



# Center for Paper Business and Industry Studies

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*Newsletter of the Center for Paper Business and Industry Studies*

*A Sloan Foundation Industry Center ♦ 500 Tenth Street ♦ Atlanta, GA 30332 ♦ <http://www.cpbis.gatech.edu/>*

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## **Registration for Management Short Course Still Available**

There is still time to register for the CPBIS-PIMA short course, *Management Development for Enhanced Performance*, which begins June 4 at Georgia Tech's Global Learning Center in Atlanta.

The five-day course, which is taught in a paper industry context and has drawn high praise from previous attendees, is built around eight major program elements:

- The Art of Leadership – How to get the most out of yourself and your people.
- Successful Bargaining and Negotiation – A methodical and insightful look at relevant components and techniques.
- Leveraging People Resources for Improved Performance – Valuable people-related strategies that can be implemented to energize your work force and organizational performance.
- Customer Relationship Management – A framework and set of tools for profitable management of customer relationships.
- Effectively Managing Change – How to address the broad organizational context in which changes are embedded in concert with the specifics of the changes themselves.
- Capital Effectiveness – How to ensure effective spending through evaluation of paper industry technologies, markets and economic models, and adoption of best practices.
- Strategic Decision Making under Uncertainty – A powerful approach to strategic decision-making, taught by extensive use of a case study.

- Effectively Managing High-Performance Teams – How to ensure that teams generate desirable outcomes and avoid unproductive conflict.

The course will be taught by faculty of the nationally-ranked Georgia Tech College of Management in collaboration with noted paper industry practitioners.

For more program details and how to register, see [http://www.cpbis.gatech.edu/education/educationprof/mgt\\_dev.htm](http://www.cpbis.gatech.edu/education/educationprof/mgt_dev.htm)

## **Li: Market Potential for Paper in China is Huge**

Among the presentations made in CPBIS sessions at the 2007 TAPPI Papermakers & PIMA International Leadership Conference in Jacksonville (described in the April issue of this newsletter) was one by Haizheng Li, CPBIS researcher and associate professor of economics at Georgia Tech. His talk, titled "Pulp and Paper Industry in China: Current Status, Trends and Implications for International Producers," documented the explosive growth of, and radical changes in, that country's industry.

Traditionally based largely on nonwood pulp, notably that made from grass and reeds, the industry is increasingly turning to recycled pulp, the imports of which have grown at an annual rate of 36% since 2000. Recycled fiber now constitutes more than half of China's total fiber furnish. Meanwhile, the use of wood pulp has remained stable at about 22% of the total furnish. Most of that is imported or made from imported wood chips, owing to the relative lack of local forest resources.

Total production of paper and board hit 56 million metric tons (Mt) in 2005, up sharply from only 6.3 million Mt in 1979, and there are indications that this rapid growth will continue. Large, modern machines are

being built, resulting, for example, in a 19.4% average annual growth rate in newsprint production over the period 2001-2005. Domestic consumption across all grades exceeds production and is growing at a rate that is only slightly lower than the rate of production growth. Consolidation is another significant feature of the industry's transformation, although the number of companies is still very large, at about 3500. Revenue growth is high and the industry is profitable, but this is not primarily due to low labor costs, since other components of the total production cost far outweigh those of labor. Average wages have tripled over the period 1999-2005, while productivity and profit per worker have increased at about the same rate.

Dr. Li concluded that there is a huge market potential for paper and board in China and predicted that, despite rapidly increasing exports, imports will exceed exports for the foreseeable future and that consolidation will continue to be a salient feature of the Chinese industry.

### ***Game Global, Atlanta Edition*** ***By Steve Usselman, Associate Director***

On May 6-8, CPBIS hosted an international team of scholars for the Game Global Networking Workshop. Made possible by a special supplemental grant from the Sloan Foundation, this workshop built upon an initiative conceived by former CPBIS Fellow Hannes Toivanen.

As with two previous conferences held in Lappeenranta, Finland, the gathering was intended to foster comparative understanding of globalization in the pulp and paper industries. In addition to scholars from CPBIS and Finland, the group included academic researchers from Brazil, Sweden, and other North American institutions. Presentations covered Europe, North America, South America, and Asia.

The Atlanta workshop achieved two objectives. It provided the core group of participants with an opportunity to summarize findings from the initial program of research, and it enabled this core group to broaden its expertise by recruiting new members who will carry forward an expanded research agenda during the next three years.

Areas of emphasis from the initial program of research include:

***Supply Change Management*** Studies by Hanna Kuittinen of Lappeenranta University and Paulo Zawislak of the Brazilian State University demonstrate how pulp and paper firms in Northern Europe and Brazil manage their supply chains in similar ways. Unlike firms in many other manufacturing sectors, pulp and paper companies tend to emphasize reliable supply of essential resources upstream

from the production process, rather than focusing on customers. They are less likely than firms in those other sectors to manage supply chains in ways that might generate technical novelty and significant new sources of revenue. These findings complement those of several CPBIS researchers. Jan Youtie and Phil Shapira found a similar pattern, for instance, when they surveyed Georgia companies.

