

STORA ENSO TEACHES LESSONS OF LONGEVITY TO THE PULP AND PAPER INDUSTRY



DISCLOSURE: STORA ENSO

Present in 35 countries, with 65 plants and 30 thousand employees, Stora Enso consolidates a tradition that formally started back in 1288. Throughout these seven centuries of existence, the company –until then represented only by its Swedish side (Stora) – did business in various segments, such as copper and steel exploration, until betting for good on the forestry sector and pulp and paper industry, circa 1920.

The merger with its Finnish half Enso, a company that explored wood since 1860, occurred in 1998. Even though the company is traded on stock exchanges, it still preserves its two main shareholders: the Finnish government and the Wallemberg family, one of Sweden’s largest industrial groups.

Otavio Pontes, Vice-President of Institutional Relations and Communications at Stora Enso, reveals that the company’s trajectory here in Brazil started back even before the Enso merger. In this month’s interview to *O Papel* magazine, Pontes provides details on the company’s arrival in the country, revealing how the multinational is managed and lists the steps programmed for upcoming years.

O Papel – How did Stora Enso come to Brazil? Did business growth bring the company here?

Otavio Pontes – The arrival in Brazil occurred on the Swedish side of the company. Stora had already done several mergers prior to the Enso merger and, around 1995, it began looking for places with good conditions for planting eucalyptus – at the time, eucalyptus pulp already stood out as a good quality raw material, homogenous and with a lower cost than pulp produced in Europe. The association with Odebrecht, in 1997, was fruit of this search of favorable areas for planting eucalyptus. The Brazilian engineering and construction company had bought an area in southern Bahia, precisely for being a good region for developing eucalyptus plantations and was seeking a partner to develop a pulp mill. It is important to point out that Stora was already selling paper to Brazil through its representatives. This is when the joint venture was made that gave rise to Veracel Celulose S.A., as well as the decision to open an office in Brazil, also in 1997. In the following year came the Stora and Enso merger.

O Papel – How is Stora Enso managed, being that it is a multinational present in so many countries? Are the units managed individually or in a shared manner?

Pontes – At present, management of the company is being done according to product area. We have a paper area, called Printing

Pontes: “Players looking to survive today’s market dispute need to always offer good quality products”

and Reading, which combines all paper mills (newspaper, magazine paper, fine papers, copy papers and specialty papers) under a single division. We also have the Renewable Packaging division where we bundle all types of board used for packaging. There is also the Building and Living division (sawn wood) with units in various places throughout Europe. And, lastly, we have the Biomaterials division, which encompasses the production of pulp and products extracted from wood. Three of these divisions are headquartered in Europe and one (biomaterials) in Brazil. From here, we control our interests in joint ventures that produce pulp in Brazil (Veracel) and Uruguay, with a mill that is being built in Montes del Plata, in addition to the production sites in Europe. We currently produce several types of pulp, both long and short fiber, dissolving pulp and fluff pulp. All these types of raw material are managed by the Brazilian head office.

O Papel – Has this management model based on product area always been adopted or has this format undergone changes since the time Stora Enso arrived in Brazil?

Pontes – We haven’t undergone any major changes in management model since arriving in Brazil. The most significant change was precisely the creation of the Biomaterials division in Brazil. This was done because we believe that not only Brazil, but Latin America as a whole, have major potential for developing pulp products. Considering that Stora Enso is a company several centuries old, the transfer of one control group from Europe to another region is actually a relevant change.

O Papel – Are there any particularities about Brazil’s pulp and paper market that you don’t see in European and Asian countries?

Pontes – I don’t think so, because the products are basically the same. I don’t see big differences between these markets in terms of quality and customer service, for example. Brazil and Latin America are well served. This is certainly due to the fact that there exists strong competition, including from abroad. Players looking to survive this market dispute need to always offer good quality products. This is why the Products area is always innovating. Research and development is a constant in order to satisfy a market that is continuously changing. It is no longer possible to maintain sales only based on tradition.

O Papel – What secrets are behind Stora Enso’s longevity? Does the current management model contribute for the company’s tradition to become stronger and stronger?

Pontes – I believe that this management model based on product

area does not necessarily reflect the company’s secret to success. This division model satisfies today’s market demands and is very efficient; however, we may come up with another management model down the road. I would attribute the company’s longevity to a series of other factors. As several studies show, including one conducted by Shell, one of the characteristics that make companies last for so many years is related to conservative attitudes on the financial side. That is, long-lasting companies avoid running too many risks in their financial composition. Another characteristic that stands out among traditional companies is the capacity to change the product they offer. The study shows that the majority of these companies changed once or twice the product they offer in the market. Other points that are common among century-old companies include: a strong internal culture and a policy of valuing human assets. This set of four characteristics leads companies to last centuries and centuries. I believe that Stora Enso fits very well in the result reported by the study.

O Papel – With regards to valuing human capital, what is the company’s hiring method? Has the lack of qualified labor, commonly mentioned by players in the sector, had any impact on the company?

Pontes – In terms of hiring methods, we usually give preference to people who already work in the company when there is a job opening. But we also like to develop a team of trainees so that professionals with growth potential can be trained and contribute to the company in the medium and long-term. We also value the development of leaders. We have teams dedicated especially to their training. Regarding the lack of qualified labor, this is something that is happening in Brazil and, like other players in the pulp and paper industry, we feel some of its effects. One of the solutions adopted to overcome this challenge has been to invest in training and hire people with good potential.

O Papel – What are Stora Enso’s plans for the next few years?

Pontes – We are participating in the construction of a pulp mill in Montes del Plata, Uruguay, and it is expected to start up in the middle of 2013. In China, we currently have four paper and board mills and have started the design of a pulp and board mill that should be concluded by 2014, and will use wood planted in China. Our strategy is to invest in regions where there is greater market potential and in products with higher added value in traditional regions. ■