CEO Panel: Industry change from a supplier, mill, and end-user viewpoint

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Feature Editor

A strong partnership is required.

Reclaiming the American industrialists' proper philosophical base, new attitudes on the shop floor, and the escalating use of color in newspapers were some of the changes discussed at the 1988 Annual Meeting CEO Panel. Moderated by TAPPI President Vincient A. Russo, the panel was composed of Carl C. Landegger, owner, Black Clawson Co.; David G. McMaster, president, Pulp and Paper Group of Bowater Inc.; and William Metzfield, president, Gannett Supply Corp.

The presentations

Carl Landegger claimed the American industrialist has lost his philosophical base. He no longer considers himself a papermaker, a machine builder, a coal miner, or a steelmaker. "He thinks of 'return on investment' and of 'maximizing the assets value of the shareholders' as though that were his prime duty in life," Landegger said. He then added, "Does anyone seriously think that the machine operators of the pulp mill are inspired to increase production by the thought that their leader is a professoinal manager? We must return to our basic philosophical foundations," he admonished. "Once American industrial leaders return to the realization that their first duty is to produce a good useful product for their society, all else will flow naturally."

David McMaster pointed out that we sometimes fall victim to the concept that all we have to do is turn over a new leaf in our management style, that if we get operator involvement, or listen to our customers a little more, we can produce quality just as good as anybody else in the world. "I believe that concept by itself is a recipe for disaster," he warned. "During prosperous times, rigorous attention has to be directed to the deficiencies of the operation. Capital investment is the only reliable foundation to build an improved consistent operation that is absolutely necessary for a profitable, competitive future."

William Metzfield predicted that through 1990, color in U.S. newspapers will increase 25% annually. By the year 2000, virtually all daily newspapers will be printing full color regularly. With publishers needing high-quality newsprint to print high-quality color, they will pay more attention to specifications for color, brightness, smoothness, and opacity.

"Jointly, publishers and paper manufacturers need to know more about each other's businesses," he said. "Publishers need to know the limits of quality paper manufacturing. Likewise, paper manufacturers need to know more about high-quality printing requirements. Together, both industries can prosper and grow by developing a stronger partnership to manage technological changes."

Q & A excerpts

Question: What are the panel members doing to deal with the cultural change within their organizations to support technological change?

Landegger: We have a real technology change removing the drawing boards in the engineering department and replacing them with computer-assisted design, a CAD system. While young engineers in their 20s are not familiar with drawing boards, older, experienced engineers are having great difficulty switching over to the CAD system. I don't know that we have a very good answer to it. I think time is the only thing that will solve it.

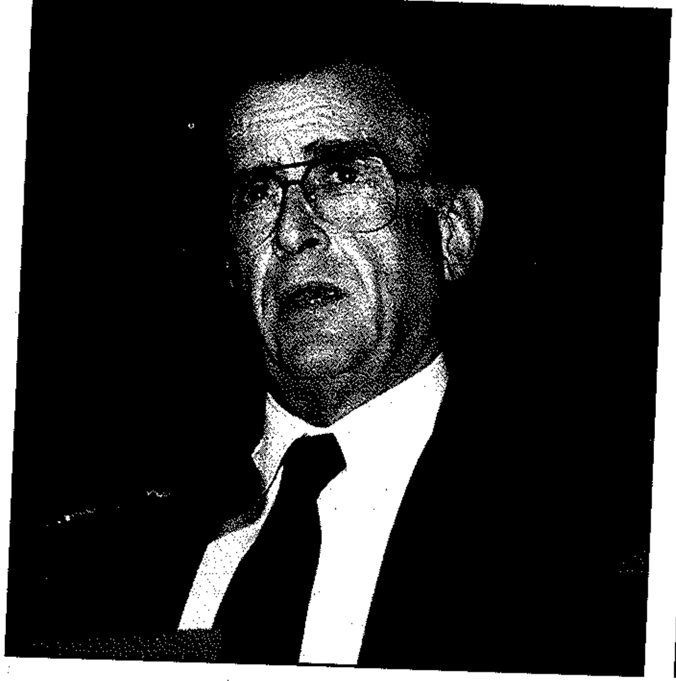
McMaster: I think distributed process control and all that is associated with it is quite difficult at times to address, but what we have found overall is that the workforce is receptive to it because it enables them to do a better job. We probably find more difficulty with our middle and upper management group accepting the new innovative ways of doing things.

Question: What are you doing concerning worker participation in the change in managing your companies?

