

A portrait of Steve Rogel, a middle-aged man with glasses, wearing a dark jacket over a patterned shirt. He is standing outdoors in front of a modern building with large windows and a green lawn. The background is slightly blurred.

Weyerhaeuser's Steve Rogel, *Executive Papermaker of the Year*

By JACK O'BRIEN, EDITOR-IN-CHIEF

PaperAge has named Steven R. Rogel as its "Executive Papermaker of the Year." Mr. Rogel, Chairman, President and CEO, Weyerhaeuser Company is being recognized for his key role in Weyerhaeuser's acquisition of Willamette Industries and for the leadership skills he has portrayed in integrating the two companies.

Mr. Rogel will be honored at an award ceremony that will take place at the Waldorf=Astoria Hotel in New York City, on Monday evening, March 10, 2003 during AF&PA's PaperWeek.

In an exclusive interview with PaperAge, at Weyerhaeuser's Federal Way, Washington headquarters, Steve Rogel talked about his beginnings in the paper industry, the integration process of Weyerhaeuser and Willamette, the Canadian softwood lumber issue, and shaping Weyerhaeuser's future.

Steve, you began your career in the paper industry in 1964. Tell us about it. Was it the job position or an interest in the paper industry, or both?

Steve Rogel: It was 1964 when I worked an internship here on Commencement Bay at the then St. Regis, Tacoma, Washington kraft mill. I became interested in this industry as a direct result of that summer job experi-

ence. Later, going through job interviews as a newly minted chemical engineer, I decided to work for St. Regis. That's why I'm really strong on internships. They bring you into the real world. Even though I was a chemical engineer and had opportunities to enter the chemical and oil industries, I chose forest products.

You joined Willamette Industries in 1972 as Technical Director at the company's Albany, Oregon facility. How did this move come about?

SR: My wife and I and our children were living in New Brunswick, in Eastern Canada. I was contacted by what was then Western Kraft—that later became part of Willamette Industries. They were looking for someone for the Albany facility and since we were from the West Coast it was sort of like a homecoming.

You were named President and CEO of Willamette Industries in 1995. Did you envision holding a position like this when you joined the company?

SR: No, I actually envisioned a career in management. I don't think anyone at that time would envision himself or herself as becoming President of the company. I knew my strengths and they were probably better in the people and management areas than in the engineering areas, so I followed those strengths.

When did you join Weyerhaeuser?

SR: I joined Weyerhaeuser in 1997, so it's been slightly

more than five years. Jack Creighton, former President, CEO and Chairman of Weyerhaeuser, who, incidentally, is a former Executive Papermaker of the Year, called me first, and subsequently George Weyerhaeuser, Sr., and the Board contacted me.

I was perfectly happy in the job I was in, but they offered me an opportunity at the age of 55 to take on the reigns of one of the largest and best known companies in the industry, stating they wanted to see some changes brought to Weyerhaeuser. This presented a challenge I couldn't resist—the professional challenge of my entire career!

Let's jump ahead a bit. On November 6, 2000, you offered Willamette shareholders \$48 per share for their stock, or \$5.3 billion for the company. The offer was soundly rejected by the board. Did you expect them to take such a "not open for discussion" posture?

SR: My expectation was that they, as any board, would enter into a negotiating position at least and the initial response might be that of no, it is too low an offer and we're not interested in that offer. I expected that.

Did you ever think the deal wouldn't fly?

SR: Never. I always thought that it would fly. I thought it might take two annual meetings of their shareholders to get it done, which would mean two elections and a majority of directors. But, in the end, we got to an agreement that was in the best interest of the shareholders of both companies without a second election.

In late January 2002, Willamette announced it had accepted Weyerhaeuser's final bid of \$55.50 per share, or \$6.2 billion. Weyerhaeuser also assumed about \$1.7 billion of Willamette debt. In March, Willamette Industries became a wholly owned subsidiary of Weyerhaeuser. At this point, what was your first order of business?

SR: Our first order of business was to put the integration team in place. We had worked during the course of the negotiations to create an integration team. We felt we had some experience based on our acquisitions of McMillan Bloedel and Trus Joist on how to do this well.

