

# Memoirs of a Forest Industry Consultant



Pekka Niku

# **Memoirs of a Forest Industry Consultant**

## **Pekka Niku**

*This book is dedicated to my wife Kaija*

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**MEMOIRS OF A FOREST  
INDUSTRY CONSULTANT**

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## Introduction

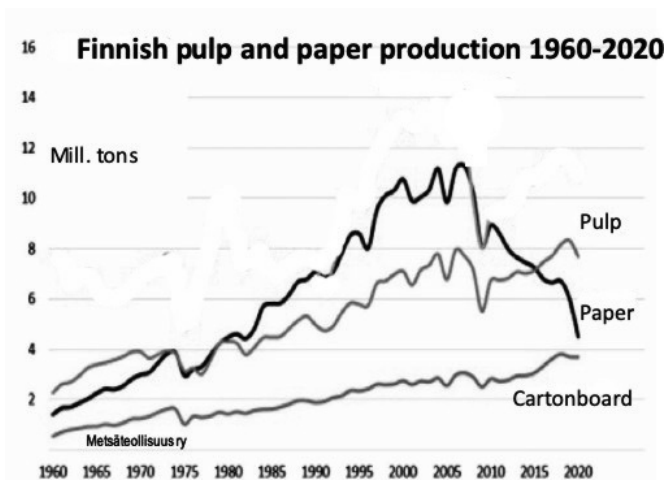
*"Forest industry needs more gladiators than plagiarists" Esko Joro*

In 105 Chinese Tsai Lun invented paper, which Internet started to crush in the 1990s. Today's paper industry resembles "Wounded Angel", the famous Finnish painting by Hugo Simberg.



Wounded Angel by Hugo Simberg

The following chart illustrates the impact of Internet on the Finnish paper industry. Graphic papers started to decline in 2006, whereas cartonboards and packaging grades (and tissue) in general have grown. Pulp is also doing well.



After Helsinki Business School I worked over 40 years in the forest industry. First in the marketing departments of Enso-Gutzeit (now Stora Enso) and United Paper mills, and then as a consultant in Pöyry and Ekono in Finland and the USA. I have travelled in over 100 countries and prepared over 300 feasibility and strategic studies, due diligence work, bank reports, etc. For this reason, I have been in an excellent position to follow up the development and trends in the industry and markets. For the last seven years I have worked as an independent consultant in my own company.

Most of the projects, which I have been involved in, were successful, starting on time within the planned budget limits. For this book, I have selected projects, which have been more challenging. Most of them are in the developing economies, which I consider more interesting than the developed, well organized societies. Many things happened in these projects, and around them. Some of them also had an interesting dark side. I hope these examples give readers some lessons to be learned and are helpful for future project development.

Forest has been in a key role in my family. My father and grandfather worked for the forest industry. My brother Jukka and sister Maija are forester. My son Antti followed in my steps as a consultant in PwC and Accenture.

The world is changing faster than ever before. We now need gladiators, innovators, and the re-evaluation of all things. There is nothing wrong in copying ideas from the world, if they can be processed further to suit companies' particular needs.

Many things have happened in the forest industry in five decades - structural change towards bigger papermachines and units, internationalization, declining demand for graphic papers due to the Internet. Industry 4.0 (Internet of Things), robotics, 3D and digital printing are recent growth areas. Big data, augmented reality and remote machine maintenance have found their way into assembly shops and machine fleets. This has been interesting development to follow. It is clear that a big number of jobs, as we now know them, will be lost.

It was not a surprise that at the time of writing this book, UPM sold its Shotton paper mill in England to a Turkish company, which is converting the production to packaging board and tissue paper. Stora Enso announced the sale of four graphical papers making mills (Anjala in Finland, two in Sweden and one in Germany) - if a buyer can be found. In the future, the company will focus on packaging, bioproducts and construction solutions. The feasibility of changing Stora's Langerbrugge mill (newsprint, SC paper) to containerboards is under evaluation.

As the previous chart shows, the forest industry is cyclical in terms of production volumes. It is even more sensitive to prices. It is typical that investment decisions are made in an economic upturn at a time of high prices, and then the new capacity will start up after about two

years in recession, in overcapacity situation and low prices. If profitability calculations have been made with the peak prices, there will be problems. This pattern has been repeated for over 40 years. As one client said: "Paper industry is a roller coaster – enjoy the ride!"

The consulting organization is 'flat', career opportunities are limited, and motivating employees is challenging. Companies often end up 'playing' with titles which create artificial hierarchy. At the same time they try to hold back on salary raises. My titles changed at a rapid pace, examples of a few of my name cards are in the annex. A customer once said to me, "I met at least dozen vice presidents in your office". Today, the title of Principal seems to be popular. No one knows what it really means.

Several American business methods were introduced in the 1980s and 1990s: Management by objectives, matrix organizations, McKinsey 7S, 4e, deep leadership, value based leadership, scorecards, sales force, etc. My experience is, that almost all of these methods led to the same result. "Silos" were created inside the company, which focused only on their own unit's results, competing with others and spending a lot of time in filling various measurement forms. At the same time they forgot the common good. Companies focused on the quarterly results and forgot the long term.

Much has happened in the consulting in the forest industry. Ekono already merged with Pöyry in 1993. The two major engineering firms, ÅF and Pöyry, merged. The new name is AFRY. It seems that customers are gradually getting used to the new name and interesting growth areas such as the mining industry and bio products are opening up. Forest industry is no longer the main focus area of the Pöyry/AFRY.

New, vibrant consulting firms have been established with the help of former Pöyry employees: Rainer Häggblom's and Markku Tynkkysen's (UPM) Vision Hunters (led by Teija Konttori), Indufor (led by Jarno

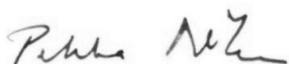
Seppälä) and most recently Jay-Partners (Outi Juntti, Petri Jokinen, Jaakko Jokinen). The move of the sharpest consultants to competitors is, of course, a worrying trend - watch out AFRY!

I have travelled a lot during my career. Much has happened. It's almost a miracle that I've survived all these trips healthy and without major injuries. Kristofos, the saint of travellers, has clearly been at the level of his duties. On the other hand, it has been said that many people have died at home. Many thanks go to Pöyry's physician Antero Kokkonen, who has been taking care of vaccinations, tests and even tropical diseases for decades, and to physician Kirsti Pakkala for the good care after my retirement.

Photography is one of my hobbies; that's why there are a lot of photos in this book. As I went through my photo archive, I felt almost obligated to write about stories associated with them. Digital images are convenient, but they easily disappear into the digisphere. The photographs were also useful when factories were evaluated later on.

In this context, I would like to particularly thank my colleagues, partners and clients who have made these memoirs possible. Special thanks to my wife Kaija for her continuous support, patience, and the idea to write this book. Thanks also to my children Maria, Anna and Antti, and son-in-law Eetu Hiltunen, who proofread the text at different stages. This book is also available in Finnish, and as an e-book from Amazon and other leading publishers.

Muurame, Finland, August 2022



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Visas are needed

**Memoirs of a forest industry consultant, based on 40 years experience in over 100 countries. The focus is on interesting and challenging projects in emerging markets. The dark side of the projects is discussed, too. A lot happened in the projects and global travels, which makes the book interesting also for those outside the industry.**

