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Communication as a Strategic Competence: The Case of Masisa

*Luís Felipe Machado do Nascimento*¹

*Monique Revillion Dinato*²

*Onei da Silva Marques*³

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¹ Doutor em Economia e Meio Ambiente pela Universität Gesamthochschule, Kassel, Alemanha. Professor Associado II na Escola de Administração da Universidade Federal do Rio Grande do Sul (EA/UFRGS). Endereço: UFRGS/PPGA/Escola de Administração. Rua Washington Luiz, 855, sala 414 - Centro - Porto Alegre - RS - CEP: 90010-460. E-mail: nascimento@ea.ufrgs.br.

² Doutora em Administração pelo Programa de Pós-Graduação em Administração da Universidade Federal do Rio Grande do Sul (PPGA/UFRGS). Professora do Instituto de Meio Ambiente da Pontifícia Universidade Católica do Rio Grande do Sul (IMA/PUC-RS). E-mail: monique@dinato.com.br.

³ Masisa do Brasil Ltda. E-mail: onei.marques@masisa.com.

Communication as a Strategic Competence: The Case of Masisa

The Masisa Company produces and sells wood products internationally and is one of the largest producers of wood panels in the world and leader in Latin America. In order to produce its MDF (Medium Density Fiberboard) panels, Masisa used, as one of its raw materials, a resin that served as an adhesive - in which it was found a chemical component called formaldehyde. When the World Health Organization classified formaldehyde as cancerous and with the rise of the European norm of low emissions, Masisa realized that even though there were no restrictions yet to the chemical in Brazil and in most countries to where Masisa exports its MDF panels, it was most likely that the use of this input would be banned in Brazil and other countries in the near future. Bearing this in mind, Masisa considered the following questions: What is the best strategy to adopt in a scenario where restrictions will be imposed? A second issue had to do with marketing communication. If the Company decides not to use formaldehyde any longer, should it make it public? How should these measures be communicated in order to bring a competitive advantage? This paper reports on the results of a case-study research carried out at Masisa. The results indicate that this communication can be a strategic and effective ally in social-environmental management. For this research, both technicians and directors in the company were interviewed and the procedures adopted were analyzed.

Keywords: green marketing; communication; strategy; MDF; competitive advantage.

Palavras-chave: marketing verde; comunicação; estratégia; MDF; vantagem competitiva.

A Comunicação como Instrumento de Competição: o caso Masisa

A Masisa produz e exporta artigos de madeira. É um dos maiores produtores mundiais de painéis de madeira e líder na América Latina. Na fabricação dos painéis de MDF (Medium Density Fiberboard), a Masisa utilizava uma resina adesiva que continha formaldeído. A classificação, pela Organização Mundial de Saúde, do formaldeído como cancerígeno, aliada à implantação da norma europeia de baixas emissões, fez com que a Masisa antecipasse que o componente seria banido do Brasil e de outros países em um futuro próximo, muito embora ainda inexistam restrições à sua utilização no Brasil e nos países para onde os painéis de madeira são correntemente exportados. A Masisa considerou, então, a seguinte questão: Qual seria a melhor estratégia a ser adotada em um cenário em que restrições seriam impostas? Uma segunda questão relacionada à comunicação de marketing também foi considerada: Se a empresa decidisse não mais utilizar formaldeído, deveria comunicá-lo ao público? Como essas medidas deveriam ser comunicadas a fim de trazer vantagem competitiva? Este artigo apresenta os resultados de estudo de caso realizado na Masisa, que indicam que essa comunicação pode ser uma aliada efetiva para a gestão sócio-ambiental. Para a realização da pesquisa, foram entrevistados técnicos e diretores da empresa, e analisados os procedimentos adotados pela Masisa.

1. Introduction

In 1998 around 60 representatives from various groups of interest from five continents came together in Holland under the auspices of the World Business Council for Sustainable Development (WBCSD) to lay the foundations of the Corporate Social Responsibility concept (WBCSD, 2009). According to WBCSD, Corporate Social Responsibility (CSR) is the permanent commitment on the part of the company owners to adopt an ethical behavior and to contribute to economic development, thus improving at

the same time the quality of life of its employees, their families, the local community, and society as a whole.

