

FEBRUARY 2014



Keiko Morimoto

# ‘Get the strategy and the team right’: An interview with the CEO of Henkel

**Kasper Rorsted, head of the global manufacturer since 2008, discusses the company’s growth plans, what it takes to hire good people, and how he fosters dialogue with customers and employees.**

## Klaus Behrenbeck

As consumer companies continue to expand their global presence, they face a host of formidable challenges: among them, staying close to the consumer, finding and attracting local talent, and managing an increasingly complex and far-flung organization. These challenges are familiar to Kasper Rorsted, who in April 2008 was named CEO of Henkel, the Düsseldorf-based manufacturer of home- and personal-care products and adhesive technologies. Henkel’s roster of brands includes Persil detergent, Dial soap, Fa deodorant, and Loctite glue. In recent years, the 137-year-old company has fared well—in large part by dramatically boosting its presence in emerging markets, which today

account for 45 percent of its global revenues of €16.5 billion.

Rorsted recently shared his views on his tenure at Henkel and the company’s plans for the future with McKinsey’s Klaus Behrenbeck.

**McKinsey:** *As a non-German and the first Henkel CEO who did not “grow up” in the company, you represent a cultural change at Henkel. How would you characterize that change?*

**Kasper Rorsted:** Henkel has become much more global in the past few years. We now employ

about 47,000 people from more than 120 nations, working in more than 75 countries; over 80 percent of our employees work outside Germany. Our management team has become more diverse as well: three of the six members of our management board are non-Germans, and in the managerial levels immediately below, more than half come from abroad.

Today, 55 percent of our employees are in emerging markets. By 2016, we expect this number to be 60 percent.

I am convinced that we need this diversity; it's a competitive advantage. Our company should reflect the markets in which we operate. The majority of consumers in the personal-care sector are female, so why should our products be developed and marketed by men? In that respect, too, we are leading the way among DAX-listed corporations: the share of women in management positions at Henkel is around 31 percent and has grown an average of one percentage point annually in recent years.

**McKinsey:** *And by 2016, if all goes according to plan, emerging markets will account for half of Henkel's sales.*

**Kasper Rorsted:** That's right. We have set the ambitious target of generating €20 billion in sales by 2016, €10 billion of which we expect to come from emerging markets. We're aiming for growth in both emerging and mature markets.

To be very clear: we are concentrating on markets where we hold leading positions or are able to generate sustainable growth. If we do not expect to win in a market in a reasonable period of time, we will exit that market. We will go deep

in the markets where we already have a strong presence, and we will selectively enter new growth markets.

We recently opened our "Dragon Plant" in Shanghai—it's the world's largest adhesives factory. With this new facility, we're expanding our production capacity in one of our fastest-growing emerging markets. We will continue to strengthen our position in growth markets like China, Russia, and Brazil. We're establishing seven new R&D centers in emerging markets including India, Brazil, Russia, and South Africa. We expect that in 2016, 12 of Henkel's 20 highest-revenue countries will be in emerging markets.

**McKinsey:** *At the 2013 World Economic Forum, in Davos, you told reporters that "the price for high growth is volatility." What are some of the steps Henkel has taken to manage volatility in emerging markets?*

**Kasper Rorsted:** Large, international corporations tend to become complex organizations, which makes them inflexible. But in fast-growing emerging markets, you cannot expect the same stable conditions that we are used to in mature markets—just think of the political unrest in the Middle East, for example.

To succeed in an increasingly volatile market environment, we need simple structures and processes. We are constantly adapting our structures to become faster and more flexible. In the future, we want fewer but larger manufacturing sites and a reduced number of global suppliers. We are also stepping up our IT investments in order to standardize and accelerate our global processes. And we will continue centralizing functions in shared-service centers.

**McKinsey:** *What are your plans for mature markets?*

**Kasper Rorsted:** Mature markets will remain important for us. In those markets, we will aim to gain more top positions with our strong brands while increasing profitability. One example is our home market, Germany, where we're making very high capital investments; with around 13 percent of sales, it's our second-most-important market after the United States, and it will remain a cornerstone of our success. That said, at Henkel we are also affected by the effects of the recession in Europe, and I expect Europe will continue to face an extremely challenging period over the next few years.

**McKinsey:** *You mentioned the role of your strong brands. Since becoming CEO, you've significantly reduced the number of Henkel's brands. Will you continue to do that?*

**Kasper Rorsted:** When I joined the company, Henkel had about 1,000 brands. Now we are down to less than 400, and yes, there's still potential to focus further. While our ten top brands currently account for 46 percent of sales, we're aiming for 60 percent by 2016.

At the same time, however, we will continue to invest in innovation. In our consumer businesses,

products that are less than three years old account for approximately 40 percent of sales.

