West meets East: An American assesses the Polish paper industry

Edward P. Laumer

The difficulties of making the transition to a market economy in Eastern European countries are illustrated through a visit to a paper mill in south-central Poland.

Is papermaking in Poland any different?

You bet it is! And from what I can gather, it is pretty much the same in all of the former Eastern Bloc countries. There are some very evident differences in management, marketing, engineering, organization, safety, and, especially, work ethics. And, although the basic art of papermaking is pretty standard, the mills fall short of the quality and production standards that we expect in Western Europe and in North America. After a two-month immersion in one particular 99-year-old paper mill complex, the reasons are quite obvious.

Perhaps we should start with *why* an American retiree became involved in a paper mill in south-central Poland.

It all started after retirement and a chance involvement with the International Executive Service Corps (see related story). The IESC is a nonprofit organization formed in 1964 by American businessmen for the purpose of offering volunteer services to commercial enterprises in developing countries. An assignment normally lasts three months, but the cultural experiences gained last a lifetime and fulfill a dream for anyone who likes to travel and to stay involved in the paper industry. Retirement *per se* can be a rather drastic change from an active mill life, and this service offers a mellow transition and a chance to "spin-off" a lifetime of technical expertise to people who really need and truly appreciate the help.

The mill that adopted me for two months had one good 15-year-old paper machine that produced 45–50 g/m^2 newsprint which trimmed to 538 cm (208 in.) at the reel. The top speed was about 550 m/min (1800 ft/min), and at the time it was the only machine of five that had customer orders to run. It was the one paper machine we had intended to focus on for quality and productivity improvements, but we soon discovered that the basic problem was much broader.

Only two of the older and smaller paper machines will be worthwhile maintaining or modernizing if a saleable product can be developed for them.

The total production of this complex was as high as 100,000 tons, but in 1990 was less than 40,000 tons. And this was with an astounding number of 1289 employees.

Probably the first thing that catches your eye is the lack of cleanliness in the workplace. The roll and sheet finishing areas are particularly bad, as are the shops and the general plant grounds, but then, I have yet to see a groomed lawn or park in all of Poland. This lack of lawn care is certainly not directly connected with papermaking, but it is a visible example of the typical work ethic—derived, no doubt, from a welfare state mentality.

James A. Michener's book, *Poland*, states that the work output in percent in an 8-hour day in Poland is 33.3%, whereas in the United States, it is 70.3%, and in Japan it is 82.1%. From what I have seen firsthand, I would not say that all Polish workers have passive, sloppy habits because I also saw energetic and intelligent management people putting in the long hours you would expect to see. However, their effectiveness was just not there, even though government reforms to help them achieve a market economy were started some 18 months ago. Part of the problem is due to the mass and inertia encountered in such a huge and drastic change in the way business is done. Some say that they are in the "demolition phase" of the transition to a market economy, and this is exemplified by the layoffs now taking place in many companies.

Only two years ago, Russia took 30% of Poland's exports—today, none. To complicate things further, there are an estimated 8000 companies interested in privatization. One of their first steps will be to lay off 10–20% of their typically padded work force. This means that in this country of less than 40 million people there suddenly maybe 2–4 million out of work for an extended period. But then there is no quick and painless way out of the trouble the country is in, and it is a demonstrative way for management to tell laggards that they mean business and that job protectionism is gone. Government and industry are still dominated by people with the "old school" philosophies, so there is still a passive opposition to austerity policies and to any changes in management techniques.

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Workers' paradise isn't

Such a two-month exposure really makes one admire the attributes of a market economy run by professional managers versus the so-called workers' paradise that has driven the economy into deep trouble.

One of the mill workers explained it to me in this simplistic manner: "We used to have a lot of money three years ago, but there were always long lines and nothing to buy. Today, the stores are full, but we have no money."

He's right. The average mill worker's wage is only about US$ 130 a month, and the top managers only get US$ 3000 a year. These wage scales are certainly not acceptable by Western standards, but they seem to be passively accepted in Poland because workers have always had job security, low-cost housing, no production pressures, adequate food, and a total reliance on directives at all levels. So no one seems to care if the paper machine is "up and running," or "down." At 2:00 p.m. on one Tuesday afternoon, I asked the superintendent why the machine was down (since 9:00 a.m.)—he did not know why, and he did not have the slightest inclination to find out. The next day I discovered that it was due to a power outage on the main hi-line and probably would not allow a startup until the following Monday—seven days of unscheduled downtime with crews idle instead of bustling about with major overhaul plans.

