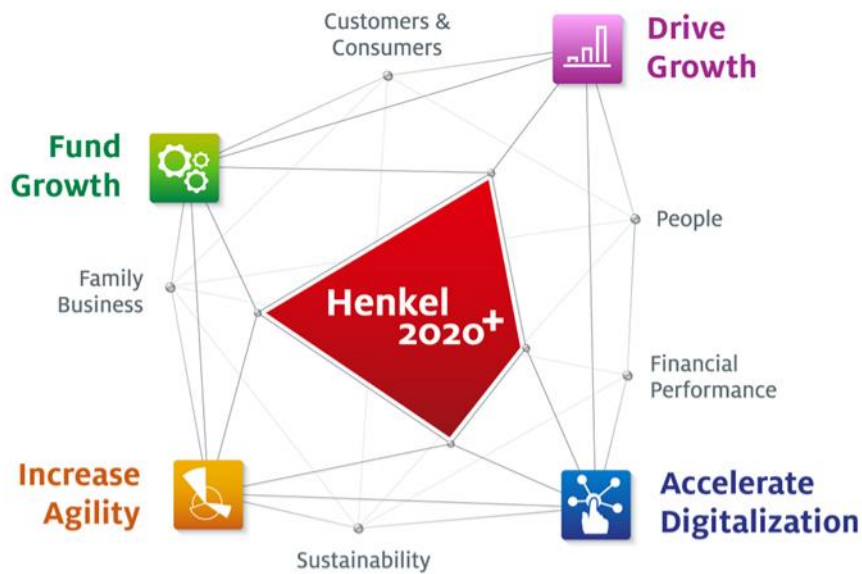


- Commission on Environment, W. (1987). *Report of the World Commission on Environment and Development: Our Common Future Towards Sustainable Development*. <http://www.un-documents.net/our-common-future.pdf>.
- Davis, C., & Wilcock, E. (2003). *Teaching materials using case studies*, UK Centre for Education. Retrieved from <http://www.materials.ac.uk/guides/1-casestudies.pdf>
- Economy of Germany (2020). Retrieved from [https://en.wikipedia.org/wiki/Economy\\_of\\_Germany](https://en.wikipedia.org/wiki/Economy_of_Germany) - Consulted in 9th November, 2020
- Financial times (2012) The case study: *Henkel's culture shift*. Retrieved from <https://www.ft.com/content/6a85b182-1128-11e2-a637-00144feabdc0> - Consulted in 9th November, 2020
- Global Cosmetic Industry (2020, May 4). *Top 50 Most Valuable Cosmetics Brands: Brand Finance*. Retrieved from <https://www.gcimagazine.com/business/marketers/announcements/Top-50-Cosmetics-Companies-Brand-Finance-570171121.html> - Consulted in 9th November, 2020
- Henkel AG & Co. KGaA (2020). *Henkel Official Website*. Retrieved from <https://www.henkel.com> – Consulted in 17<sup>th</sup> July, 2020
- Henkel AG & Co. KGaA (2020). *Adhesive Technologies*. Retrieved from <https://www.henkel.com/brands-and-businesses/adhesive-technologies> – Consulted in 17<sup>th</sup> July, 2020
- Henkel AG & Co. KGaA (2020). *Creating Smarter Packaging*. Retrieved from [https://www.henkel.com/sustainability/positions/packaging#Tab-805236\\_2](https://www.henkel.com/sustainability/positions/packaging#Tab-805236_2) – Consulted in 17<sup>th</sup> July, 2020
- Henkel AG & Co. KGaA. (2020). *General Sitemap (Diverse Tabs)*. Retrieved from <https://www.henkel.com/sitemap-com#pageID=9388> – Consulted lastly in 30<sup>th</sup> September, 2020
- Henkel AG & Co. KGaA. (2020, June). *Henkel SDGs Contribution List EN*. Retrieved from [https://www.henkel.com/sustainability/positions/sustainable-development-goals#Tab-805378\\_3](https://www.henkel.com/sustainability/positions/sustainable-development-goals#Tab-805378_3) – Consulted in 17<sup>th</sup> July, 2020
- Henkel AG & Co. KGaA (2020). *Targets*. Retrieved from <https://www.henkel.com/sustainability/strategy/targets> – Consulted in 17<sup>th</sup> July, 2020
- Henkel AG & Co. KGaA. (2020). *Facts and Figures 2019*. Retrieved from <https://www.henkel.com/resource/blob/1040428/6f199be3985aadb7997a832a21783fe2/data/2019-facts-and-figures.pdf> – Consulted in 17<sup>th</sup> July, 2020
- Henkel AG & Co. KGaA (2020). *Management & Corporate Boards*. Retrieved <https://www.henkel.com/company/management-corporate-boards> - Consulted in 17<sup>th</sup> July, 2020
- Henkel AG & Co. KGaA. (2020). *Henkel in the Media*. Retrieved from <https://www.henkel.com/press-and-media/henkel-in-the-media> – Consulted in 9th November, 2020