**McKinsey:** *One of your newest product lines is Gliss Restore & Refresh, developed specifically for Middle Eastern women who wear veils. Tell me more about how Henkel came up with that product line.*

**Kasper Rorsted:** To succeed in the highly competitive consumer-goods environment, we need both a management team that reflects the diversity of markets in which we operate and the innovation capabilities to address a broad range of varying consumer needs. The innovation you mentioned is a remarkable example of targeted customer-relationship management. In the Middle East, which is one of our growth regions, many women wear veils. Their hair is covered for hours every day and as a result needs special care. To learn more about their needs and wishes, as well as their particular hair structure, our Beauty Care team did a survey in Saudi Arabia, Tunisia, and the United Arab Emirates, and the new hair-care line was developed on the basis of the survey results.

One of our values at Henkel is, "We put our customers at the center of what we do." We have to understand their needs and wishes and enter into a dialogue with them.



## Kasper Rorsted



### Vital statistics

Born February 24, 1962, in Aarhus, Denmark

Married, with 4 children

### Education

Earned a degree in economics from Copenhagen Business School

Participated in executive programs at Harvard Business School

### Career highlights

#### Henkel

(2008–present)  
CEO

(2007–08)

Vice chairman of the management board

(2005–07)

Executive vice president of HR, purchasing, IT, and infrastructure services

#### Hewlett-Packard

(2002–04)

Senior vice president and general manager, Europe, Middle East, and Africa (EMEA)

### Compaq

(2001–02)

Vice president and general manager, EMEA

(1995–2001)

Various management positions, including head of EMEA enterprise business group

### Fast facts

Serves on the boards of international media conglomerate Bertelsmann and Denmark-based industrial company Danfoss

**McKinsey:** *To that end, Henkel recently set up a ShopperLab and a Beauty Care Lighthouse. How do these two concepts help generate consumer insights?*

**Kasper Rorsted:** The ShopperLab is a room that re-creates the shelves of a real store. We designed it to help us further understand customer behavior in shopping environments. We can study the impact that product designs have on shelf appearance and occupancy, point-of-sale materials, and the various aspects of buying behavior. One of the techniques we use is an eye-tracking system that analyzes eye movement and translates it into heat maps,

showing patterns of shopper behavior. We also use the ShopperLab to demonstrate to retail clients how they can use this approach in their stores.

The Beauty Care Lighthouse is a unique venue where we host customers, business partners, or investors. Specific areas of the Lighthouse are devoted to topics that are important to us, such as sustainability or digital innovation. It's a space where customers can try out, for instance, new digital tools that let them test hair colorants at the point of sale. This creative atmosphere helps us engage and interact with our customers more deeply.

“You cannot run a global company from your desk. That’s why I spend around 170 days per year abroad, meeting employees as well as customers and business partners.”

Only when we are close to consumers can we offer them products that cater to their specific needs. To give another example, in our Laundry & Home Care Business, we have a global consumer-insights program that includes visits to local households by our team. Sometimes it’s that easy: simply talk to people. Henkel managers from marketing or R&D regularly visit households.

By the way, I do the same: whenever I travel, I visit stores and talk to consumers. What do you like about the product? What do you miss? Where do you see room for improvement?

**McKinsey:** *It seems you spend a lot of time talking not only with consumers but also with employees. Do you feel that’s important to do as a CEO?*

**Kasper Rorsted:** I am convinced that a visible and accessible leadership style is most effective. My door is open; I encourage colleagues to call me directly. Our employees know who I am and what I’m doing. I eat with employees in our canteens whenever I am traveling or here at headquarters. You cannot run a global company

from your desk. That’s why I spend around 170 days per year abroad, meeting employees—from top executives to young high-potential individuals—as well as customers and business partners.

As CEO, I believe that a primary task for me and the management board is to shape Henkel’s growth strategy and clearly communicate it to all employees. Last year, to present our growth strategy for 2016, the management board and I visited 28 sites in 22 countries. Overall, more than 70 town-hall meetings have taken place around the world. And of course, a critical part of my role is to make sure Henkel has the right team in place. So in summary, those are my key tasks as CEO: get the strategy and the team right.

**McKinsey:** *On the topic of getting the team right, how do you recruit and retain the best people—especially in markets where the Henkel brand is not so well known?*

**Kasper Rorsted:** It’s certainly a challenge to find and keep good local employees, especially in emerging markets. The turnover rate in China is around 25 percent. In these markets, a large

number of companies are competing for a relatively small, although steadily growing, pool of candidates. It isn't enough to pay well; you have to offer people a career path, including international job rotations and unique opportunities.