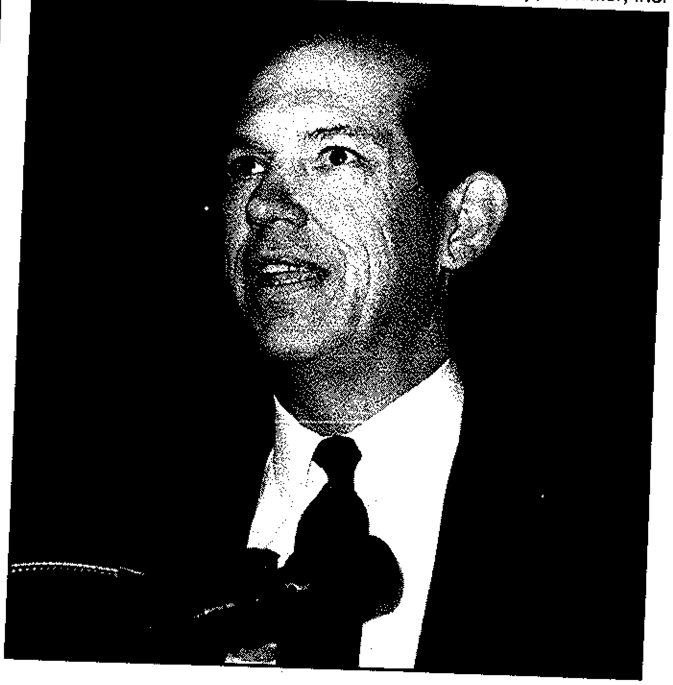
McMaster: You are getting more involved. Whether you are going to the Nth degree is something else. This is an individual company management philosophy. At Bowater over the last 3–4 years, we've gotten into profit-sharing with our workforce and that has had a definite advantage in relationships.

Landegger: We're now trying to establish action plans all the way down to the shop floor where the work really is being done. Not only do we get better participation from everybody, we are better able to carry the whole thing through. An illustration: We may sell a machine to somebody saying we will spend 1000 hours in engineering plus 1000 hours on the shop floor but never tell the engineering draftsmen nor the shop personnel. Then we get very surprised when engineering takes 1200 hours and the shop takes 1300 hours. Once they themselves set their own targets, the chances of meeting them skyrocket exponentially.

Carl C. Landegger, owner, Black Clawson, Co.



David G. McMaster, president, Pulp and Paper Group, Bowater, Inc.



William Metzfield, president, Gannett Supply Corp.

Question: What do you see as the challenges for the industry in the 1990s?

Metzfield: Our challenge is to make sure that we have readers for the future. That means we have to get into the classroom with readership programs. We have to explain to students what newspapers are all about, how important they are in their lives.

McMaster: The biggest challenge that I see is to better understand our process so that we can do it better, more consistently, more uniformly, more reliably, with less unpredictable events in our future.

Landegger: The philosophy that we try to follow is that if we don't make the equipment not only better, but meaningfully less expensive for you fully installed, then America will not be able to maintain the wonderful position we are in today as a low-cost producer of a worldwide commodity.

Question: Given current R&D budgets along with staff reductions at most integrated companies, what does this say about top managements' view of the future?

McMaster: What bothers me is our lack of willingness to cooperate in this effort. The rest of the world does cooperate. I realize there are a lot of potential antitrust situations that may come about, but I think we all know that we can get around those sort of things without any difficulty and still enhance our industry.

Landegger: If I took a poll on where the next step on the paper machine will come, I guess that we would probably reach a consensus that we've got to get the press section up to 50 plus (percent solids) from say the medium 40s. We are working very hard at it, our competitors are working very hard at it. One of the great problems that we have is that we can't find any of the major companies that are really willing to work with us on that until we've got the problem 95% solved. We could probably solve it a lot faster if we could find somebody who is willing to work with us now when we've got it 45% solved. We're not really looking for money, but we need the technical input, we need encouragement, we need to be told this will work and this won't work. As hard as we try, it is a difficult thing to get.

Question: Are the competitive needs of today's marketplace forcing your companies to look at return on investment as the major criterion for capital investment? If yes, how do you take risks to move your companies forward?

Metzfield: When you look at investment, you look at ROI. You're not doing this for fun. You do it for the return. You are calculating risk/reward ratios all of the time.

McMaster: I think in our industry we find that the things that are the most innovative give us the greatest return. We still have this ability to do things better, more innovatively, more efficiently, more productively. As long as we have that capability, there is going to be a wide trough that we can pour our money into and get a significant return on it.

Landegger: Return on investment is probably the best tool for prioritizing how you spend your money. Regarding risk-taking, the two gentlemen on my right are perfect examples of the thesis that all risk-taking is done on an emotional basis. Every idiot knew that a new million-issue newspaper was just not do-able. The circulation of Gannett's *USA Today* is now 1.6 million and making money. When Sir Eric Bowater decided he was going to make newsprint out of southern pine, a lot of intelligent, clever scientists were glad a crazy Englishman was doing this because no American would be dumb enough to try this trick.

Further coverage of the 1988 Annual Meeting will appear in the May issue.