PROJECT MANAGEMENT ISSUES

SALLY LOVE

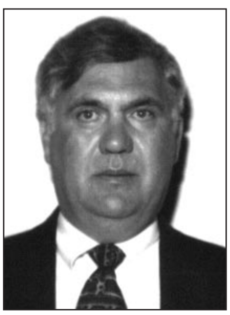
Sally Love, Paragon Consulting Group

This is the final article in a series taken from the TAPPI Engineering Management Committee ROUNDTABLE discussion held during the 1997 TAPPI Engineering and Papermaking Conference in Nashville, TN.

Gentlemen, to conclude I ask that each of you make a two minute closing statement. Your comments may address any topic of your choice whether or not discussed during the panel debate today.

Ben Thorp, Georgia-Pacific Corp.

Ben Thorp: I'd like to talk about training and the fact that we need to put as much specifications around training in our projects as we do around other things. Ultimately, the operators have to run these things, and they have to run them the best way they know how. Too often we delegate training and what happens is the people trained wind up with a baseball cap and a coffee cup but they don't know how to take the pump apart. This is as much our fault as it is the suppliers' fault because we haven't specified in great detail what our people need to know at the end of the training, and worse yet we haven't tested to find out if they do know it. I see this as a big opportunity area for us going forward.

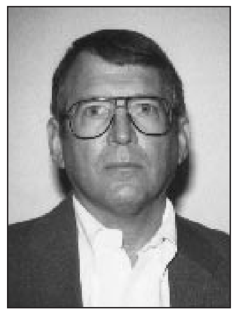


Tommy Thompson, Union Camp Corp.

Tommy Thompson: I think our industry is in deep trouble, and it's reflected by the fact that people sat here for the last three hours to hear this discussion. I think we are all looking for ways of doing things better. We must be creative. We must open our minds for other opportunities, and we need to start with good communications from the top down and from the bottom up as has been talked about today. Everyone has an appreciation of our business and how we measure success. We have to make some changes. In the past, the machine supervisor has weighed his performance based on up-time on the machine while the people at the upper levels have focused on the profit of that machine. We have to be aligned in our goals; otherwise this major threat that's in Indonesia and elsewhere is going to consume us.

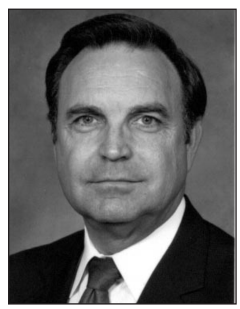
Gerard Closset, Champion International Corp.

Gerard Closset: I think it's clear. I think everybody knows that this industry in many of its businesses has not earned the cost of capital over the last 10 years. And I too think in many ways we are in trouble. I think what we need to do at many levels is change the way we do business and part of that is becoming much more effective in the way we spend capital. We have to look at it much more as an investment. Also, all of us who are technical people have to change the way we think, and we've got to be business people first with a special knowledge on technology, engineering, or whatever.



Larry Crawford, International Paper Co.

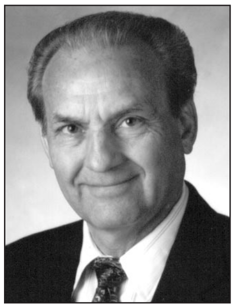
We have to internalize the mission of the company in everything that we do and look at what we do as being owners of the business. That's going to be a big change. The second thing that's going to happen is that I think we're going to see much more of a consolidation. I think the sort of thing that's been happening in Scandinavia is going to happen here, and that's probably going to be the only way that we're going to see some stabilization.



Howard Johnson, Bowater Inc. Southern Division

Dick Ellis, Inland Packaging and Paperboard Inc.

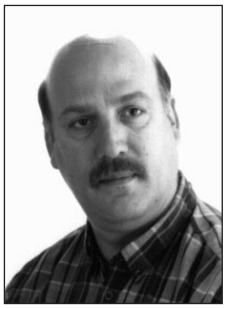
Jim Green, Crown Vantage



Elgie Harrison, Cedar River Paper Co.

