

LEE BINGHAM HEADS SCA TISSUE IN NORTH AMERICA

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CEO DRAWS ON EXTENSIVE EXPERIENCE TO LAUNCH NEW COMPANY

When SCA decided to buy Georgia-Pacific's tissue business, Lee M. Bingham was selected as part of the deal to be president and CEO of the new company, SCA Tissue North America. We recently talked with the TAPPI Fellow about the new company, his new job, his career, and other topics.

TAPPI JOURNAL: *How did you become president of SCA Tissue and what specifically made you the best candidate?*

Bingham: It goes back to when Georgia-Pacific announced on July 17, 2000 that it was going to acquire Fort James. As a part of that, for antitrust purposes, they knew they were going to have to divest a part of their "away-from-home" tissue business. As a result, we put a divestiture package together. It was obvious to me, and then to Georgia-Pacific's senior management, that we would have a better chance of marketing the package if the management team was in place. In discussions that I had with our senior management, I volunteered to go with the business as its president and CEO. Then, in addition, I was one of the key executives that had lead the effort in forming G-P Tissue. I had put together a majority of the management team and was vice president and general manager of the business during the divestiture process. I also had worked closely with the senior officials at SCA to arrange the deal. Almost from day one they liked what they saw of me and our business management team. They had other internal candidates, but selected me to run the business.

TAPPI JOURNAL: *Was it a relatively straightforward transition?*

Bingham: We're in the transition process as we speak. For SCA, this was a huge undertaking. They had a very, very small presence in North America—less than 1% market share. Now we have approximately 17% market share. We completed the integration of sales and marketing and we're in the process of integrating manufacturing and distribution. We'll have that completed by the third quarter.



TAPPI JOURNAL: *I imagine most of the employees at the mills switched over from G-P to SCA Tissue?*

Bingham: In the integration process, particularly in sales and marketing—all those people are employed in the new company and a number of them in more responsible positions. So, it's been good in that we haven't had to do any workforce reduction.

At Georgia-Pacific we shared a lot of services throughout the corporation; payables, information technology (IT), accounting, and financing were all centralized. Now, as we set up the new company, we are in the process of forming an IT group and accounting and finance. The other area that was centralized within Georgia-Pacific was human resources, so with a new company we've got to create all that infrastructure and we're in the process of doing that now. That's a large undertaking and our whole focus in the first six months is, as we call it, "getting our business safe." We have to satisfy our customers, of course keep our employees, pay our bills, and

collect the money, so it's quite an undertaking. All the transition teams have been identified and they are out completing the task.

TAPPI JOURNAL: *Is it too early to say what the differences are between G-P and SCA Tissue? Is there anything noticeable yet?*

Bingham: SCA Tissues is only concerned with North America's away-from-home tissue business. That is the only business that we're dealing with. We're not part of consumer products or anything; we're a stand-alone business and that's somewhat different from G-P. SCA has a very small corporate presence here in North America, so we're basically our own entity. SCA North America has two other divisions—incontinence division and protective packaging—but the three of us operate as separate entities.

TAPPI JOURNAL: *At this point or in the future, what do you see as SCA Tissue's strengths and advantages?*

Bingham: Our management team is made up of senior seasoned leaders. It's already in place and we've been really working together for the past 18 months, because Georgia-Pacific Tissue was a relatively new organization. Since joining SCA, we've completed the integration of our sales and marketing groups; we're already working on streamlining our business practices to make us a supplier of choice, and we offer a broad product line. When SCA acquired Georgia-Pacific Tissue, they got the main product lines of our premium brand, which is Park Avenue. That came from Wisconsin Tissue and it's a very well known brand in away-from-home products. Then we acquired G-P's Coronet brand, which has tremendous brand recognition, and the Main Street and Second Nature brands, Second Nature being the 100% recycled brown product. We've also picked up the TORK managed control system from SCA, which we will introduce in July to the market.



Bingham with his wife and twin sons on Mt. Katahdin, the highest point in Maine, just north of Millinocket.

TAPPI JOURNAL: *What is TORK?*

Bingham: That's basically a controlled dispensing system, primarily for toweling and tissue. We also, through the acquisition, have the full line of TORK products from SCA that were basically designed for the industrial market like automotive. Printing plants use the wipes in printing presses but primarily in the industrial sector in which Georgia-Pacific Tissue had no presence, so that product line is all encompassing. From the customer's standpoint they can get all brands on one truck with one invoice. So, we feel that's a strong attribute.