- Henkel AG & Co. KGaA. (2019). *Annual Report 2019*. Retrieved from <https://www.henkel.com/investors-and-analysts/financial-reports> – Consulted in 17<sup>th</sup> July, 2020
- Henkel AG & Co. KGaA. (2019). *Sustainability Report 2019*. Retrieved from <https://www.henkel.com/sustainability/sustainability-report> – Consulted in 17<sup>th</sup> July, 2020
- Henkel AG & Co. KGaA. (2018). *Sustainability Report 2018*. Retrieved from <https://www.henkel.com/sustainability/sustainability-report> – Consulted in 17<sup>th</sup> July, 2020
- Henkel AG & Co. KGaA. (2017). *Sustainability Report 2017*. Retrieved from <https://www.henkel.com/sustainability/sustainability-report> – Consulted in 17<sup>th</sup> July, 2020
- Henkel, (2017), *Code of Conduct*. Retrieved from <https://www.henkel.com/resource/blob/20062/e95f6fa610d0f902ce1922d4cd1b5ac5/data/code-of-conduct-en-de.pdf> – Consulted in 17<sup>th</sup> July, 2020
- Henkel AG & Co. KGaA (2016). *Henkel 2020+ Our Strategy priorities for the future*. Retrieved <https://www.henkel.com/resource/blob/725636/53982af79b3fdfea64c6e8f09b29a6c5/data/2016-11-17-henkel-press-conference-presentation-strategy-website-download.pdf> – Consulted in 17<sup>th</sup> July, 2020
- Henkel AG & Co. KGaA (2016, September 22). *Henkel Celebrates its birthday*. Retrieved from <https://www.henkel.com/resource/blob/725636/53982af79b3fdfea64c6e8f09b29a6c5/data/2016-11-17-henkel-press-conference-presentation-strategy-website-download.pdf> – Consulted in 17<sup>th</sup> July, 2020
- Henkel, (2013), *Code of Corporate Sustainability*. Retrieved from <https://www.henkel.com/resource/blob/20068/fa282d91d4387f043594be0283218b12/data/code-of-corporate-sustainability.pdf> – Consulted in 17<sup>th</sup> July, 2020
- Silver, C. (2020, March 18). *The Top 20 Economies in the World*. Retrieved from <https://www.investopedia.com/insights/worlds-top-economies/> - Consulted in 9<sup>th</sup> November, 2020
- Together for Sustainability* (2020). Retrieved from <https://tfs-initiative.com/> - Consulted in 17<sup>th</sup> July, 2020
- Triple Pundit, Leslie Back (2011, May 6). *The Five Driving Forces of CSR: Can You Name a Sixth?*. Retrieved from <https://www.triplepundit.com/story/2011/five-driving-forces-csr-can-you-name-sixth/77676> – Consulted in 27<sup>th</sup> May, 2020
- United Nations Development Programme (2020). *Human Development Index (HDI)*. Retrieved from <http://hdr.undp.org/en/content/human-development-index-hdi> - Consulted in 9<sup>th</sup> November, 2020
- United Nations [UN] (n.d.), *About the Sustainable Development Goals*. Retrieved from <https://www.un.org/sustainabledevelopment/sustainable-development-goals/> - Consulted at 2<sup>nd</sup> June, 2020
- United Nations Industrial Development Organization [UNIDO] (n.d.). *What is CSR?* Retrieved from <https://www.unido.org/our-focus/advancing-economic-competitiveness/competitive-trade-capacities-and-corporate-responsibility/corporate-social-responsibility-market-integration/what-csr> – Consulted in 17<sup>th</sup> May, 2020