The CSR proposal quickly gained acceptance among the companies of the industrialized countries and continues to be discussed and improved. According to Ashley (2002) this is a concept that is still under construction (ASHLEY, 2002). For this reason Lemos et al. (2005) proposed the inclusion of the variable "environmental" in the original concept proposed by WBCSD, which gave rise to the concept of Corporate Social-Environmental Responsibility.

Most recently some companies located in the emerging countries, such as the case of Brazil, are formally adopting a responsible social-environmental behavior but face difficulties in implementing and sustaining this proposal. Though the Brazilian environmental legislation is advanced when compared with other emerging countries, there is still a focus on the production processes and little on the products' life cycle.

The industries that adopt the CSR feel at a disadvantage since most consumers do not consider the social-environmental attributes as an important factor when deciding what to buy. This is compounded when the local legislation allows the use of certain materials that have been banned in industrialized countries. If the consumer does not perceive CSR as an added-value to the product he is purchasing, he may opt for the product of a competitor that does not adopt responsible social-environmental practices and because of this offer a similar product at a lower price.

It is important to point out that CSR is a set of actions and many of them do not imply in increasing the production cost. For example, a transparent relationship with the employees and with the company's neighboring community is part of the CSR proposal and does not result in costs. On the other hand, to replace a toxic input with one that is not toxic or less toxic may result in costs increasing. The substitution of toxic materials lowers the risks that workers in the production process are exposed to. In some cases it reduces or eliminates the risks for the consumer while using the product purchased. The replacement of toxic materials also results in environmental gains since these materials are not disposed off during the production process or during the product's final disposal.

What then would be the motive behind a company to adopt CSR in countries where the legislation allows using certain toxic materials and where most consumers do not consider CSR as a fundamental factor when deciding what to buy? Wouldn't it be a mistake to replace one material for another one that costs more and does not add perceptible value to the consumer? And if it does make the replacement, should the company announce this to the stakeholders? If the company communicates that its products no longer have the toxic material, on the one hand will be differentiating itself from its competitors but on the other will be telling consumers and their own workers that up until then it had been allowing them to have contact with a product harmful to their health. Therefore, there are pros and cons to adopting either one of the alternatives.

This article analyzes and reports on the results of a research carried out at the Masisa Company, which produces and sells wood products internationally and is one of the largest producers of wood panels in the world and leader in Latin America. In order to produce its MDF (Medium Density Fiberboard) panels, Masisa used a resin as one of its raw materials that served as an adhesive, and in it was found a chemical component called formaldehyde, considered currently by the World Health Organization to be a

cancerous substance. The Brazilian legislation and that of various countries in the world allow the use of formaldehyde, but in European countries there are already bans due to their low emissions norm (EN 622-1:1997).

When the World Health Organization classified formaldehyde as cancerous and with the rise of the European norm of low emissions (EN 622-1:1997), Masisa realized that even though there were no restrictions yet to the chemical in Brazil and in most countries where Masisa exports its MDF panels, that most likely the use of this chemical will be banned in Brazil and other countries in the near future. The substitution of the resin material was not possible and in order to maintain low emission levels of formaldehyde it would mean greater production costs and consequently immediate loss of competitiveness. With this in mind, Masisa considered the following questions: What is the best strategy to adopt in a scenario where restrictions will be imposed? Should a proactive position be adopted or is it best to await a confirmation and only apply the new restrictions when they become law? A second issue had to do with marketing communication. If the Company decides not to use formaldehyde any longer, should it do so without communicating this to the public or would it be best to let the stakeholders know?

The objective of this paper is to investigate how and why the company answered these questions and the short-term results due to the strategy adopted. The method used was a single case study. Case studies tend to have greater depth and less amplitude in order to reduce the number of elements to research, but since this is the only company in Brazil to adopt the action of replacing formaldehyde in the production process at that time, it seems like the best method. The data gathering in the Company and the interviews with the CEO, the Marketing Supervisor and with the Environmental Manager, were made in the Company, in April 2005. These interviews, became possible to get a deep understanding of the decision-making process and the strategies used to substitute the resins that had the formaldehyde component.

Upon analyzing Masisa's procedures and policies, it became clear that this was not an isolated attitude but that the company had already adopted procedures in conformity with CSR principles.

It is important to point out that this study does not allow making a scientific generalization, but should have as its objective a general analysis, expounding theories and not a statistical generalization enumerating frequencies (YIN, 2001).

Below are presented the concepts related to the theme addressed, highlighting social responsibility, green marketing, and ecodesign. Masisa as a company is presented in the next item along with the problem situation. Section 4 describes and analyzes the data. The last section presents some final considerations.

