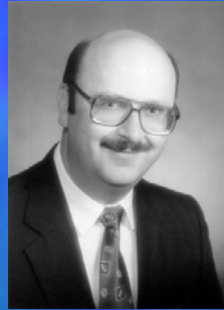


TechnoBusiness Forum -- 2005

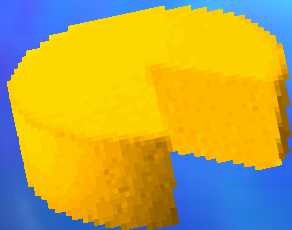
Open Innovation

-- Enterprise Transformation --



*Jerry Lazarski, Vice President Technology
and Business Development
StoraEnso*

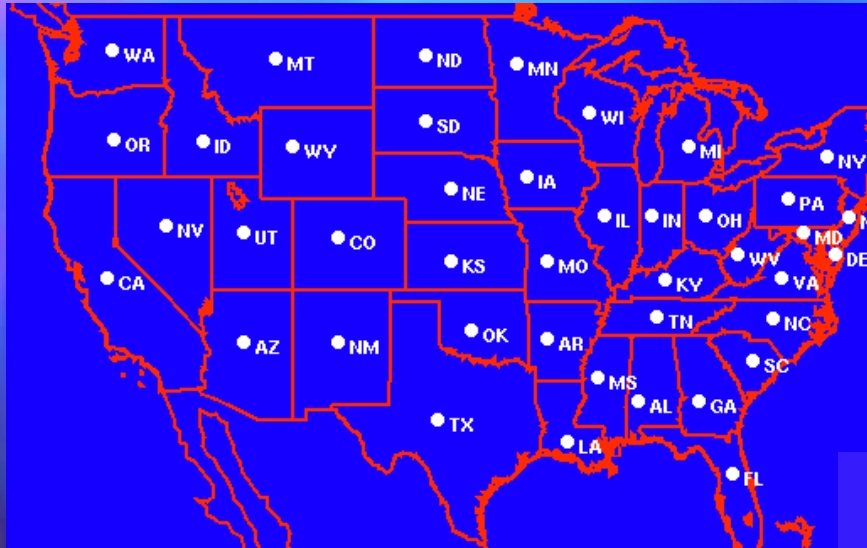
Innovation in Wisconsin



Innovation in Wisconsin



Innovation in Wisconsin



Said Stayer, "We celebrate innovation here."

8B · TUESDAY, AUGUST 16, 2005 · USA TODAY

Johnsonville keeps its brats in family

Privately owned sausage company ready to go global

By Ryan Nakashima
The Associated Press

JOHNSONVILLE, Wis. — Johnsonville Sausage CEO Ralph Stayer gets a real bang out of making bratwurst better.

Last month, following tradition, he lit a firecracker in his office waste basket to celebrate a change to its Heat & Serve precooked brat (br-AHT) that made it taste as good as one fresh-grilled.

"I've gone through quite a few waste baskets," said Stayer, 62. "We celebrate innovation here."

With this year's barbecue season sizzling, Stayer lit into how the company his father began on Oct. 1, 1945, helped turn the bratwurst from a little-known spiced pork sausage into the nation's "fastest-growing protein" among grillers.

"There's a thousand little things that go into making a great-tasting sausage," Stayer said. "It's just attention to detail, every darn one."

Like other regional flavors that have spread across the country, the bratwurst's popularity has become a source of local pride in Wisconsin — alongside beer, cheese and Green Bay Packers football.

"We introduced bratwurst to America," said Johnsonville group Vice President David Finch.

But Johnsonville, unlike other foodmakers that sold to conglom-

erates — despite a brief minority ownership by Sara Lee — has stayed family owned.

Last year, led 60% by bratwurst sales, Johnsonville became the No. 1 U.S. sausage brand by revenue. Its brats are now sold seasonally at 4,000 McDonald's nationwide, in 16 NFL stadiums and in stores in 38 countries outside the USA.

According to ACNielsen, pre-packaged and measured bratwurst accounted for about \$260 million in U.S. annual sales until mid-July, up 31% from four years ago, vs. 10% growth for all packaged meats.

Johnsonville total sales this year through May grew 19% to \$440 million — bigger than Sara Lee's Hillshire Farm at \$369 million.

"They're a smaller company playing against a bunch of giant companies, and they're winning," said food industry consultant Mark Boyer of perishables consulting group PMG.

Boyer said the company has succeeded in using its three "Big Taste Grill" semi-trailers equipped with massive grills to get people to try the product. The giant grill also has a free-of-charge cameo spot in *The Dukes of Hazzard* movie.

"It's guerrilla marketing," Boyer said. "They're masterful at it."

In its ads, the company fills in the gaps for people who don't know what a brat is, Finch said. Don't poke it, or the juices will spill out, one warns. Another says a "brat hot tub" of beer, butter and onions is a good way to keep brats warm.

ABC football analyst John Madden often mentions brats when covering Packers games. Displaced



By Morry Gash, AP

Hot brats: Johnsonville Sausage CEO Ralph Stayer sits near a grill full of bratwurst at a Brat Days event on July 6 in Sheboygan, Wis.

Wisconsinites have also acted as brat ambassadors at cookouts across the country.

And despite the barrage of diets and an ingredient list that shows three-quarters of a brat's calories come from fat, Johnsonville has continued to grow.

"I think with all the diets out there, people are really confused, and they're throwing up their arms and saying, 'Well, let's just go for it,'" said Marianne Turow, an associate professor of nutrition at the Culinary Institute of America.