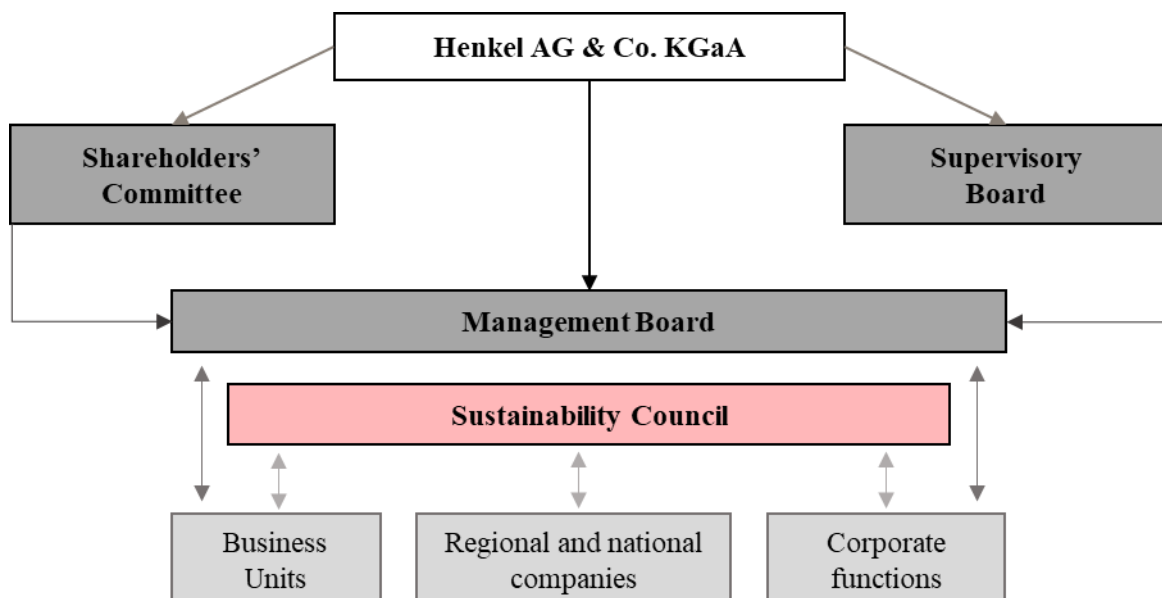
## Appendix

### Appendix A - Overview of Henkel's strategic priorities and values



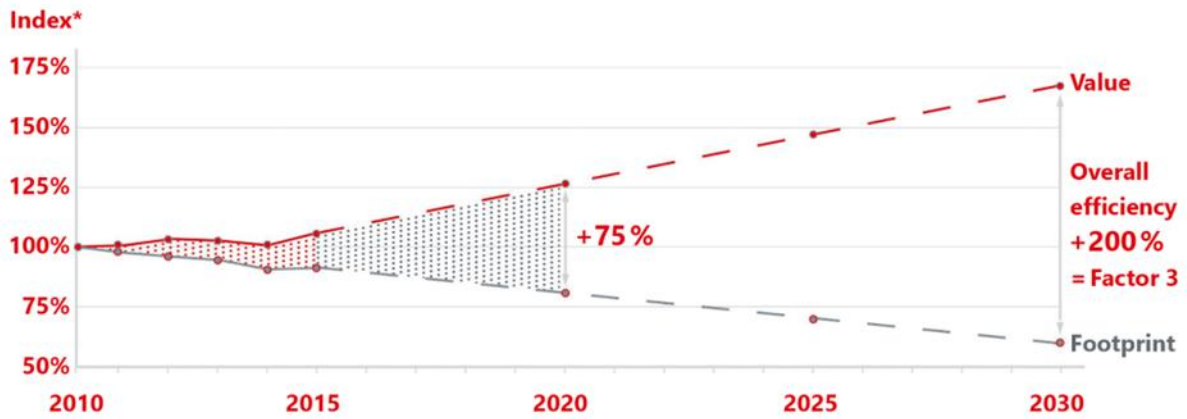
From Henkel AG & Co. KGaA (2016)