Developing an employer brand takes time. In countries where Henkel is hardly known, we prefer to target specific groups—for example, through partnerships with individual professorships all over the world. We also increasingly recruit cross-border: at international recruitment fairs, we meet highly qualified candidates studying abroad and encourage them to work for Henkel in their home countries.

And once we recruit them, we have to retain them. We do that in part by investing in their development. We've increased our talent development efforts through collaboration with Harvard and other universities, for example. This enhances our position as an attractive employer.

We have a results-driven performance culture. We put great emphasis on internal promotion and talent development. Hence, Henkel has one of the youngest management boards among European public companies, and all the members

of the management board—aside from me—came from within Henkel.

**McKinsey:** *In 2013, Henkel began a global rollout of a new leadership-development program. Can you say more about that?*

**Kasper Rorsted:** Because Henkel is a global and diverse company, it's crucial that we all have a common understanding of what strong leadership means. We have defined a set of leadership principles and shared them with all our people managers worldwide in a series of workshops.

Our global leadership team is aware that they will be assessed on the basis of their leadership conduct. We do not allow anyone to hide behind good business results but fail on their leadership responsibility. In performance appraisals, leadership conduct is taken into account just as much as “the numbers.”

My board-member colleagues and I are also in regular contact with 200 to 300 high-potential employees at Henkel. Anytime we travel, we arrange informal breakfast meetings or roundtables with them. We know who is performing particularly well in a country and might be ready for the next steps. This system works very well—around 80 percent of managerial



positions at Henkel are filled through internal promotions. When I first joined the company, I was surprised how many colleagues had spent half of their lives at Henkel! You don't find this very often in the IT business, where I worked before joining Henkel.

**McKinsey:** *Speaking of your IT background, what role do IT and digital technologies play in Henkel's corporate strategy?*

**Kasper Rorsted:** Markets are reacting much faster than ever before. We see faster decision making, faster information transfer. These trends fundamentally change the business environment. Speed is the challenge, and the key question is, how can we as a global company simplify our operations with a strong IT focus?

We aim to turn Henkel into a "real-time enterprise." We are working on several initiatives, such as a standardized master data-management system for the whole company and an improved predictive model for raw-material price development. We have just established a Digital Council to coordinate Henkel's digital activities, develop a digital vision through 2020, and explore digital opportunities for our businesses.

Currently, e-commerce plays a minor role for us. Shopping for household items like shampoo or detergent still happens largely offline, and we don't expect this to change substantially in

the near future. Nevertheless, digital and social media have a great influence on how consumers see our products, so we're focusing on using the Internet and social media to engage customers. As an example, we aim to promote responsible use of our products. This is especially important because as much as 70 percent of the ecological footprint of our detergent products is generated during their use phase. On the Persil website, for instance, consumers can learn about reducing the water temperature in their washing machines and saving money at the same time, without compromising the superior performance of Persil.

**McKinsey:** *Corporate social responsibility and sustainability are topics of growing importance. Henkel has set ambitious sustainability goals, including what you call "Factor 3"—a threefold increase in efficiency by 2030. And you've been recognized by external experts as a leader in sustainability. What lessons have you learned that other companies can also learn from?*

**Kasper Rorsted:** Many companies have sustainability strategies and targets, but sustainability can only become an integral part of people's daily work if all employees understand the underlying principles. When I am asked how many employees are working on sustainability at Henkel, I always reply: 47,000. Each employee has the responsibility, and each makes a contribution. But in order to do this, they need to know and understand our strategy.



This is why we held workshops on our sustainability strategy for 2030. In these meetings, managers at all levels and their teams developed a sustainability action plan for their own particular areas, defining concrete measures for achieving the targets on the road to Factor 3. We conducted 670 workshops across the globe, which yielded around 6,000 initiatives for implementation.

As one example, our colleagues from Laundry & Home Care developed the idea of supporting employees to become “sustainability ambassadors.” These ambassadors go out and talk about sustainability to coworkers, suppliers, customers, and students. They visit schools and hold sustainability classes. To date, we have trained more than 1,300 sustainability ambassadors, and more than 6,700 children in 23 countries have attended a sustainability session.

**McKinsey:** *Is there anything else you'd like to share with our readers?*

**Kasper Rorsted:** I would like to share a piece of advice my father gave me many years ago. He told me, “If you do something, do it with your full heart and do it properly. Then you'll be successful.” This advice has become my life motto. Whether it's your studies, sports, or your job, if you're not willing to do it with all your energy, you should leave it. Another piece of advice that I've taken to heart: stick to your goals, but be flexible in how you achieve them.

To read more about issues critical to retailers and consumer-packaged-goods leaders globally, download McKinsey's second issue of *Perspectives on retail and consumer goods*, on [mckinsey.com](http://mckinsey.com). 