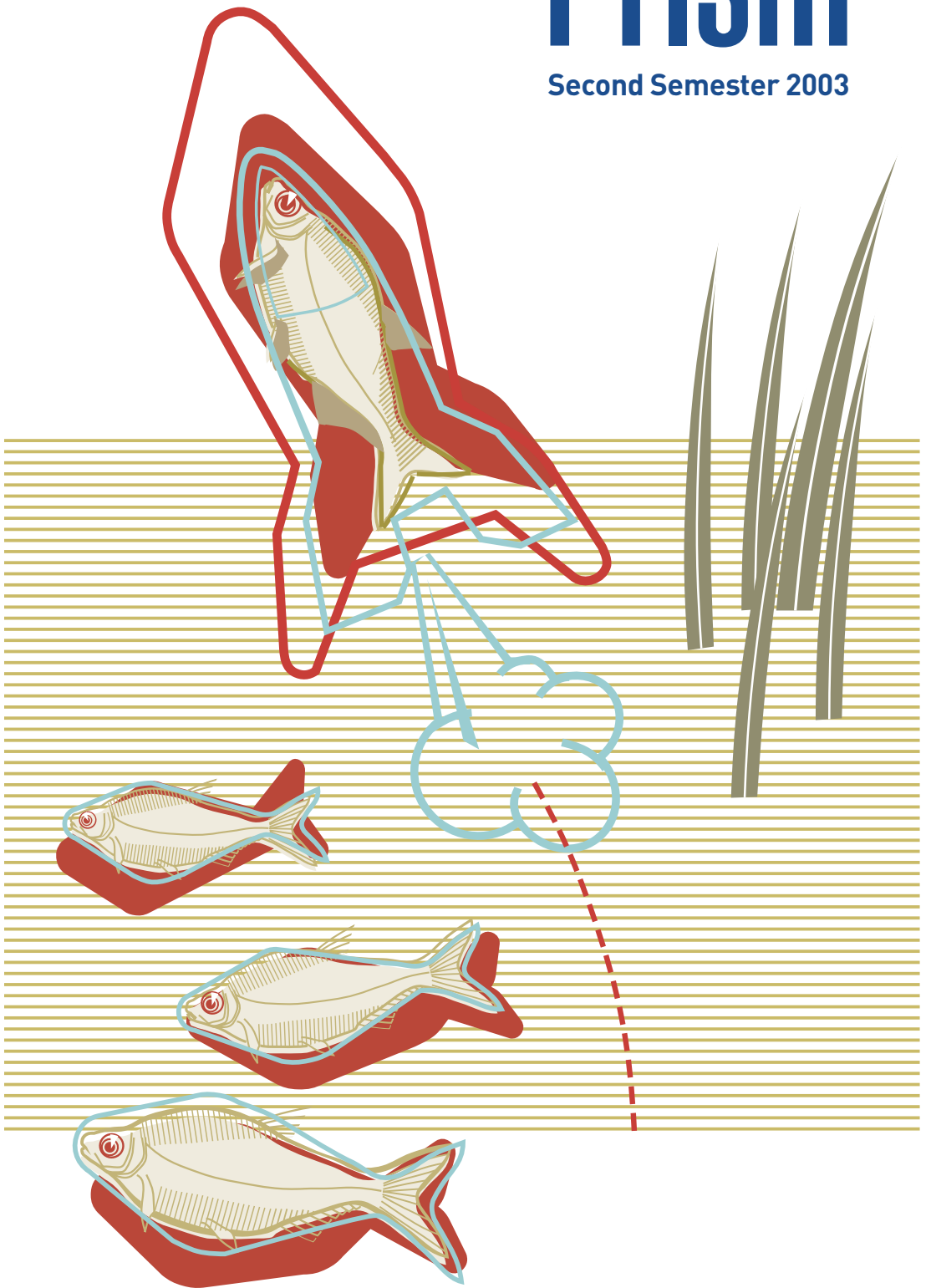


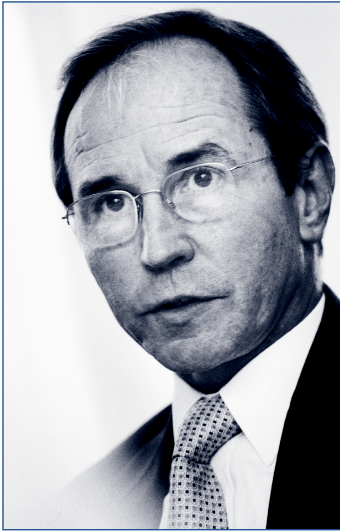
Prism

Second Semester 2003



Arthur D Little

Innovation at Work



Nick Shreiber is President and CEO of the Tetra Pak Group, one of the world's leading companies in processing and packaging solutions for food, with special emphasis on aseptic technology. Tetra Pak is privately held, is present in 180 countries, and has global revenues of about eight billion dollars.