### Appendix B - Henkel's organizational chart

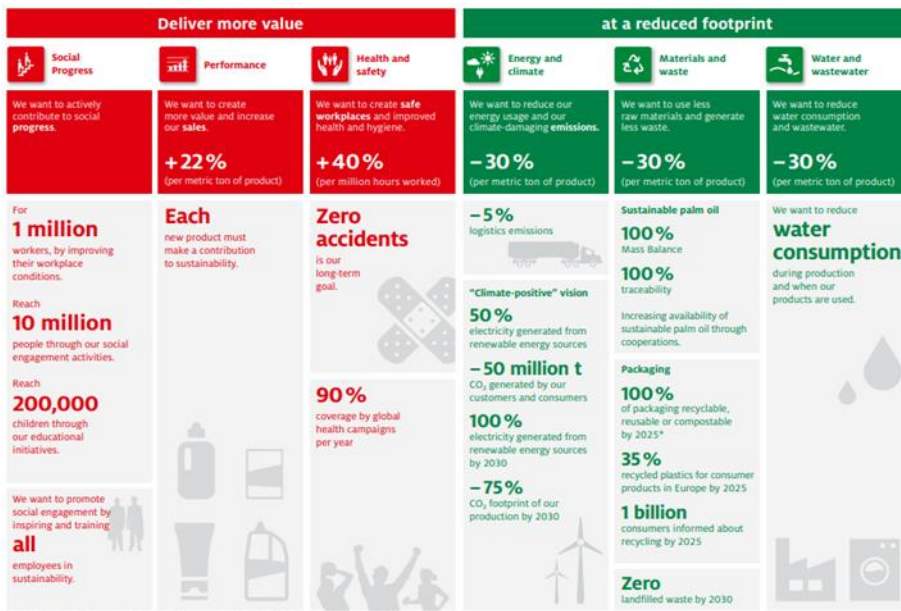


Adapted from Henkel AG & Co. KGaA (2020). *Management & Corporate Boards*

## Appendix C – Sustainable Goal for 2030 and Indicators per area



Henkel AG & Co. KGaA (2020). *Targets*



\* Excluding adhesive products where residue may affect recyclability or pollute recycling streams.

Henkel AG & Co. KGaA. (2019). Our goals for 2020 and beyond, *Sustainability Report 2019*, p.30

Appendix D- The 17 Sustainable Development Goals (SDGs)

Sustainable Development Goals (SDG) Henkel's Contribution and Activities	
<b>Goal 1:</b> End poverty in all its forms everywhere	<ul style="list-style-type: none"> <li>✓ Partnership with Plastic Bank</li> <li>✓ Training program "Shaping Futures"</li> <li>✓ Corporate volunteering</li> <li>✓ Social engagement</li> </ul>
<b>Goal 2:</b> End hunger, achieve food security and improved nutrition and promote sustainable agriculture	<ul style="list-style-type: none"> <li>✓ Support for smallholder farmers</li> <li>✓ Brand initiative #enjoytogether</li> <li>✓ Corporate volunteering</li> </ul>
<b>Goal 3:</b> Ensure healthy lives and promote well-being for all at all ages	<ul style="list-style-type: none"> <li>✓ Health, safety and vitality</li> <li>✓ Product safety</li> <li>✓ Improving labor standards &amp; workplace safety</li> <li>✓ Human rights and social standards</li> </ul>
<b>Goal 4:</b> Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all	<ul style="list-style-type: none"> <li>✓ Social education activities</li> <li>✓ Social progress</li> <li>✓ Training and professional development</li> <li>✓ Say Yes! To the Future initiative</li> <li>✓ Forscherwelt (Researchers' World)</li> <li>✓ Smallholder projects promote sustainable production</li> </ul>
<b>Goal 5:</b> Achieve gender equality and empower all women and girls	<ul style="list-style-type: none"> <li>✓ Million Chances initiative</li> <li>✓ Social progress</li> <li>✓ Empowering women</li> </ul>
<b>Goal 6:</b> Ensure availability and sustainable management of water and sanitation for all	<ul style="list-style-type: none"> <li>✓ Initiatives for consumers and customers</li> <li>✓ Water target</li> <li>✓ Product stewardship</li> <li>✓ Volunteering project</li> </ul>
<b>Goal 7:</b> Ensure access to affordable, reliable, sustainable and modern energy for all	<ul style="list-style-type: none"> <li>✓ Climate-positive by 2040</li> <li>✓ CO<sub>2</sub> reduction and energy targets</li> <li>✓ New production facility with holistic concept including the use of renewable energies</li> </ul>
<b>Goal 8:</b> Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all	<ul style="list-style-type: none"> <li>✓ "More with less" strategic framework</li> <li>✓ Support for smallholder farmers</li> <li>✓ Codes and Standards</li> <li>✓ Innovation</li> <li>✓ Responsible Sourcing</li> </ul>
<b>Goal 9:</b> Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation	<ul style="list-style-type: none"> <li>✓ Industry 4.0</li> <li>✓ Logistics footprint reduction</li> <li>✓ Waste target</li> </ul>
<b>Goal 10:</b> Reduce inequality within and among countries	<ul style="list-style-type: none"> <li>✓ Diversity &amp; Inclusion</li> <li>✓ Integration program</li> </ul>
<b>Goal 11:</b> Make cities and human settlements inclusive, safe, resilient and sustainable	<ul style="list-style-type: none"> <li>✓ Intelligent material replacement in construction industry</li> <li>✓ Welcome Home program</li> <li>✓ Building homes, rebuilding lives</li> </ul>
<b>Goal 12:</b> Ensure sustainable consumption and production patterns	<ul style="list-style-type: none"> <li>✓ Help customers reduce emissions</li> <li>✓ Henkel footprint calculator</li> <li>✓ Sustainable packaging and circular economy</li> <li>✓ "More with less" strategic framework</li> </ul>
<b>Goal 13:</b> Take urgent action to combat climate change and its impacts	<ul style="list-style-type: none"> <li>✓ Climate-positive by 2040</li> <li>✓ CO<sub>2</sub> reduction and energy targets</li> <li>✓ CO<sub>2</sub> emissions target approved by Science Based Targets initiative</li> <li>✓ Help customers reduce emissions</li> </ul>
<b>Goal 14:</b> Conserve and sustainably use the oceans, seas and marine resources for sustainable development	<ul style="list-style-type: none"> <li>✓ Partnership with Plastic Bank</li> <li>✓ Product stewardship</li> </ul>
<b>Goal 15:</b> Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss	<ul style="list-style-type: none"> <li>✓ Sustainable palm oil and zero net deforestation</li> <li>✓ Responsible Sourcing</li> <li>✓ Paper and cardboard</li> </ul>
<b>Goal 16:</b> Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels	<ul style="list-style-type: none"> <li>✓ Codes and standards</li> <li>✓ Governance &amp; Compliance</li> </ul>
<b>Goal 17:</b> Strengthen the means of implementation and revitalize the global partnership for sustainable development	<ul style="list-style-type: none"> <li>✓ Initiatives and Partnerships</li> <li>✓ Stakeholder dialog</li> <li>✓ UN Global Compact</li> <li>✓ Collaboration and Partnerships (selection)</li> </ul>