The industrial products are based upon some proven European technology where SCA is the market leader as far as away-from-home tissue in Europe.

Another advantage is that we're backed by one of the largest and most competent R&D groups in the tissue industry. If you think back in North America, I think the only company that can say they're doing a lot in R&D now is Kimberly-Clark, so we think being innovative and creative as far as product development and technology is concerned is going to be one of our strong suits, and we'll inherit that from our European parent company.

TAPPI JOURNAL: *Of the facilities that were acquired from G-P, do you anticipate any need for major upgrades either in the short- or long-term?*

Bingham: As we speak, we're installing the following converting equipment: napkin folders; we have a conventional bath line; a jumbo roll tissue, hard-wound-towel, and multi-fold towels. The equipment is being purchased and installed to replace products that we are getting from Georgia-Pacific under a supply agreement and for growing the business. SCA strategy is to grow our North American tissue business through mergers and acquisitions or building new facilities. We're committed to that and I believe our proposed capital budget this year for just upgrading facilities and installing new equipment is approximately US\$ 21 million.

TAPPI JOURNAL: *As far as the mergers, acquisitions and consolidations, in your opinion what have been the positive and negative impacts?*

Bingham: It's definitely going to bring some control or discipline to our business. Pete Correll, John Dillon, and other chief executives consistently point out that we, as





an industry, do not meet our cost of capital. Our customers do prefer to deal with suppliers that have a full product offering. I think our industry will be stronger and more disciplined as we

take some of the cyclicity out of the business.

Negatively, it has limited the number of opportunities for senior managers, but on the other side, we still need technical people, operations management, and sales and marketing people. I think there are still some good opportunities out there for mill management, R&D, technical sales and marketing people in this business. To stay ahead, we have to be innovative and creative.

TAPPI JOURNAL: *About 10 years ago, when you were mill manager at G-P's East Millinocket mill* in Maine, you were a proponent of Deming's 14-point management philosophy. Is that something you still adhere to today or are there new approaches to management that you've adopted?*

Bingham: Deming's 14-point philosophy is inherent in the way we manage our company today. We're doing those things to improve and to maintain quality. Ten years ago at East Millinocket, we were using total quality management as a vehicle to get our employees involved in the operation of the business. Today, at SCA Tissue, we're beyond that. Our employees are involved and today my focus has really been basically on change management, developing leaders, establishing business strategies—from procuring the raw materials right through selling the product. As you go from being a mill manager to a CEO, your focus changes. We're running a business where we spend a lot of time on customer service. We're a customer-focused company and we spend a lot of time meeting with and getting to know the customer. SCA is basically a new entity in North America, so we're going out and explaining who we are and that there's a huge European company behind the name that's come to North America.

When I was with G-P, a number of us were reading the book, "The Courageous Follower," by Ira Chapleff. There are leaders and there are followers and even senior managers report to the CEO. I always thought it's not enough to focus only on developing ourselves as leaders, we also need to know how to develop strong followers.

In this business not everybody is going to be a leader. I think back to my technical days and particularly when I was a process engineer in a technical department in a mill, you always have those employees that are very technically competent. They are the people that really keep the company together and they have no desire to ever become a group leader or plant manager or technical section leader or something like that. They are more than satisfied to be innovative and creative, developing new products, new processes, new ideas, improving the way that we make products or sell products or something like that. So it's really important, I've found, to nurture those people. Also, we need to know how to be courageous followers ourselves when necessary and these skills can make or break our careers and even, to some extent, our organization. I just thought it was an interesting book and something a little bit different.

TAPPI JOURNAL: *What traits and experiences have been of value to you in doing your job and what aspects of the job excite you and interest you the most?*

Bingham: I think of my traits of being a leader, a strategic thinker, and being innovative and creative are very necessary in this job; and then my experience with divestitures and integration activities too, I think helped me land this job because you know I was one of the leaders when Georgia-Pacific sold or divested Great Northern Paper to Bowater. I was right in the middle of that, and as I mentioned earlier, I was one of the principles that was involved in the acquisition of putting Wisconsin Tissue and Georgia-Pacific together to form Georgia-Pacific Tissue.

What really excites me is putting together this new company, right from manufacturing through customer service, sales and marketing, IT and finance, and having responsibility for the total business, selecting the people that are going to be participating in this, and then leading that change.