Immediately we began preparing for day-one through day-one hundred. On day one, which was welcoming day, we felt it was important to have someone from Weyerhaeuser present at every Willamette facility to be their critical contact for questions and to help them through the process. This helped a great deal.

Of course, there is bound to be tremendous change brought on through any merger of acquisition. You can't help having that, but you can certainly ease it along. Honest communication is the key because it is so traumatic for so many people.

I must say that the Willamette people came with the attitude, "we may not have wanted this, but let's get on with it and make the very best company we can." This attitude has continued to this day. Importantly, we have brought Willamette people all through the company into various levels of management. From the beginning it has been all about getting on with making this the best possible company it can be.

Many observers thought that the hostile takeover would mean many at Willamette would get the ax. But this didn't happen to any real degree. In fact The Wall Street Journal published a Corporate Focus article in September 2002, where it was stated, "to everyone's surprise most Willamette people not only got to keep their jobs, but in some cases were assigned great responsibilities." Any comment?

SR: That's true. But, some people did lose their jobs because of duplication. I would say, however, that the impact has been as great on Weyerhaeuser employees as on Willamette employees. We didn't play favorites. What we're trying to do is create a better group, not just in terms of the talent in the group, but in ways of doing business; of simplifying things.

One of the first things I did was to place two people from Willamette on our Senior Management Team—a management level that reports directly to me. I named Marvin Cooper and Mick Onustock as Senior Vice Presidents of our company and they have really fitted in and contributed. I think that showed the Willamette people that there is a future at Weyerhaeuser Company.

Further, I'm pleased to say that nearly every Willamette employee we sought to keep chose to stay. And, we've even had some promotions already. Mike Singer, who is running Engineering, Doug Leland, who now heads-up Specialty Products, Don Waddell, who is the controller for our pulp and paper operations, and others.

It hasn't been a clash of personalities or skills. Sure, there were cultural differences to overcome, but from a people standpoint it has been tremendous. Our folks are getting along fine with one another and this pleases me.

We hear about corporate culture clashes after a merger of acquisition. It appears from what you've said that these clashes are at a minimum.

SR: Willamette was dedicated to simplicity, lean operations, heavy focus on cost control and manufacturing efficiencies, but produced commodity products. Weyerhaeuser folks were more oriented to value-added products, providing more resource internally than Willamette had. We have an R&D Group and they didn't. So, yes, there were differences in culture and somewhat in style.

Tell us about the company's "blended" culture.

SR: The blended culture that has emerged is quite interesting. It contains certain positive elements of both companies. To give you some specific examples: great attention to the detail of growing a tree for Weyerhaeuser, which adds volume and value to a forest over time. One of the things Willamette brought to the table is manufacturing efficiency in the paper mills. We see this beginning to impact all of our mills now. So, we're still working hard to extract a contribution of both companies. Every single individual today at Weyerhaeuser has a focus on the bottom line and being the best. It's the only way we all will survive and prosper.



Exactly where are you today with the integration process and when do you think Willamette will be fully integrated with your operation?

SR: The operations are integrated today. We have some systems to integrate yet, such as information technology, but from a people standpoint and manufacturing standpoint that work been accomplished, with most of it completed within sixty days.

Another good illustration is in our corrugated container group. We set-up eight regional managers, four from Willamette and four from Weyerhaeuser, and that happened in less than 60 days. We broke-up over 100 box plants into regional groups that those people run—another example of immediate blended culture.

The U.S. Department of Commerce's decision to impose countervailing duties and other penalties on certain Canadian softwood lumber products imported to the

U.S. has negatively affected your company's lumber business. Do you see this decision being softened or modified in the near future?

SR: Yes. We are hoping that during the first quarter that the two governments will return to the table and negotiate a resolution. As a matter of fact [Jan. 7] the U.S. Department of Commerce released some position papers that gave us some encouragement that the U.S. side is now ready to talk again.

As you know, Weyerhaeuser has a unique position on this issue because we have a significant presence in both countries. Because we feel we have a good understanding of doing business on both sides of the border, we made a proposal that we hoped would get this issue off dead center and get the two countries working on a solution.