During his fifteen years with the company Nick has held a number of positions, and was President of Tetra Pak's business in North, Central and South America prior to becoming CEO. He has been on the company's global management team since 1991.

Nick is a member of the Tetra Laval Group Board, the Foundation Board of IMD, the International Institute for Management Development in Lausanne, Switzerland, and the International Advisory Board of IESE in Spain. He is also a current or past member of boards in USA and Mexico, including Cone Mills Corporation, The Carter Center and the Goizueta Business School at Emory University, among others.

Prior to Tetra Pak, Nick was a partner with McKinsey & Co. with responsibilities in Spain, the UK and throughout Latin America. Nick also has management and operating experience in the footwear and textile industries in Latin America.

Shreiber is Argentine by birth, and Russian-British by descent (his father was from St. Petersburg, his mother from Scotland). He graduated Summa Cum Laude in Industrial Engineering at the Instituto Tecnológico de Buenos Aires. In 1975 he earned his Master in Business Administration at IMD in Lausanne, Switzerland.

Nick has been married for thirty years, and has two sons. His extra-curricular interests are the piano (classical music), tennis, sailing and playing bridge.



Innovation at Tetra Pak – Managing the Paradox of Creativity and Discipline

Nick Shreiber talks to Hubertus M. Mühlhäuser

Mühlhäuser: Ruben Rausing, the founder of Tetra Pak, said that the forces of innovation are what keeps a company alive. Is this still the guideline of developments at Tetra Pak?

Shreiber: Rausing’s statement is still a valid one. We view competition as healthy – it keeps us focussed and helps us to keep innovation alive. Our customers, too, play a key role as we are always working to become and remain their preferred supplier. But, in addition, innovation from new technologies yields opportunities not perceived by competitors or customers. Unfulfilled needs and new technologies are other drivers. Tetra Recart, our new retortable carton for solid food, is a good example of a new technology driving innovation. It is the first carton package of this kind on the market but no one was pushing us into that arena – we have become the “first mover”. The result is that we are today challenging the can in an area outside of our traditional core businesses.

Mühlhäuser: Tetra Pak is a global innovation leader. How does the company manage the innovation process in order to identify unfulfilled market needs?

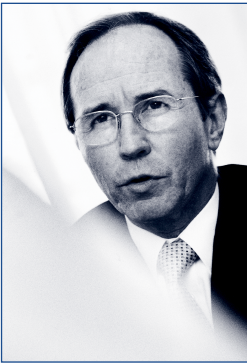
Shreiber: We are increasingly turning towards process orientation – although not process organisation. There has been a massive shift in the way we manage innovation during the past few years. We moved away from having a plethora of wild and scattered ideas, many of which did not really result in successful new products.

Today we have a fairly disciplined process that takes in a wide selection of ideas at an initial stage and narrows them down quickly through a series of “toll-gates” which weed out those product ideas that do not meet the standards set for them. We implemented this as an innovation process that starts with the Chief Technology Officer (CTO) in our company. It required the training of literally hundreds of people in our organisation, not only those involved in new development. We also seek input from

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outside the product development area, including other parts of our organisation, customers and consumers. We have been working on this innovation process for several years – it is not simple, but it does yield dividends.

Mühlhäuser: So what was the biggest “hurdle”?



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Shreiber: From a mental point of view we had to learn that we must manage the paradox of creativity and discipline. Managing paradoxes is one of the six leadership challenges that we stress in our company. The innovation process is an example of how we have managed to increase the creation of new ideas, and, at the same time, increase the discipline with which we select the “winners”. It really boils down to having a structured process, with a CTO who is member of the company’s top management team.

Mühlhäuser: Many companies claim that they don’t have an innovation culture, therefore innovation processes do not fall on fertile ground. What came first at Tetra Pak? How do you address the cultural dimension of innovation?

Shreiber: We have always liked to think of ourselves as an innovative company. But in the past we were not always as disciplined with our innovative ideas as we should have been. So it could happen that some ideas might not go through a proper filtering process. On the other hand we might have left out many other ideas simply because they didn’t come from the “right” source. The innovation process helped us channel all development ideas in an objective and systematic manner. I believe we were an innovative company, but without a proper process. An innovation process will always improve a company’s ability to create and deliver new products, no matter what their starting point.