A question about paper machine efficiency brought an answer of 85.8%—not too bad, but further investigation revealed that it was based on 285 running days, yet there are only six days of scheduled holidays. One hundred and ten hours of downtime is planned per month for maintenance, or 55 days per year, and most of the planning and engineering is done by just one very capable head mechanic. There are no formal job orders in use, no morning meetings in maintenance or production, and the lack of good communication skills is quite evident. Certainly there is little, if any, maintenance cost control as we know it. Only the top people in management seem to attend meetings with vendors or consultants, and no one seems to take meeting minutes or distribute notes to those who really need to know.

One American manager I met here had a very apt description for this. He called it "office management." The physical location of the offices is part of the problem, since they are at least three blocks away from the money-making machine room and seldom visited by the decision makers who seem to be enveloped in that opaque cloud at the apex of the organization chart.

There are some 42 paper mills containing about 100 paper machines in Poland, and all had been previously controlled by the Ministry of Industry, so you can well imagine the bureaucracy that has developed. All except minor engineering was done in one central location in Poland, which had some 180 engineers—few with practical paper mill experience. This isolated bureaucracy did some of the long-range planning and was certainly influential in making the decisions involving expansions or improvements to the production lines.

Monuments to someone's judgmental errors include an unused new supercalender and size press, and the lack of any rewinding capability in the finishing area. Yet, there is a huge inventory of salvageable rolls that at the present time can only be sheeted for wrapping paper sales or returned to the broke system.

International Executive Service Corps consultant **Edward P. Laumer**, at left, pauses during a tour of a paper mill in Poland to talk with (L–R) **Robert E. Page**, Beloit's vice president for international operations, **Andre Allard**, Beloit/Fampa engineer, and **Richard O. Endicott**, vice president and general manager of Beloit/Fampa.

Because there was no sales or marketing organization at the mill, key items like product or machinery improvements were not necessarily based on sales projections or customer needs. Sales are still handled through an agency that extracts the usual sales commission off the top, but the quality of the product limits sales to cash-hungry Third World countries.

The mill, however, is now struggling to reorganize, and it is attempting to develop a sales department, but without any professional help. There is a definite opportunity for marketing people in all of these Eastern European countries where marketing and sales skills are so sorely needed.

Plans for change considered

The original plan at the mill, and the one still touted by the top management, was to convert the best of the machines into a lightweight coated paper machine. However, by most standards, this 1976 vintage Beloit/Walmsely machine is still relatively new and in good condition. It is actually rated to be about the 10th best paper machine of 100 machines in the country and has never reached its design speed of 650 m/min. Yet the management had decided to convert this paper machine to LWC at 1000 m/min, and this was to happen in an environment where a good work ethic, cleanliness, training, and communications have yet to be developed.

Consequently, our recommendation was to forget about the on-machine coating plans for the present and to concentrate on a logical upgrade of the quality and productivity of the existing equipment, and to consider an off-machine coater at some future date—but only after an adequate engineering feasibility study confirms the cost effectiveness. In these former Eastern Bloc countries, a proper design study could be a challenge because a typical engineering department with main-

A lunch break during a tour of a paper mill in Poland offers a chance for further discussion between, from left, Beloit/Fampa Vice President and General Manager **Richard O. Endicott**, mill director **Jamusz Glowczyk**, Beloit vice president **Robert E. Page**, Beloit/Fampa's **Kris Sass** and **Andre Allard**, and country director **Dan Wisniewski** of the International Executive Service Corps–Poland.

tenance and development engineering staffs, as we are accustomed to, is just not in existence. There are some drafting services for minor work, but a feasibility study or a more complex design report would have to be done by an outside contracting service, and this would require some hard currency. To further complicate matters, we found that there are no formal filing systems for the machinery, and the few manuals that were found were written in English or German and not translated into Polish for those who need to use them.

The so-called pre-feasibility study for the on-machine coating conversion was submitted by a local Warsaw consulting firm. It was intended to support a world bank loan of some US$ 143 million, but was little more than an exercise in financial accounting methods. It lacked the support of engineering data so basic as a listing of the equipment required, or at least a detailed preliminary cost estimate. As a result, some major pieces of equipment (the coating press itself and an expensive coating preparation plant, or a supercalender rebuild) were not even listed in the report. The plan did include the costly replacement of a relatively good headbox, an adequate press section, and a good machine calender. Furthermore, the plan called for using 100% purchased chemical pulp, which would have been costly: it would have made obsolete the relatively new 180 ton/day groundwood slush plant and a new integrated debarking system that is already on site but not yet installed.