This solution involved a two-step process. Since then, both the British Columbia government and the U.S. Department of Commerce have come up with their own two-step processes. The British Columbia proposal is fairly similar to ours. The U.S. Department of Commerce proposal is a little less detailed, but it sounds like it is moving in the right direction. I think there is a channel developing here for a solution.

This situation has been very, very detrimental to our industries and it just can't continue. Nobody is doing well on either side of the border.

What is Weyerhaeuser's long-term strategy?

SR: We have an intermediate term strategy. We borrowed a lot of money, so our intermediate and short-term strategy is to get the synergies from the deal and take debt down. Meanwhile, we're conducting another strategic review. Of course we had a strategic plan going into all of this, which included the acquisition of Willamette. But now we've grown a significant step and while we're busy getting the synergies and taking down debt we're looking at our future. We're examining it on a North American and global basis as to what our next move will be.

Can you be more specific about the global aspect?

SR: By saying we're looking at it on a global basis I mean

that we're looking at how best to position Weyerhaeuser to compete in the global market. We're already very large in North America and we have a good foothold in Japan in specific markets such as the log markets, in bleached board and some other finished wood products. However, we have to look at expanding our global footprint beyond Japan.

The question is how do we do that? Do we grow more in North America or do we grow elsewhere? Right now, we don't have the answer. We're looking at a number of options as we develop our next strategic move. Whatever the answer is, we'll take a disciplined approach, just as we've done to grow our North American presence.

With new machines going into China, do you envision China perhaps flooding our North American market with their products if the demand in that region doesn't keep pace with supply?

SR: One of the conclusions we're arriving at is in the main these machines won't seriously penetrate the U.S. market because the logistics are too expensive. The logistics overwhelm low labor costs and even some fiber costs. Keep in mind that there aren't the great differentials in fiber cost that there once were.

I point out that what is taking place in every commodity industry, including pulp and paper, is globalization and consolidation. That is what we will continue to drive toward. One can't stand still in today's competitive world.

What does Weyerhaeuser want to become in the future?

SR: At the first stage, we want to become the premier investment as a forest products company. That means our performance in all areas has to be exemplary. We start with safety here. At Weyerhaeuser, we have a saying, "less than one, greater than seventeen." Less than one means, we are striving for a recordable incident rate for the corporation continuously at less than 1.0. And the greater than 17 is the return on net assets – or RONA – goal, which is a reach. But, if we make that number we'll be fully competitive with any industrial company. That is what our ultimate goal is, to be an industrial investment of choice.

I've heard you're a people person. Any truth to that?

SR: No, I'm an engineer and we're not viewed as being

people persons. Just kidding! But seriously, I do like people, so just maybe I am a people person. I sure would hope to be viewed that way.

You have a pretty simple business philosophy.

SR: If you look at people in sports or business, the successful ones are usually people who are consistent. Just think back to the good old days of football. Vince Lombardi was totally consistent, he was motivational, he was not complicated and kept things understandable and simple. And he was a total success story. I feel that people who are successful must have first a good battle plan and then stick with it.

You are the outgoing Chairman of the American Forest & Paper Association (AF&PA). What was that experience like?

SR: I really enjoyed working with so many dedicated people. AF&PA is an enormously useful organization to the forest products industry. By coincidence, at the same time I was also Chairman of the National Council for Air & Stream Improvement, another fine organization.

On my watch things were relatively calm. We weren't in the middle of the "Owl" wars and SFI is now a reality. And, the EPA did not promulgate new and difficult regulations.

I would also like to wish my successor to the Chairman's post at AF&PA, Bowater's Arnie Nemirow, all the best during his chairmanship. I know he will do a superb job.

When you're not working, what do you do to relax and enjoy yourself?

SR: I really enjoy getting out on Puget Sound with my family for recreation on our boat. We especially enjoy taking our grandchildren along. My wife, children and grandchildren delight in crabbing, fishing and just plain relaxing. I have to say though, boating on the Sound is a real challenge. ■