Henkel AG & Co. KGaA. (2020, June). *Henkel SDGs Contribution List EN* [adapted]

## Appendix E – Indicators & Progress

Indicators & Progress					
	2014	2015	2016	2017	2018
<b>Economic indicators</b>					
Sales in million euros	16,428	18,089	18,714	20,029	19,899
Adjusted <sup>1</sup> operating profit (EBIT) in million euros	2,588	2,923	3,172	3,461	3,496
Adjusted <sup>1</sup> return of sales (EBIT) in percent	15.8	16.2	16.9	17.3	17.6
Adjusted <sup>1</sup> earnings per preferred share (EPS) in euros	4.38	4.88	5.36	5.85	6.01
Dividend per ordinary share in euros	1.29	1.45	1.60	1.77	1.83 <sup>2</sup>
Dividend per preferred share in euros	1.31	1.47	1.62	1.79	1.85 <sup>2</sup>
<b>Environmental indicators</b>					
Amount of production in thousand metric tons	7,837	7,924	8,419	9,390	9,057
Energy consumption in thousand megawatt hours	2,227	2,302	2,377	2,539	2,500
Carbon dioxide emissions in thousand metric tons	626 <sup>3</sup>	647 <sup>3</sup>	675 <sup>3</sup>	721 <sup>3</sup>	691 <sup>3</sup>
Water consumption in thousand cubic meters	7,440	7,260	7,630	8,448	8,136
Waste for recycling and disposal in thousands metric tons <sup>4</sup>	118	112	120	123	124
<b>Employee indicators</b>					
Employees <sup>5</sup> (as of December 31)	49,750	49,450	51,350	53,700	53,000
Proportion of female employees in percent	33.2	33.6	33.1	34.3	34.4
Proportion of female employees in management positions in percent	33	33	34	34.5	35
Average number of training days per employee	1.5	2.1	1.6	1.8	1.7
Participation in employee share program in percent	30.1	29.7	30.7	31.4	31.5
Occupational accidents per million hours worked	0.9	0.8	1.0	1.1	1.0
<b>Social indicators</b>					
Donations in million euros (financial and product donations, not counting paid time off from work)	8,238	8,316	7,814	8,037	8,304
Number of projects supported	2,265	3,431	2,051	2,124	2,032

<sup>1</sup> Adjusted for one-time charges/gains and restructuring expenses.

<sup>2</sup> Proposal to shareholders for the Annual General Meeting on April 8, 2019.

<sup>3</sup> In 2018, change of the calculations (scope 2) from a location-based to a market-based method according to the Greenhouse Gas (GHG) Protocol.







<sup>4</sup> We have removed the share of construction and demolition waste from our footprint and shown it separately, as the presence or absence of some larger construction projects have a significant effect on our waste footprint. This has enabled us to show the performance of our sites and our progress more transparently.

<sup>5</sup> Basis: permanent staff excluded trainees. Figures have been rounded.