2. Marketing Communication as a Competitive Strategy

The literature on marketing communication addresses this theme stating that a company can be socially responsible as long as it transmits precise information about how it can provide value by means of goods and services that satisfy a legitimate need in its customers.

According to OTTMAN (1994, p. 63), “the companies need to communicate a clear but honest message that they are not only genuinely concerned with the health and well-being of their consumers, but also how their environmental and social concerns are integrated into the company's products and processes”. He also admits that to communicate the benefits of environmentally more healthy products can be challenging and actually even frightening because some manufacturers fear retaliations and others are concerned with the fact that the benefits are not always tangible, such as the lower levels of emissions at the plants cannot be seen or felt by the consumers.

This issue must be taken to a personal level, developing appeals of self-interest, because all consumers want to protect their health, save money, and keep their homes and communities clean and safe, while also trying to find ways to save time and effort. Furthermore, the personal benefits that the products confer to consumers must be emphasized because they come across as more motivating than to save the planet and other altruistic notions.

Education is necessary because some environmentally healthy products use new technologies and materials for the consumers, consequently, there is a need to create educational messages and by them help accelerate the acceptance of environmentally healthy products in general.

There is a reason to establish credibility in order to avoid retrocession, but even for the best researched products and campaigns this is not easy to do and for this reason some important points should be kept in mind: be a leader—the first in the market reaps the rewards of being the pioneer and to be recognized as such; communicate environmentally healthy products as part of a corporate policy of excellence; be clear; do not exaggerate; distinguish product benefits from packaging benefits; provide complete information; get the support from reliable third-party entities; keep your messages consistent with the goal of promoting responsible consumption; cooperate with the others in your industry; consider the environmental impact of your marketing methods; and keep in mind the possibility of using independent environmental certificates.

A vague and ambiguous presentation of environmental attributes of products and advertising targeted at improving an organization's environmental image are the most subject to be considered disappointing or confusing (CARLSON; GROVE; KANGUN, 1993). To communicate green products as part of a corporate policy of business excellence is much more effective at establishing credibility.

The company's image in these cases is of fundamental importance. Viardot (1994) defends that the institutional communication should be elaborated differently than the advertising. For this author, the institutional message is addressed to active subjects, with decision power, such as environmentalist groups and governmental organs. In this case it is not about transmitting "profits" of a product to customers, but to build a social legitimacy resulting in the trust of partnerships that share the most essential values concerning nature and going beyond the transference of the value of using a product.

Within this context, the communication process is viewed as interactive, in which the receptors have a fundamental and legitimate role. The author considers and highlights the role of various social-political actors and their influence on the market and on the actions of the industry.

3. The Masisa Company

Masisa produces and sells wood products internationally and is currently one of the largest producers of wood panels in the world and the leader in production of wood panels in Latin America with an installed capacity of 2,270,00 m³ a year. It is the owner of 367,708 hectares of land of which 244,140 hectares is planted with trees, giving it a strong lumber base. Masisa has forests in Brazil, Chile, Argentina, and Venezuela and is one of the largest companies of the forestry and lumber industry in these countries.

Since July 2002, Masisa has had as its main stockholder the Nueva Group. The headquarters of this Group has been in Chile since 2005 and operates in different industrial sectors, employing a total of 17,000 people with revenues greater than one billion dollars. The Nueva Group is committed to the sustainable growth of its activities and for this reason operates under a triple-result management system—profitability, social responsibility, and environmental management. For this reason it strives toward greater profitability, reinforcing the positive environmental and social effects and minimizing the negative impacts of its activities on the environment and in society.

Its activities are divided into three economic sectors: forestry, lumber, and panels. The forestry sector has the goal of maximizing profitability of the assets in forests in the long-term in order to ensure a supply of raw material and continue its future expansions. The second (lumber) works with solid wood products (from lumber harvested from its forest management), adding value with high technology applied to reach high levels of quality. With the third (panels), by using by-products from the forests and lumber mills together with state-of-the-art technologies and international quality control systems, they are able to offer a wide variety of products used in the furniture industry and in civil construction.

