

# New N.A. President Shares Metso Paper's Game Plans, Operating Strategy

*Jukka Tiitinen discusses his company's new approach to servicing the North American pulp and paper industry with focused expertise in four key product areas.*

— By JACK O'BRIEN, EDITOR

This past August, Jukka Tiitinen was named president of Metso Paper North America, succeeding Marco Marcheggiani, who became head of Metso Paper's global tissue business.

Tiitinen, who has been with Metso Paper since 1987, is no stranger to North America, having worked here with Metso Paper for six years, from 1996 to 2001, before returning to Finland to assume responsibility for the company's global service business. He is an engineer by discipline, holding a M.Sc. degree from the University of Technology in Helsinki.

Following his relocation to Metso Paper's North American headquarters in the Atlanta, Ga., area with his wife and two children, PaperAge recently met with Tiitinen to get his views on the North American paper industry and the direction his company is taking as a key provider of papermaking and fiber processing technologies to mills in the U.S. and Canada as well as around the world. The highlights of those discussions are summarized below.

**PaperAge: You have spent a number of years working in North America for Metso Paper. How does it feel to be back as president, succeeding Marco Marcheggiani?**

Jukka Tiitinen: It's always great to return to North America. I lived here in the mid-'90s and both of my children started their school here. Although I recently lived for two years in Europe, I've been visiting here about every other month because of my previous job.

Succeeding Marco is part of the progression. As you know, Marco is now heading up Metso's growing tissue business.

**PA: What are the greatest challenges facing Metso Paper today, both globally and here in North America?**

JT: During the past 10 - 15 years, paper machines have become progressively larger. Globally, fewer machines are



At Metso Paper North America headquarters in Atlanta, Ga. are (l-r) Ken Patrick, Jack O'Brien, Jukka Tiitinen, and Michael O'Brien.

necessary to produce needed new capacity. As with other companies serving the pulp and paper industry, we have had to reduce our own capacity accordingly. To keep our leadership in critical areas, we are focusing more carefully on our core products and making sure not to get too far away from our customer base.

**PA: In this regard, how does Metso Paper's business breakout today on a global basis, e.g., new machines, rebuilds, maintenance, spare parts, etc.? What related opportunities do you see for the near future?**

JT: Globally, about one-third of our business is rebuilds and new lines, while two-thirds is related to servicing existing machines. Because the installed base is so important to us as well as our customers, it represents a great opportunity for us to work closer together as a team, focusing on real needs and solutions. In North America and elsewhere in the world, it is vital that local people take care of local customers. This has always been Metso Paper's approach, which we plan to continue.

**PA: The paper industry in North America, and the world for that matter, has been rocked by major mergers and acquisitions in recent years. Do you foresee these continuing, or has this trend more or less played out?**

JT: The acquisitions we've seen in North America and Europe really haven't been international in the true meaning of that term. However, in the not too distant future, I think there could be international mergers and acquisitions that will reduce the global paper industry stage to only six or eight major players.

Another related trend—and some paper companies are already aligning this way—is toward grade specialization. Instead of producing every possible grade in a sector or combination of sectors, companies will establish more specific business niches.

Metso Paper is already aligning its structure in such a way as to support this global trend. Currently we are implementing highly specialized teams to specifically serve tissue makers, board makers, paper makers, and fiber producers. We want to make sure that we can serve the life cycle needs of customers in these four segments with concentrated expertise in dedicated team structures.

**PA: We've all heard a lot about the growing paper industry in China. But how is the paper machine business in North America? How does it look going forward?**

JT: North America is a major consumer and producer of paper products, accounting for 22% - 26% of our overall sales. Although some in the industry complain that there is little capital activity in North America, I can say that Metso Paper's business here has been quite stable. We have been able to pick up new orders here and there in recent years, especially in Canada, and, as previously mentioned, servicing of the installed base has been quiet robust.

Tissue markets have been very strong in North America, and we're seeing some positive signs for renewed growth in this sector following a slight slow down in recent months. A number of new tissue machines are being considered and we have just introduced a new smaller tissue machine concept. Some one-third of Metso Paper's tissue business is in North America, and this will grow.

As for China, it is certainly growing fast. China consumes more than 60 lb of paper per capita, but the Shanghai and Beijing areas, for example, consume some

260 lb per capita.