Adapted from Henkel AG & Co. KGaA. (2019). Indicators, *Sustainability Report 2019*, p.30

Appendix F – Henkel Environment Indicators

In thousands of metric tons of CO<sub>2</sub>/CO<sub>2</sub> equivalent

	 1. Raw materials	 2. Production	 3. Logistics	 4. Industry and retail	 5. Consumers	 6. Disposal/recycling	
Direct CO <sub>2</sub> emissions (Scope 1)		Energy use at our production sites: 351					351 (1%)
Indirect CO <sub>2</sub> emissions (Scope 2)		Bought-in energy <sup>1</sup> (electricity, steam): 315					315 (1%)
Indirect emissions in CO <sub>2</sub> equivalents (Scope 3)	Chemicals: 9,842 Packaging: 1,776 <sup>1</sup> Raw materials transportation: 211	Production waste: 6 Business travel: 73	Transportation of our products: 642		Use of our products: 28,944	Disposal of our products: 1,649	43,143 (98%)
	11,829 (27%)	745 (2%)	642 (1%)		28,944 (66%)	1,649 (4%)	
<b>Total: around 43,809 thousand metric tons of CO<sub>2</sub> / CO<sub>2</sub> equivalent</b>							

<sup>1</sup> Refined calculation method produces differences compared to the previous year.

Henkel AG & Co. KGaA. (2019). Environmental indicators, *Sustainability Report 2019*, p.179

Appendix G – Responsible Sourcing Process: Six-step supplier management process



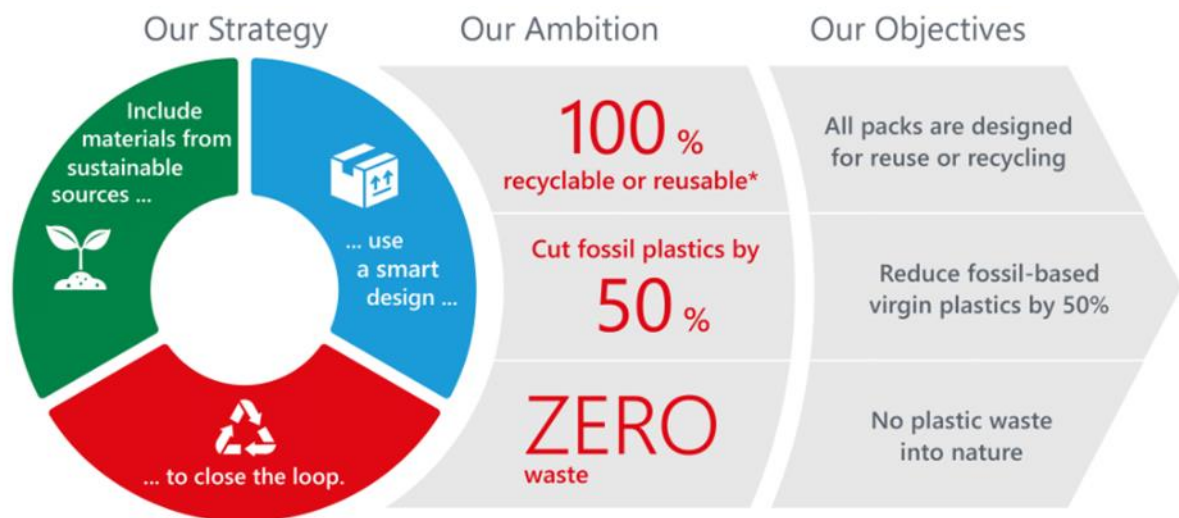
Henkel AG & Co. KGaA. (2019). Responsible Sourcing Process, *Sustainability Report 2019*, p.53

## Appendix H – “Together for Sustainability” (TfS) initiative



Henkel AG & Co. KGaA. (2019). “Together for Sustainability” – Together for a sustainable supply chain, *Sustainability Report 2019*, p.55

## Appendix I – Driving progress towards a circular economy









\*Excluding adhesive products where residue may affect recyclability or pollute recycling streams.

\* Excluding adhesive products where residue may affect recyclability or pollute recycling streams.