***Management of Innovation*** Major studies by Paulo Negreiros Figueriedo of the Getulio Vargas Foundation and by CPBIS researchers Usha Nair-Reichert and Vivek Ghosal, just completed this spring, provide informative contrasts regarding innovation in Brazilian and North American firms during the recent past. After conducting more than 150 interviews with individuals involved in forestry, pulping, and paper-making, Figueriedo concludes that Brazilian firms, after decades of deploying stable techniques transplanted from other regions, have during the past two decades rapidly developed quite sophisticated capacities to innovate across nearly all stages of production. As a result, they have come to resemble many North American firms, which during this same period have trimmed research efforts and acquired much of their innovation through purchase of equipment on a global market. The evidence of global convergence is striking.

***Chinese Demand.*** Presentations by Ou Tang of Linkoping University and Joseph Buongiorno of the University of Wisconsin offered different perspectives on the likely course of development in China. Adding to previous work by Patrick McCarthy and Haizheng Li of CPBIS and Janaa Sandstrom of Lappeenranta, these studies extend our efforts to develop more reliable projections of future developments in this dynamic region.

Areas of emphasis going forward include:

***Global Fiber Flow*** Researchers from each region agree that this represents a significant opportunity for further investigation. In addition to Professor Buongiorno, whose global resource model provides an excellent tool of analysis, the group was joined by Professor David Sonnenfeld of Washington State University. Sonnenfeld brings considerable experience in studying forest resources and practices in Malaysia, Indonesia, China, and other Asian locales. Professor Sonnenfeld is especially well versed in the role of non-governmental environmental organizations, a subject that CPBIS Associate Director for Research Steve Usselman is also studying.

**Energy** Satu Patari of Lappeenranta University discussed the potential of biorefinery technology in Finland, a subject CPBIS researchers have previously analyzed in the North American context. Researchers at the workshop agreed that evaluation of biorefineries must be situated within a broader assessment of energy issues in national and global contexts.

**Packaging** Researchers from each area of the globe agreed that the packaging industry cries out for further study. CPBIS has made this a major focus for its third phase of research, and so have our colleagues in Lappeenranta. Given the extraordinary demand for packaging in the rapidly developing Chinese manufacturing sector, research in this area must also take a global perspective.

Keep an eye on the CPBIS Web site for additional information on the workshop, the results presented, and the research agenda going forward. You can also contact me by email at [steve.usselman@cpbis.gatech.edu](mailto:steve.usselman@cpbis.gatech.edu).

### **International Scholars Tour Mill**

The Game Global workshop included an afternoon tour of Caraustar's Sweetwater Mill in Austell, Georgia. The tour, organized by former CEO Tom Brown and conducted by Brown and several managers at the facility, provided the academic researchers with invaluable exposure to actual industry practice. Workshop discussions on the day following the tour were peppered with references to what the researchers had observed in Austell and learned from conversations with mill management. Such observation-based activity, bridging industry and the academy, is at the core of the Sloan Industry Centers initiative. We thank Tom Brown and his colleagues at Caraustar and welcome any opportunities to tour other industry facilities.

### **MillsOnline Updates**

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

#### **Mill Closures**

- Gilbert Paper Co., Menasha, WI;
- Newstech, Garfield, NJ;
- FiberMark North America, Bloomsbury, NJ;
- Recycled Paper Board, Inc., Clifton, NJ;
- Garwood Paperboard, Garwood, NJ;
- Rock-Tenn Co., Jersey City, NJ;
- Curtis Specialty Paper Co., Milford, NJ;
- Newark Group, Inc., Newark, NJ;
- Simkins Industries Inc., Ridgfield, NJ;
- Brandywine Paperboard Mills Inc., Downingtown, PA;
- Rock-Tenn Co., Downingtown, PA;
- Shyrock Brothers, Downingtown, PA;

- Simpson Paper Co., Miquon, PA;
- Connelly Containers Inc., Philadelphia, PA;
- Interstate Intercorr, Reading, PA;
- Tarkett Inc., Whitehall, PA;
- Smurfit-Stone Container Corp., York, PA

#### **Ownership Changes**

- The mill at Tyrone, PA, formerly owned by MeadWestvaco Corp., has changed hands. It is now owned by American Eagle Paper Mills (Team Ten, LLC).
- The Great Lakes Pulp Co. mill at Menominee, MI has been sold to SFK Pulp. This bleached deinked pulp mill has an annual capacity of 165,000 tons.
- The mill in Fairmont, WV was sold by American Fiber Resources, LLC to SFK Pulp. This deinked pulp mill has an annual capacity of 210,000 tons.
- The mills in Appleton, WI, Ripon, CA, Housatonic, MA, and Urbana, OH that were formerly owned by Fox River Paper Company are now Neenah Paper, Inc. mills, following Neenah's purchase of the parent company, Fox Valley Corp.
- The mill in Delair, NJ formerly owned by Georgia-Pacific Corp. is now owned by National Gypsum Corp.
- The Celotex Corp. mill in Sunbury, PA has re-started.
- The former Jefferson Smurfit Corp. mill in Philadelphia, PA is now owned by Alitivity Packaging.

### **Upcoming Events**

CPBIS-PIMA Management Development Program, "Management Development for Enhanced Performance," Global Learning Center, Georgia Tech, June 4-8, 2007.

2007 CPBIS/IPST TechnoBusiness Forum, "New Horizons in Enterprise Transformation," September 25-26, Georgia Tech Hotel & Conference Center, Atlanta, Georgia ■