Jim Emerson, MacMillan Bloedel Packaging Inc.

Pedro Pedroso Georgia-Pacific Corporation



Byron Alvey, Willamette Industries Inc.

Dick Ellis: We're talking about good engineering projects, and I think in the future it starts differently. Good projects start with the corporate management. We need to do preliminary analysis on our markets, and we need to have better understanding of our market place and we have to do a better pre-analysis of technology. Then we have to make some decisions of where we're going to take our cash flow if the project financials don't look good. Are we going to take it off shore or are we going to take it off to other businesses? That's the financial position of the industry right now.

Once a project comes down into the engineering level in the future, all of us in this room have to spend a lot more time in the pre-engineering stage. We've been short shirking the technical studies and that's causing us to put projects in the ground that don't fulfill our expectations.

Jim Green: Communication is something we talked a lot about today. I think we need to break down these communication barriers. We need to focus in on the things needed to successfully do our business and improve those areas. Forget about whether it's a corporate engineer, a mill engineer, a consultant, and a supplier. We must work together to break those barriers down. We definitely need to get input from our operators in the mill and put that together in project teams to be successful.

Larry Crawford: I have three comments. First, I hope that our project teams overall will tend to have a greater core of experience in the areas of process and maintenance. I think we'll have stronger projects. Second, a project's success should be judged on the immediate cost plan and the immediate schedule plan. Will it make the tonnage or the capacity it was supposed to and does it produce the product quality it was supposed to? If it doesn't, it wasn't successful. Finally, as you develop projects and as you execute projects, demand and expect excellence.

Howard Johnson: We are such a capital-intensive industry that we have to handle our capital monies we have available very, very well. I believe in competitive bidding, and I'm also a believer in turnkey projects. I think one of the key aspects of any job, any way you do it, whether you do it fast track, conventional, turnkey, or EPC, you need to involve people in all areas of the mill: maintenance, production, and engineering. Projects need to be done very well, and we need the help of our consultants to do so. They've done a tremendous job for us over the years.

Elgie Harrison: We've talked a lot today about teaming. I believe wholeheartedly in the concept of teaming. The project team should have all the components needed for the team to function: finance, marketing, and manufacturing. In my company and in most companies nowadays, there is a prevalent concept that more is better. The belief is that as you get more people involved you gain some consensus. That's wrong. My advice is get a small group of people together who have the competencies that you need, empower them to do what's necessary to make the decisions, and let them get on with it.

Time is money and if you get a cast of thousands, it's just going to slow your project down immeasurably and you're going to lose millions of dollars doing that. From experience, I'll tell you that you don't have to have everyone involved in every decision in order to reach consensus. When you do a project well, you get people involved at the level that is required and they're going to buy in. It's a behavioral kind of thing. So don't go out and start a project with too many people. It's self-defeating.

Jim Emerson: Our industry loves to spend money, and if there is a message I'd like to send it's that we cannot spend our way out of trouble. We've got to look at existing assets and optimize those assets. All the different arrangements we've talked about today, somehow we have to calculate an incremental value or benefit not obtainable by any other means.

Pedro Pedroso: We need to communicate. It's very important. I too agree that too many people on the team can destroy the teamwork effort because they start fighting among themselves. You have to empower people to make decisions down to the bottom with some criteria to do the job. This is necessary for us to continue to work in this rapidly changing global market.

If change is only driven from the top, it takes too long to make changes. It has to be driven down to the core group in the mill to make those decisions and live with those decisions. I also think we need to listen to what people have to say. And just because an individual has done the same job for 30 years doesn't mean that he doesn't have something meaningful to say. He can save you a lot of money in the long run. Finally, we have to trust each other. It's hard to do, but that's the name of the game.

Byron Alvey: We've talked today about a lot of different ways of doing projects: partnering, equity arrangements, lump sum, fixed price, and time and materials. I think those are all appropriate in certain situations to trade off risk and reward, but if you want to do the projects at the lowest cost, then you have to assume the most risk. **TJ**

Sally Love, president of Paragon Consulting Group, was moderator of this Engineering Management Roundtable.