Masisa do Brasil Ltda is located in the city of Ponta Grossa, State of Paraná, Southern Brazil, where it has a manufacturing plant with an installed capacity of 240,000m³/year of MDF (Medium Density Fiberboard) and another 350,000m³/year of OSB (Oriented Stranded Board). It also has two offices located in the cities of Curitiba, State of Paraná and Bento Gonçalves, State of Rio Grande do Sul. Its products supply the furniture sector (industries, cabinetmakers, and resellers) as well as the civil construction sector (contractors and construction retail stores). The first sector is the biggest consumer of the MDF product and the second is of the OSB product. Furthermore, together with the other units in the company, it exports to more than twenty countries.

Masisa do Brasil Ltda employs around 350 employees directly as well as contracting 300 third-party service personnel that contributes to generate numerous indirect jobs. It is ISO 14001 and OHSAS 18001 certified and its forests hold an FSC certification.

The Company states as its vision: *To be recognized as a leading business group respected by strong companies in the economy and operating from a base of ethics, ecological awareness, and social responsibility so that we can contribute to the improvement of people's quality of life.* Its mission is *to generate value in the production and sale of panels and wood products through innovation, service, and efficiency of our actions within an ethical and socially responsible context.*

Another important point is that Mr. Stephan Shimidheiny, the founder of the World Business Council for Sustainable Development (WBCSD) and now Honorary Chairman, now is majority stockholder of the Nueva Group.

4. Description and Analysis of the Data

With the takeover of Masisa by the Nueva Group, the issues related to health, safety, and the environment took on a greater level of importance. As a manufacturer of wood panels, the Company falls under the European norm EN 633-1:1997 that lists all the production standards for mechanically-processed wood panels and within those specifications is an item that addresses the classification of the levels of formaldehyde emission. This chemical compound is used as an ingredient in the production of various products of daily use such as paper towels, furniture, photographic film, cosmetic products, and even in resins that are used as adhesives in the production of wood panels.

Inhalation of high concentration levels of formaldehyde can provoke irritation of the eyes, nose, throat, as well as affect the skin and respiratory system. For this reason the International Agency for Research on Cancer (IARC), an organ of the World Health Organization (WHO), studied it during years and at the end finally classified it as "probably" cancerous. Later on, in June 2004, this same organ demonstrated that people exposed to high levels of this substance during a long period may develop cancer. IARC revised the classification of formaldehyde from "probably cancerous" to "known to cause cancer".

With this announcement, the company reinforced even more the need to comply with the norm EN 622-1:1997. Class "A" of this norm, commonly known as E-1 (low emission) panels, complies with a maximum limit of emissions of up to 8mg/100g of panel.

Though Masisa had been using low emission standards, complete compliance to the Norm EN 622-1:1997 implied in loss of competitiveness for three reasons: First, this adaptation implied in production cost increases because in order to comply with the norm, the manufacturing adjustments would cause a reduction in the speed of the machines and an increase in using resins that neutralize formaldehyde. Second, the competition used the same production technology and would not adopt the standard of low emissions in the products to be sold to the national market and to markets that did not require that the Norm EN 622-1:1997 be observed, and therefore would be able to offer products at a lower price. Third, difficulties in transforming this action into a gain in the company's image since the consumers were unaware of the risks and consequences to their health when purchasing products that did not keep the low-emission standards. For these reasons, to produce with low emissions would not be perceived as adding value to the product. Furthermore, it would seem like to focus on the dangers of the products of the competition that do not follow the Norm, that they could cause cancer, would tarnish the product's image and give room to substitute products.

At first instance, compliance to this norm began as only a legal procedure in order to maintain the company within the standards of ethics and social responsibility. The challenge began to be in how to transform all this effort into more value for the consumer and that this value would be perceived as an advantage to preserve people's health and safety.

The manager of the Company's Marketing Department presented the following questions: Should they communicate or not the existence of the formaldehyde substance in their products? If the option were to inform the stakeholders of using the low emission standard and the compliance to the Norm, how to do this so that the stakeholders would perceive it as genuine and that would not harm the product's image in the market? In other words, how to do this so that the stakeholders would consider the benefits of adopting this standard as added-value?

The Company's Board of Directors took the position of being consistent with its principles of social-environmental responsibility. The Company decided to communicate the existence of formaldehyde in its products and to inform the stakeholders that Masisa would conform to the Norm EN 622-1:1997 and work things out as they arose.

