



Center for Paper Business and Industry Studies

Newsletter of the Center for Paper Business and Industry Studies

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The Game is Not Over

By Patrick McCarthy, Director

In November 2005 CPBIS Associate Director for Research Steve Usselman and I participated in a one-day inaugural workshop held at Finland's Lappeenranta University of Technology (LUT). As part of a collaborative research effort, termed Game Global, the November workshop brought together a group of international researchers as invited speakers on globalization in the pulp and paper industry (see the December 2005 issue of this newsletter via <http://www.cpbis.gatech.edu/aboutus/CPBISnewsletter/archive.htm>).

A few weeks ago, the principals of this collaborative project held a second workshop, "Game Global in the Pulp and Paper Industry ... the Game is Not Over," and again invited Steve and me to make presentations. Steve was to speak on global governance in the pulp and paper industry but could not attend due to a prior commitment to present his work at the Business History Conference in Toronto. My presentation focused on two extremes of paper industry regions, mature North America and emerging China. Tracing the early development of the pulp and paper industry in North America, this presentation identified important technological and economic drivers that shaped the industry's early presence in the Northeast and Midwest regions of the United States, followed by shifts to Canada, the Pacific Northwest and the South. A comparative analysis with China's emerging industry led to the conclusion that many of the factors that were important for the development of pulp and paper in North America, including breakthrough technologies and a large supply of domestic wood fiber sources, are not prerequisites for China's developing industry.

Key factors in the development of China's pulp and paper industry are: increasing domestic demand, fueled by strong economic growth and rising urbanization; broadly defined infrastructure investment (legal and financial systems as well as physical transportation networks); and furthering a market oriented approach to resource allocation.

I also participated, together with other representatives from academia and industry people, in a roundtable discussion on the strategic challenges facing the pulp and paper industry in a globally competitive environment, and joined fellow participants in a pre-workshop meeting where Game Global affiliated students and faculty presented their research findings on pulp and paper fiber flows, value creation, and supply chains. To round out the visit, workshop participants made a two-day trip to meet with faculty in the School of Management (SOM) at St. Petersburg State University, to learn about collaborative efforts occurring between SOM and the Game Global project.

BoE Update

By Colleen Walker

The CPBIS Board of Executives (BoE) met on June 20 in Ottawa, Canada. In a continuing shift in emphasis from basic strategic issues to more specific ones, a considerable portion of the agenda of this fourth meeting was devoted to discussion of critical research needs that the Center is particularly well positioned to address. The discussion focused on identifying the key issues and research questions for two general areas that were identified during the previous meeting: strategic management and global

trade and governance. In the area of strategic management, the Board discussed the need for research leading to a better understanding of changing market structures and capacity dynamics, the role of private equity and corporate governance, and the changing North American workforce, among other issues. Global trade and governance issues that were identified as needing study included global competition policies, global environmental policies, and growth of the paper industry in China.

The BoE is still deeply involved in reviewing these topics, and will devote further attention to them at its next meeting. This activity is a critically important part of setting the Center's research agenda for the next three years.

The next meeting of the Board of Executives will be on September 28 in Atlanta.

CPBIS Associate Director: "Too-Lean Supply Chains Invite Trouble"

Research conducted by Vinod Singhal, CPBIS Associate Director for Education and professor of operations management at Georgia Tech, has attracted the attention of *The Economist*, one of the world's most influential news magazines. In a June 15 article entitled "When the Chain Breaks" the magazine cautions that making your supply chain too lean can lead to disaster, and gives numerous real-world examples to support its case. The article refers prominently to Singhal's research and quotes him as saying supply chain disruptions are "... like having a heart attack. It takes a long time to recover." Assessing the pros and cons of lean supply chains, he says, "It's great when it's working but too much leanness and meanness can actually hurt you."

Singhal's research, conducted in collaboration with Kevin Hendricks of the University of Western Ontario, involved examination of some 800 cases where companies announced that they had experienced supply chain problems. The following is a quotation from the article that describes some of the results: "Typically a company's share price dropped by around 8% in the first day or two after such an announcement. This is worse than the average stock market reaction to other corporate bad news, such as a delay in the launch of a new product (which triggers an average fall of 5%), untoward financial events (an average drop of 3-5%) or IT problems (2%). And the effects can be long-lasting: operating income, return on sales and return on assets are all significantly down in the first and second year after a disruption."

MillsOnline Updates

Among recent updates to the MillsOnline database of pulp and paper mills are the following:

- The mills at Bucksport, ME, Jay, ME, Quinnesec, MI and Sartell, MN, formerly owned by International Paper, are now the property of CMP Holdings L.L.C., an affiliate of Apollo Management L.P., following the sale of IP's coated and super-calendered business to Apollo Management.
- The mill in Otsego, MI, formerly owned by Menasha Packaging Corp., is now owned by Otsego Paper (United States Gypsum Co.). The mill is still closed but United States Gypsum has plans for reopening it in 2007.
- The Roanoke Rapids, NC mill, formerly International Paper, is now owned by KapStone Paper and Packaging Corp., a subsidiary of Stone Arcade Acquisition Corp.
- The Boise Cascade Mill in Vancouver, WA was closed and the land has been sold for real estate development.
- The P.H. Glatfelter Mill in Neenah, WI, has closed. Its annual capacity was 125,000 short tons per year of uncoated free sheet.
- The Re-Box Packaging mill in De Pere, WI has a new name, Eco Fibre Inc. The mill was idle but is restarting this summer.

To access MillsOnline, just click on the map at <http://www.cpbis.gatech.edu/millsonline>. Locations of mills in that state will appear, with quick links to information about the mill and the community in which the mill operates. The data cover a total of 655 mills in the U.S.

Upcoming Events

CPBIS Board of Executives (BoE) Meeting Sept. 28, Atlanta. ■