The other thing that's been interesting is taking the things we learned in developing the manufacturing side of the business—and particularly what Pete Correll taught me about being a low-cost producer—and now taking those same learnings and techniques and using them on the revenue side of the business. Those principles that we learned with the mill improvement process can be effectively applied to the revenue side of the business through business process improvement. With "profit=revenue-cost," the majority of the paper industry are just beginning to focus in on what the opportunities are on the revenue side of the business by becoming more customer-focused and being able to create more revenue. So we are looking beyond just raising prices to doing a better job than the transactional side, the sales side of the business. There are a lot of opportunities

* For a profile of Bingham when he was mill manager at East Millinocket, see the June 1991 *Tappi Journal*, p. 59.



there; to enhance revenue as we use a lot of those things that we learned on the manufacturing side as we became low cost producers. It's been interesting to work on that because with respect to sales and marketing in particular, our customers really perceive that as having value.

TAPPI JOURNAL: *Since becoming a TAPPI member in 1967, you've been actively involved in many*

ways. You've chaired the Pulping Division, the Pulping Conference, the International Pulp Bleaching Conference, held all the executive positions of the Delaware Valley Local Section, and you were elected to a term on the TAPPI Board of Directors in 1985. How did that TAPPI involvement help you in your career? Are there things now that TAPPI could do and needs to do to help those that are entering the industry?

Bingham: My association with TAPPI, particularly early on in my career, was one of the things that I did that has made me the person I am today. We had a chance to meet other manufacturing people; particularly TAPPI has always been a superb organization attracting all types of suppliers to the industry, whether it be equipment, clothing, consultants, engineers, or research and development people, and then it was always a good opportunity to meet people from the academic community who were strong participants of TAPPI. Overall it's developed for me a huge network of industry contacts; not only has it enhanced my technical knowledge, but my leadership development really started out in my local section, Delaware Valley, where I worked up through the chairs. Connecting with this network started on almost day one of my career on the Pulp Bleaching Committee on up through the Pulp Manufacturing Division and the TAPPI Board of Directors. Along the way I really met some fantastic industry leaders from TAPPI, starting out with Phil Nethercut and then Bill Cullison while I was on the Board. I also had the good, particularly during my involvement with the Pulp Manufacturing Division, to work with Wayne Gross.

Those people had a big influence on my career, as did some of the individual people that I met, like Dick Elliott from Longview Fibre and Wayne Carr from the Secondary Fiber Committee. I was always involved with the pulp manufacturing side—kraft and sulfite and things, and never thought that I would ever have much to do with secondary fiber. Little did I know I'd become involved in

the containerboard business, and now I run a business with no pulp mills, it's all secondary fiber. I got to meet and became good friends with other people, too, like Chuck Klass, Howard Rapson, John Hatton, Doug Reeve, and you could go on. All those people had a big influence on how I run the business, and I've worked closely with those people throughout my career.

I think TAPPI still is performing a leadership role in reporting on engineering and technological environmental developments. It's a primary vehicle for the dissemination of this information. I think TAPPI, through its short courses and functional conferences, still plays a big role in training industry professionals and it has a number of courses that are suitable for people in finance and nontechnical areas to come in and get exposure to various facets of the industry through the way they tailor-make their courses. I think TAPPI also has done a good job of taking advantage of the Internet to more widely disseminate information to the industry. So I think TAPPI will always play a role, even with the consolidation and changes in the industry. Through its leadership, TAPPI is adapting to change just like we are. It is working to fulfill the needs of the industry and it is the technological spokesman for the industry.

TAPPI JOURNAL: *With so many demands from work, do you still have time to enjoy your woodworking and your carpentry, and fishing or other hobbies?*

Bingham: I was just finishing up converting an out-building I had at my home in Maine into a two-bedroom apartment. I did all that work myself. My next plan is that I'm going to buy the hull and the deck for a lobster boat and then over the next five years complete it myself so that when I retire I'll have a boat to do some fishing with on the coast of Maine. I still enjoy fly-fishing. I go to Alaska for about a week to 10 days every year to a fish camp that a paper industry friend of mine has.

I've also stayed actively involved with my wife, Glenna, and two boys. I'm very fortunate; I have a son, Brad, that's a little smarter than I am. He got into the tissue business before I did and is in field sales for SCA Tissue. He was working for Georgia-Pacific Tissue and was in the tissue business before I became involved, so he came along with the deal. His twin brother, Jonathan, is a Navy flight surgeon. And then my wife and the two black labs; she kind of keeps us intact, making sure that we're where we're supposed to be, when we're supposed to be there. **TJ**

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