

So what is Koch Industries doing?

By Paperitalo Staff

Rumors abound that Koch Industries, the recent purchaser of Georgia-Pacific Corporation, is slashing employment company-wide. Sources tell me that employment at the large Port Hudson, LA mill is to be cut by 1/3 (without any changes in production expectations) and that the “pink palace” (GP’s headquarters in downtown Atlanta) is having a similar experience, although it appears here to be mostly people running and screaming from the building (sometimes called voluntary severance). I must stress these are largely rumors and are not verified except for some local newspaper stories in Louisiana.

As an observer, this is an interesting set of events. From a social standpoint, it drives home once more the point that the owner makes the rules. Most employees live in denial of these conditions (a fact that ties in nicely with last week’s column) for to acknowledge them simultaneously attacks one’s own ego (“I am too important around here to be terminated.”) and fear of the unknown (“What will I do if they let me go?”).

For a moment, though, let me focus on the business side of this situation. If Koch Industries has competent management, if they are in this (the pulp and paper industry) for the long haul, and if they have determined, based perhaps on their business acumen from other industries, that G-P was severely bloated with employees, the shock waves others and I predicted at the time of this takeover are upon us.

You can be certain that other executives, stockholders and analysts are watching with keen interest the moves Koch is making. If they appear successful, expect them to be mimicked, sometimes with great outcomes (for owners) and sometimes with disastrous ones (unfortunately our industries’ leaders often copy one another’s actions without paying close attention to the details of execution concomitant for success).

This is all healthy for the industry, for the industry must find a path to sustained success. It might even be said to be healthy for society as a whole, for ubiquitous, inexpensive pulp, paper and paperboard products are vital to modern living (imagine taking away corrugated containers or toilet tissue for just one day—a day of boycott I don’t want to see).

Unfortunately, you and I have the real possibility of becoming caught up in the human pathos of this situation, letting our sympathy for specific human hardships cloud our understanding of the business necessities. And, for certain, there will be human pathos, from the junior in high school whose family is forced to move due to a new job the breadwinner had to take, to the ill employee whose insurance runs out when they cannot find a new job. These are tragic personal situations, but they are not, unfortunately, some that corporations can always accommodate if they are to do their fiduciary duty for their owners—create sustainable, profitable businesses.

I am not trying to be mean and insensitive—my point is to point out that one's employer is no longer the paternalistic protector of our personal needs and issues. When they were (Ford in the 1920's and 30's, P & G until the 1980's, to name a couple) they did that for corporate reasons, too—namely to attract and retain the scarce employees they needed. However, now, in the third or fourth phase of the industrial revolution, not nearly as many employees are needed and those that are must be highly motivated and highly trained. And in that last sentence lies the secret to your personal success. The day you start thinking you have earned and deserve the job you have—that is the day you begin to slip towards inclusion in the next layoff list. I have always said, and I still believe, there is never a shortage of jobs for the energetic competent in organizations that are going to survive long term. Said another way, an organization where politics is the main driver in employee measurement and retention is doomed for failure. Become highly competent and energetic and seek an employer that values these attributes. You will never be out of work, for it appears that never will enough be motivated to join you in this elite class to provide serious competition to you when measured under these exacting standards.

Safety, we have learned over the years, involves more competence than we might have previously thought. Modern, sophisticated process systems may possess lurking dangers. If in doubt, seek help from professionals before interacting with such systems. Be safe and we will talk next week. ##