The big problem in China is a lack of fiber. Without fiber, the Chinese pulp and paper industry can't continue this rapid growth.

**PA: Capital spending by the North American paper industry has fallen from an all-time high of near \$20 billion in 1989-90 to some \$3.5 - \$5 billion each of the past five years. What do you see happening with capital spending in the relatively near future?**

JT: We have conducted several studies on capital spending, all which indicate that the asset bases of some of the larger paper companies are steadily declining as a result of reduced spending. However, companies that invest are generally the ones that build new revenues, rather than treading water and simply waiting for something positive to happen. It seems there are two basic approaches to this—follow the balance sheet or figure ways to generate more revenues. If you can increase revenues with lower costs than your competitors, you can easily calculate the payback.

I'm an engineer, not an economist, but it seems to me that at some point you must cease cost-cutting and take a risk to survive. The successful companies we've worked with have taken, or are planning to take, that risk-step.

**PA: Assuming that paper industry markets will rebound in the near future (and there are strong signs that some already are rebounding) and that capital spending begins to rise again, what types of machine projects will North American mills be concentrating on?**

JT: Probably a little bit of everything. Currently, in North America there is a trend, or at least a growing emphasis, on grade change flexibility and efficiency, where, for example, a company wants to develop a high end product and/or change a grade. This typically would involve rebuilding or adding something to the head of the paper





machine, or in the middle of the machine, or both. If a mill is focusing on existing lines, the driving force will most likely be de-bottlenecking. This could involve a lot of projects in the dryer section, press section, at the reel, the headbox, etc.

**PA: You have recently consolidated Metso offices in Canada by bringing together Metso Paper, Metso Automation, and Metso Ventures. You have also just announced the opening of a Metso Shared Services financial group. Is this type of consolidation a trend that will continue within your company?**

JT: Metso consists of four business areas—Metso Paper, Metso Minerals, Metso Automation, and Metso Ventures. And each of those groups has a number of offices in North America. For instance, Metso Paper has 13 sites. It makes economic sense for us to consolidate offices and common functions wherever and whenever. This trend towards more efficiency is going on throughout the entire industry to eliminate duplication of effort.

**PA: In your opinion, how is the industry going to evolve to a more profitable level?**

JT: The only real way for this industry to improve is through new technology. New technology depends directly on investment in R&D.

**PA: Has the prolonged downturn of the past several years forced suppliers to reduce R&D spending?**

JT: I can't speak for other suppliers in the industry, but Metso Paper has maintained its R&D investment firmly through the years. We are currently spending 4% - 5% of our sales revenues on R&D, to the tune of about \$75 million annually.

**PA: North Americans have always taken pride in considering themselves leaders. How do you think the shifting**

**market situation has affected this mentality?**

JT: North Americans have a global reputation as tough competitors in about every field of endeavor. In sports terminology, I would say that they enjoy "going for the gold." While the economy has been tough and investment in new machines on this continent has dropped drastically in the past 10 years, someone must have forgotten to tell the North American mills they are no longer supposed to be competitive. My observation is that they are even more competitive than ever.

Innovative companies here have found ways to develop new products in spite of distressed markets and poor profitability. They've taken old machines, and through upgrades and improvements, made them efficient. I can cite a number of North American machines that have recently set global production and quality records. Much of the world's attention will always be on the big, new orders in other parts of the world. But keep in mind that North America still produces the most tonnage and is an enormously important market for the supplier industry.

**PA: How would you describe your management style?**

JT: I've always felt that one should be humble and thankful for any success as a manager, so I'll leave it to my associates to judge me on that question. I do constantly seek feedback from the people I work with. I don't believe anyone can be a successful leader if he or she doesn't keep an open mind and listen, and provide the best possible work environment for everyone in the company. If my associates are successful, then I will be successful.

**PA: Getting away from the work environment, what do you do in your spare time?**

JT: I like to play golf. I picked up the sport during the '90s in Australia. My wife enjoys it too. Whenever we can, we play golf together.

When a person moves almost once a year, as it has been with my family, much time is spent setting up a new home, gardening, etc. When my two children were very young, we would constantly play T-ball. Now they are teenagers. My son plays hockey and my daughter plays tennis. We try to spend as much time as possible supporting their activities. We all must have balance in our lives. ■