Henkel AG & Co. KGaA. (2019). *Creating Smarter Packaging*



Appendix J – External Assessments: Sustainability Indices and Ratings 2019

Sustainability indices 2019	
 <p>ECPI Index</p>	<p><b>Milan:</b> Henkel is listed in the ECPI Euro Ethical Equity and ECPI EMU Ethical Equity Indices. According to the screening procedure adopted by ECPI, the 150 market-capitalized companies included in the ECPI Indices constitute the most highly recommended investments in the European market (Euro) and the European Monetary Union (EMU), respectively. ECPI S.r.l. is part of Gruppo Medio S.p.A., and launched the two ethics indices in 1999.</p>
 <p>Ethibel Sustainability Indices and Investment Registers</p>	<p><b>Paris:</b> Henkel was again included in the Ethibel Sustainability Indices Excellence Europe and Excellence Global, and was listed in the Ethibel Pioneer and Excellence Investment Registers. Inclusion by the Forum Ethibel qualifies Henkel as a leader in the field of corporate social responsibility in its sector.</p>
 <p>Euronext Vigeo Eiris Indices</p>	<p><b>Paris:</b> Henkel was again listed in the Euronext Vigeo Eiris sustainability indices World 120, Europe 120 and Eurozone 120. They are issued by the transatlantic stock exchange NYSE Euronext and the rating agency Vigeo Eiris, and include the 120 highest ranking companies in the respective index.</p>
 <p>FTSE4Good Ethical Index</p>	<p><b>London:</b> For the 19th consecutive year, Henkel is included in the FTSE4Good ethical index, which was first introduced by the Financial Times and the London Stock Exchange in 2001.</p>
 <p>Global Challenges Index</p>	<p><b>Hamburg:</b> Henkel was again one of only 50 companies worldwide to be listed in the Global Challenges Index, which is provided by the Börse Hannover and the German rating agency ISS-oekom. Henkel has been included in the Global Challenges Index since 2007.</p>
 <p>MSCI World ESG Index and MSCI Europe ESG Index*</p>	<p><b>New York:</b> Henkel is again included in the Sustainability Indices MSCI ACWI ESG Leaders and MSCI ACWI SRI. These include companies with a strong risk and opportunity management approach for environmental, social and governance (ESG) performance.</p>
 <p>STOXX ESG Leaders Indices</p>	<p><b>Zurich:</b> STOXX Limited again included Henkel in the STOXX Global ESG Leaders Indices. It assesses companies in terms of their environmental, social and governance performance. The underlying data is provided by the Dutch rating agency Sustainalytics.</p>

Adapted from Henkel AG & Co. KGaA. (2019). External assessments, *Sustainability Report 2019*, p.173

Sustainability ratings 2019	
 <p>EcoVadis</p>	<p><b>Paris:</b> As a member of the “Together for Sustainability” initiative, Henkel’s sustainability management was again assessed by the international rating agency EcoVadis. Based on its corporate social responsibility rating, Henkel was awarded the highest assessment category</p>
 <p>ISS-oekom research</p>	<p><b>Munich:</b> Henkel retained its Prime Status from ISS-oekom. With the rating B, Henkel was the best performer in the consumer goods sector. Since 1993, the rating agency has actively helped to shape the sustainable investment market.</p>
 <p>SUSTAINALYTICS</p>	<p><b>Amsterdam:</b> The sustainability rating published by Sustainalytics recognizes Henkel as a global leader in its “Household &amp; Personal Products” sector comparison. The comparative analysis is based on the ESG approach, assessing environmental, social and governance performance.</p>
 <p>Zürcher Kantonalbank</p>	<p><b>Zurich:</b> Henkel was evaluated with the grade “AA” in the sustainability rating conducted by Zürcher Kantonalbank (ZKB). As such, Henkel’s place was confirmed in the sustainable investment universe of the ZKB, which forms the basis for various investment products offered by the Swiss cantonal banks.</p>

Adapted from Henkel AG & Co. KGaA. (2019). External assessments, *Sustainability Report 2019*, p.174

## Appendix K – Slides from case resolution

iscte

*How is CSR incorporated into a firm's strategy –  
The pedagogical case study of Henkel*

iscte

*How is CSR incorporated into a firm's strategy – The pedagogical case study of Henkel*

1. To what extent does Henkel use CSR as a key element of business strategy?  
Please justify your answer.

- Definition of Strategic CSR
  - CSR as both a means and an end:
    - The mean used by the company for the delivering of its products;
    - Bringing stakeholder concerns to the forefront as an end to preserve the legitimacy of its actions in the broader society.
  - Understanding of business strategy:
    - Strategy aims to provide the business with a foundation of a sustainable competitive advantage;
    - The strategy must be accepted by the wider environment in which the company competes.
  - Components that define strategic CSR:
    - A. Incorporation of a CSR perspective within their strategy;
    - B. Every action has to be directly linked to core operations;
    - C. Incorporation of a stakeholder perspective;
    - D. Shift from a short term to a medium-long term perspective regarding the management of the firm's resources and its stakeholders' relations.

**iscte** INSTITUTO UNIVERSITÁRIO DE CIÊNCIAS E TECNOLOGIA How is CSR incorporated into a firm's strategy – The pedagogical case study of Henkel

**1. To what extent does Henkel use CSR as a key element of business strategy? Please justify your answer.**

- Components that define strategic CSR
  - A. Incorporation of a CSR perspective within Henkel's strategy