Mühlhäuser: Do you think that formalising the innovation process could have become a problem if Tetra Pak had not been an innovative company right from the start? What can other companies learn here?

Shreiber: An innovation process will always improve a company's ability to create and deliver new products, no matter what their starting point. The innovation process took us to a new level. I think you can do that for any company. And how far up, or how much progress they make with innovation, will depend on their innovation culture and the drive from the top. As a company founded by an entrepreneur, Ruben Rausing, we also encourage a culture of entrepreneurship to ensure that new and different ideas are given the room to flourish.

Mühlhäuser: Innovation is also the management of intangibles. How is knowledge managed at Tetra Pak?

Shreiber: In a variety of ways, formal and informal ones. The formal ways – the ones that work best for us – are in-house, like the Tetra Pak Academy in collaboration with the IMD (International Institute for Management Development) in Lausanne. The Academy is an excellent forum for senior management to exchange ideas about best practices, because we invariably bring people from different parts of our organisation and different geographic areas to our courses. Another formal way has been through websites and intranet sites to deposit ideas, or search for ideas. It has worked well for some areas such as customer satisfaction and world class manufacturing.



Mühlhäuser: What tools do you use besides Internet and intranet applications?

Shreiber: We are pretty good at networking. Just imagine: we have 20,000 employees and the amount of interchange between people from different disciplines is amazing. That has always been part of our culture.

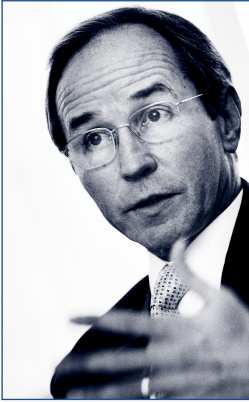
Mühlhäuser: Looking at geographic expansion as another path for growth next to innovation: In which regions do you see Tetra Pak expanding the most in the next years?

Shreiber: We are actually seeing growth opportunities in most corners of the world, but at different paces. Where I see us growing most is in Asia, particularly in China,

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Russia, East Europe, North America and parts of Latin America. But constant innovation in our product portfolio means that more traditional areas such as Western Europe are also experiencing growth.



» We are very much a product-driven company with services to help our customers find solutions.



Mühlhäuser: So how do you keep up the speed?

Shreiber: There are two central elements, closely linked with one another. The first is one of our core values: long-term perspective. The second is that we are privately owned by shareholders that have a long-term perspective. Take China, as an example, which is the first market in which we are achieving sales exceeding 10 billion packages a year. This success did not come overnight. The same can be said for Russia. In both markets we had organisations – and even factories – long before the market had developed. We try to stay ahead of competition, anticipating and driving changes in the market.

Mühlhäuser: Are services a driver of Tetra Pak's growth path? How do you address and manage services? How much growth do you see coming from it?

Shreiber: We will never be a bank or an insurance company, because we live by selling industrial products and solutions. For us there is a rather blurred line between services and products. What we do is try to sit down with our customers and address their problems and opportunities, in order to develop the right solution. We are very much a product-driven company with services to help our customers find solutions.

Mühlhäuser: What do you do to attract the best employees and does the innovative image of Tetra Pak help you achieve that?

Shreiber: We are an industrial business-to-business company, not a consumer goods one, so our name is not so much in the public eye. There are several ways in which we try and overcome this: we work closely with certain universities; we participate actively in industrial forums; we work with executive recruiters, and so on. I would say that within our industry, we are well known. We have been fairly successful in recruitment, and also in reten-

tion as we have low staff turnover. Also, we recently introduced a new motto, 'protects what's good', that works across the whole value chain and speaks to positive attributes for consumers and employees alike. With over 100 billion packages sold this year, this is equivalent to 15 packages per person on the planet, we are certainly a part of everyday life.

Mühlhäuser: Thanks for sharing your insights with our readers. One last question: What is next on the agenda? What are the future surprises and innovations that we can expect from Tetra Pak?

Shreiber: We have recently enhanced our vision – we are committed to making food safe and available everywhere – and also our mission statement. What I believe we have to do is to deploy the magnificent product portfolio we have today, which is the result of a long track record of innovation. Looking into the future, we are focussing on aseptic technology while not forgetting the enormous market for chilled products, and we will move gradually into non-liquid foods. We still have a couple of surprises up our sleeve!

Mühlhäuser: Nick, I would like to thank you sincerely in the name of our readers for this interview.

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The Core Values of Tetra Pak

- Freedom with Accountability
- Partnership with Customers, Suppliers and Colleagues
- Long-term Perspective
- Innovation and Creativity
- Commitment and Fun