After deciding to communicate the use of formaldehyde in its products, questions began to arise such as: Does formaldehyde really cause cancer? How are the concepts of high concentration and low concentration determined in a person's day-to-day activities? Are there situations when there is the probability of increasing and/or reducing the effects of this substance? Questions arose of how to make the consumer aware of this: "Buy our product and you'll be safe?" Others asked why was it that when the Brazilian companies exported they complied with this norm but for the internal market they didn't have the same concern. How should the company communicate to its employees that they were not under risk since the company was already using low emissions, but that from now on this would be even stricter?

The Company decided to be clear with everyone working in its units about the actions that it had been doing in the last 15 years to reduce to a minimum the levels of emission. Externally, a letter of clarification was sent to all the customers so that they would be aware of the actions the company was taking and of the possible risks of similar products that did not have low emission levels. The Marketing Department hoped that this would result in a differentiation of the Masisa products and in competitive gains.

Those in the company's sales department began to be questioned about various aspects, and the information collected and returned to the company served as a guide for the answers to be forwarded to their customers. The information that had the strongest effect on the customers was the clarification that the panels had a classification of levels of emission. However, the hope that this would be transformed into preferred purchase of the product did not occur since the vast majority of the consumption of wood panels was for the national market where there was not concern about this.

The Marketing Department did not give up and decided to intensify its actions. It decided to run ads in the media focused on certain segments such as with magazines directed to cabinetmakers, the furniture industry, resellers, and distributors of materials for furniture. Parallel to this it created the E-1 seal (low-emission seal) which had the objective of allowing the customers to visually identify the products that had the characteristic of a low emission level of formaldehyde. This seal refers to the Norm EN 622-1:1997 and began to be a part of every piece of promotional material in the company. The presence of this seal began to automatically be associated with Masisa products.

With this, the objective was no longer far away from being reached – to transform the condition of low emission into a consumer demand. The constant search for an equation that would result in creating perception of the benefits and in adding value, thus

rewarding the company for its effort, was reinforced in the beginning of 2003 with the creation of the Social and Environmental Responsibility Team. The team was set to support and foster the practices that were being implemented. With this the level of importance of the actions began to be of great relevance when making decisions.

The joining of forces of the Social and Environmental Responsibility Team and the Marketing Departments of each country made possible the creation of a campaign with the slogan, "BREATH DEEP – Your health is important to us". This campaign consisted in a more intense communication of the benefits that the company offered by using in its products the E-1 classification. A logo was created for the campaign showing a strong association of the norm with a concern with everyone's health and well-being. At this point the stores received a visual program based on this campaign consisting of banners, posters, and price lists. The product's packaging received a new design. Ads in magazines, news bulletins, and other media followed this same approach and reached the target audience with an even more conclusive message. Testimonials were published of customers that opted to use Masisa products, saying that one of the deciding factors at the time of purchase was the fact that the products complied with the Norm.

All these efforts influenced in the elaboration of a Brazilian norm, NBR 14810-3, which regulates the level of exposure of employees to the emission of toxic substances. In 2005 Masisa was already working so that these international standards would be applied to the national market.

5. Final Considerations

For many years Masisa used emission standards lower than their competitors, but had not yet transformed these actions into a competitive advantage. When it decided to adopt a policy more consistent with its social-environmental responsibility and to communicate its actions in a transparent way, this decision was viewed by some as a strategic error since it would increase its operational costs resulting in a product with attributes that were not valued by its customers.

By decision from the Board of Directors, alternatives to not using the low emission standard and follow the practices of the competitors were not analyzed. The alternative of continuing to use the low emission standard without communicating it was also discarded. Therefore the alternative adopted, even though implying in loss of competitiveness at the first instance, was maintained due to its relation with the Company's mission and principles.

In the view of the authors of this paper, the strategy the company took was correct: to first of all communicate the step internally and then to direct itself to the customers in a more official and explanatory way and then to create a seal and a campaign involving all the levels of communication with the marketing focusing on the preservation of health. All these actions did not bring financial gains but strengthened the company's image and being socially and environmentally responsible, and they have lobbied for the approval of a Brazilian norm that would regulate the low emissions within the internal market. When the Brazilian norm enters into effect, the competitors will have to comply and at this point Masisa will have already consolidated itself as the first company to adopt this standard and will have production costs equal or less than its competitors.

The analysis of the Masisa case confirms what the literature describes: communication is fundamental for the development of the image of a socially responsible company and a short to medium term is needed for the social-environmental actions to result in economic gains.

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