The diagram illustrates the integration of CSR into Henkel's operations. At the top, a box labeled 'The environmental footprint of companies' points to a central Venn diagram. The Venn diagram consists of two overlapping circles: 'Firm operations' on the left and 'Environmental constraints' on the right. Above the intersection is a box for 'Social Issues'. Below the intersection, two arrows point downwards: 'Responsive CSR' (grey) and 'Strategic CSR' (red). To the left of the Venn diagram, a text box states: 'Henkel's operations entail the production, distribution and sales (B2B & B2C) of Adhesive Technologies, Laundry and Beauty Care Products (B2C)'. To the right, another text box states: 'The nature of Henkel's operations, involves the emission of CO2 in diverse points of the value chain: The eminent usage of energy, water and plastic in order to maintain the quality of Henkel's products.' Below the Venn diagram, a box defines the sustainability purpose: 'Henkel's undertake on the social issues, considering its operations and environmental constrains: Sustainability purpose "Creating more value for customers and consumers, for the communities it operate in, and for the company – while reducing environmental footprint at the same time"'

**iscte** INSTITUTO UNIVERSITÁRIO DE CIÊNCIAS E TECNOLOGIA How is CSR incorporated into a firm's strategy – The pedagogical case study of Henkel

**1. To what extent does Henkel use CSR as a key element of business strategy? Please justify your answer.**

- Components that define strategic CSR
  - B. Every action has to be directly linked to core operations: Design the value chain of Henkel and provide a set of actions taken by the firm in each activity

<p>1. Raw materials</p>	<ul style="list-style-type: none"> <li>Policy for the selection of Suppliers</li> <li>Responsible six-step sourcing process</li> </ul>
<p>2. Production</p>	<ul style="list-style-type: none"> <li>Heat recovery system is implemented in productions centers</li> <li>Modified shift system implemented in newer plants to reduce water and energy consumption</li> </ul>
<p>3. Logistics</p>	<ul style="list-style-type: none"> <li>The focus on expanding intermodal transport</li> <li>The use of alternative mobility solutions</li> </ul>
<p>4. Industry and retail</p>	<ul style="list-style-type: none"> <li>Initiative "Together for Sustainability"</li> <li>Cooperation with retail partners in sustainability activities</li> </ul>
<p>5. Consumers</p>	<ul style="list-style-type: none"> <li>Inform consumers through targeted communication</li> </ul>
<p>6. Disposal/ recycling</p>	<ul style="list-style-type: none"> <li>Partnerships with Alliance to End Plastic Waste (AEPW)</li> <li>Participation on the "Circular Economy Mission"</li> </ul>

Finance Performance

Human Resources Management

2. What are the advantages that a CSR Filter presents to a company? Is Henkel successfully utilizing the model in its activity? To justify your answer, contribute with examples from the case.

- Explain the model provided by Chandler and Werther (2014)
  - *"The CSR filter is a conceptual screen through which strategic and tactical decisions are evaluated for their impact on the firm's various stakeholders".*
- Identify the advantages of the model
  - The company aptitude to build a sustainable competitive advantage within its operation environment, distinguish a successful business strategy from a failing one.
  - The application of a CSR filter reinforces the implementation of a CSR perspective.
- Conclude on Henkel's application of the Model within its strategy
  - Corporate Culture; Strategy; Structure; Competencies; Environment
  - The CSR Filter Mechanism
    - Close collaboration between Management & Corporate boards
    - Procurement and purchasing strategy
    - Production and Logistics Strategy
    - Disposal/recycling strategy

3. What are the Five Driving Forces of CSR according to literature? Use examples from the case to illustrate each force.

- Explanation of the 5 driving forces – Supported by the concepts mentioned in the Literature Review
- Provide clear examples from the case of each driving force
  - Affluence
    - Headquartered in Germany - The fourth largest by nominal GDP worldwide and in the top five countries with the higher Human Development Index.
  - Sustainability
    - Specific sustainability strategy implemented - Delivering more value for a diverse set of stakeholders, while reducing its environmental footprint at the same time.
  - Globalization
    - The company engages with suppliers from around 120 countries, with 184 production sites on every continent.
  - Media
    - The media outlets that act as an independent agent are prompt to report on facts, even if they deem to be detrimental for the company involved.
  - Brands
    - Henkel is the world's number one adhesives producer, leading the segment global market.

**4. Can we consider that Henkel has a purposeful business? Please support your answer with examples from the case.**

- Definition of purposeful business and identification of its principles – Supported by the concepts mentioned in the Literature Review
- Correlate the literature on the Implementation Plan for a Long term CSR Strategy and the principles of Purposeful Business. Provide a clear example from the case study of each principle/measure.

Principles of Purposeful Business	Implementation Plan	Practical example Henkel
Corporate law	Executive Investment CSR Officer	
Ownership	Stakeholder Involvement	
Corporate governance	Corporate governance CSR Vision Organizational Design Ethics Code and Training	
Measurement & Performance	Performance Metrics	
Corporate financing	Integrated Reporting	
Corporate investment	Activism and advocacy	