These examples demonstrate a complete lack of communication, coordination, and long-range planning. Ironically, it was not possible to determine how these plans evolved because there just are no written minutes of meetings or records of studies available. Apparently cost effectiveness was never considered or measured in this system of management.

Language is a barrier

Even more frustrating is the language barrier. It seems to be particularly difficult with technical language, as all of the reports we generated had to be translated by a special interpreter from a consulting firm located hours from the plant. This consulting firm of some 180 engineers was formerly under the Ministry of Industry and has only recently been designated as a separate consulting firm. There are several people in the mill site who understand some English, but it is limited to conversational English. However, the desire to learn English is there, and the company director assured me that he was planning to begin English classes for his key employees, and that he himself has set a goal to learn English within one year.

There was one incident that gave us quite a boost in morale, and it was like a miracle where we were suddenly transported into the real world of a market economy. It was simply a visit by several American engineers and sales people from the Beloit/Fampa works in southwest Poland. To be able to converse in English and to get these experts to second our recommendations was a godsend. As it turned out, we agreed 100% on what should be done to upgrade the machine at the lowest possible cost, and they also confirmed the recommendation to consider the conversion to an off-machine-coating operation at some future date.

This confirmation of the recommendations adds up to a savings of more than US$ 100 million to the state at a time when hard currency is precious and little cash flow is being generated. The Beloit/Fampa operation happens to be the first state-owned business in Poland that was privatized, and it is the logical supplier for paper machinery with widths up to 5.3 m in the country.

In summary, it's worth repeating that the primary goal of this 99-year-old papermaking complex is to find a buyer or a venture partner and to initiate a cost-effective program to upgrade the quality and productivity so that the operation is economically attractive for acquisition. This is particularly challenging given the world's current economic problems.

In the United States, for example, capital spending by paper companies is down 25%. Nevertheless, management at the Polish mill has issued a sales prospectus to more than 20 U.S. paper companies through IESC's American Business Linkage Enterprise (ABLE) and is hopeful that it will generate some interest.

(ABLE draws on more than 12,000 volunteer executives to advise foreign businesses on export and market opportunities in the United States, to help find joint venture partners, and to locate overseas suppliers of equipment and material.)

The additions and changes required to bring this complex up to speed should not require large outlays of cash. The greatest need is for an entrepreneurial group willing to expend the time and energy needed to retrain an underutilized work force that already has many inherent skills.

Obviously papermaking is different in Poland—and throughout the former Eastern Bloc—but I believe it will change with time and patience and when the missing market economy ingredients are supplied by Western economies.

(Editor's Note: This past fall, TAPPI sponsored an Eastern European study tour, with visits to the Soviet Union, Hungary, and Czechoslovakia. Reports based on those visits will appear in future issues of *Tappi Journal.*)

Please see sidebar to this story on next page.

Retired executives serve the industry abroad

The International Executive Service Corps (IESC) is a nonprofit organization that for 25 years has been sending business executives and professionals from many fields to developing countries. In helping struggling companies become more effective, more than 13,000 executives have served in 95 countries.

The program is simple: Volunteers work for one to three months helping a client achieve a particular objective, i.e., training personnel, developing new operational procedures, computerizing an office, creating a marketing program, or providing other consultation. Although volunteers receive no pay, they are provided traveling expenses and a per diem to cover the cost of living in a foreign country.

Executives are encouraged to bring their spouses, who often devote time to serving in social, health, or educational organizations. Many teach English in local programs, while others spend the time reading and exploring the country.

Clyde Eckhart, for example, a retired director of research for Michigan Paperboard Corp., used his background in São Paulo, Brazil. At IESC's request, Eckhart relied on his background in kaolin development, wet and process development, and quality analysis and testing to assist Papyrus Industria de Papel SA in planning for automation. To reduce variability of the product while increasing production, Eckhart recommended new ways of managing the stock conditioning, refining, pressing, coating, and drying processes. In order to lower costs, he suggested studying different-sized shipping pallets, citing improperly sized pallets as a source of waste. Through Eckhart's recommendations, the company achieved more efficient operation.

Eckhart's experience was not unique. With the economic and political changes occurring in Eastern and Central Europe, new programs are beginning. IESC is presently seeking volunteer executives to serve in Poland, Hungary, Albania, and other European countries. This program gives an individual the chance to meet new people and live in a different culture while helping a company or organization become more valuable to its community. And that builds stronger economic links between the developing country and the United States.

For more information on the IESC program, contact William Lippincott, vice president, International Executive Service Corps, P.O. Box 10005, Stamford, CT 06904–2005, telephone: (203) 967-6000, fax: (203) 324-2531.