Johnsonville remains privately owned, after the Stayer family in 2003 bought back the 20% sold in 2000 to Sara Lee. Hoped-for synergies with its Hillshire Farm and Jimmy Dean sausage brands did not pan out, and they remained

"friendly competitors," Finch said. Stayer said the family remained too involved: "It's not a business thing, it's an emotional thing. We grew up in the business, and we just didn't want to part with it."

Through growth at home and abroad, unchanged is the original brat's spice formula — still known only by Stayer and his father. Two vendors each produce half, and it's mixed at a third location.

But Stayer said innovation pays off, such as the Heat & Serve brat, which took 14 years to develop.

Now, Stayer said he is focused on becoming a global brand. "We want to be the Coca-Cola of sausage . . . and for that to happen in my lifetime. The good news is longevity runs in the family, because it's going to take some time."

USA Today, Tuesday, August 16, 2005
By Ryan Nakashima, The Associated Press

Stora Enso

Innovation Mission and Vision for North American Operations

MISSION

To create value by identifying and propagating innovative process technologies and equipment applications.

VISION

Be the best Stora Enso unit at applying value added technologies and processes.

An Innovation Model to Consider



Pulp Competence Centre

The PCC Activities are Divided Into Three Major Areas:



Stora Enso Model

Innovation & Technology Transfer

North American Operations

Areas to Consider:

1. Product Development
2. Processing Technology
3. Equipment Expertise
4. Business Planning
5. Market Development

Areas Selected:

- 1.
2. Processing Technology
3. Equipment Expertise
- 4.
- 5.

Other Approaches For:

1. Product Development
- 2.
- 3.
4. Business Planning
5. Market Development

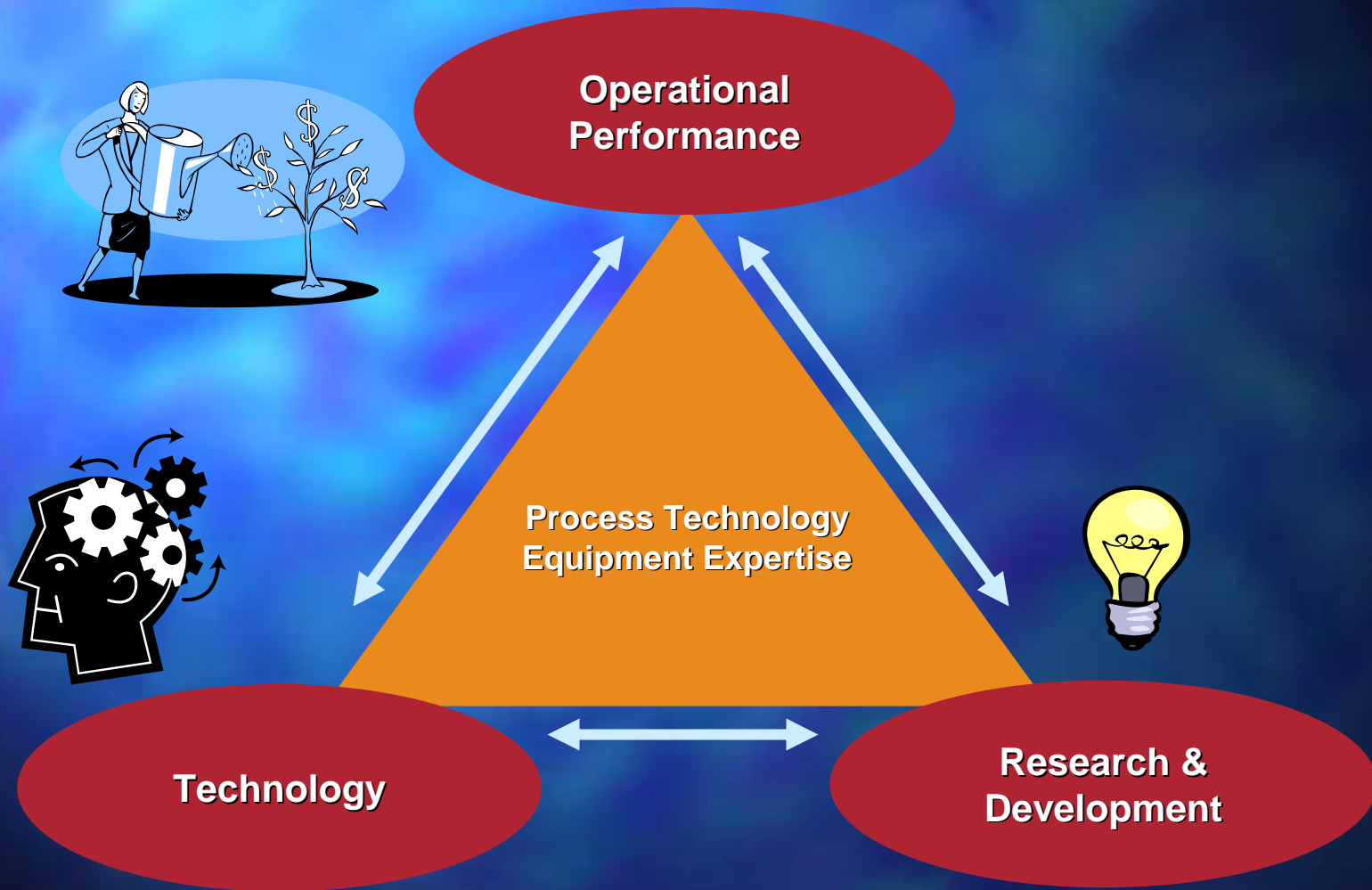
Stora Enso

Innovation Team Goals

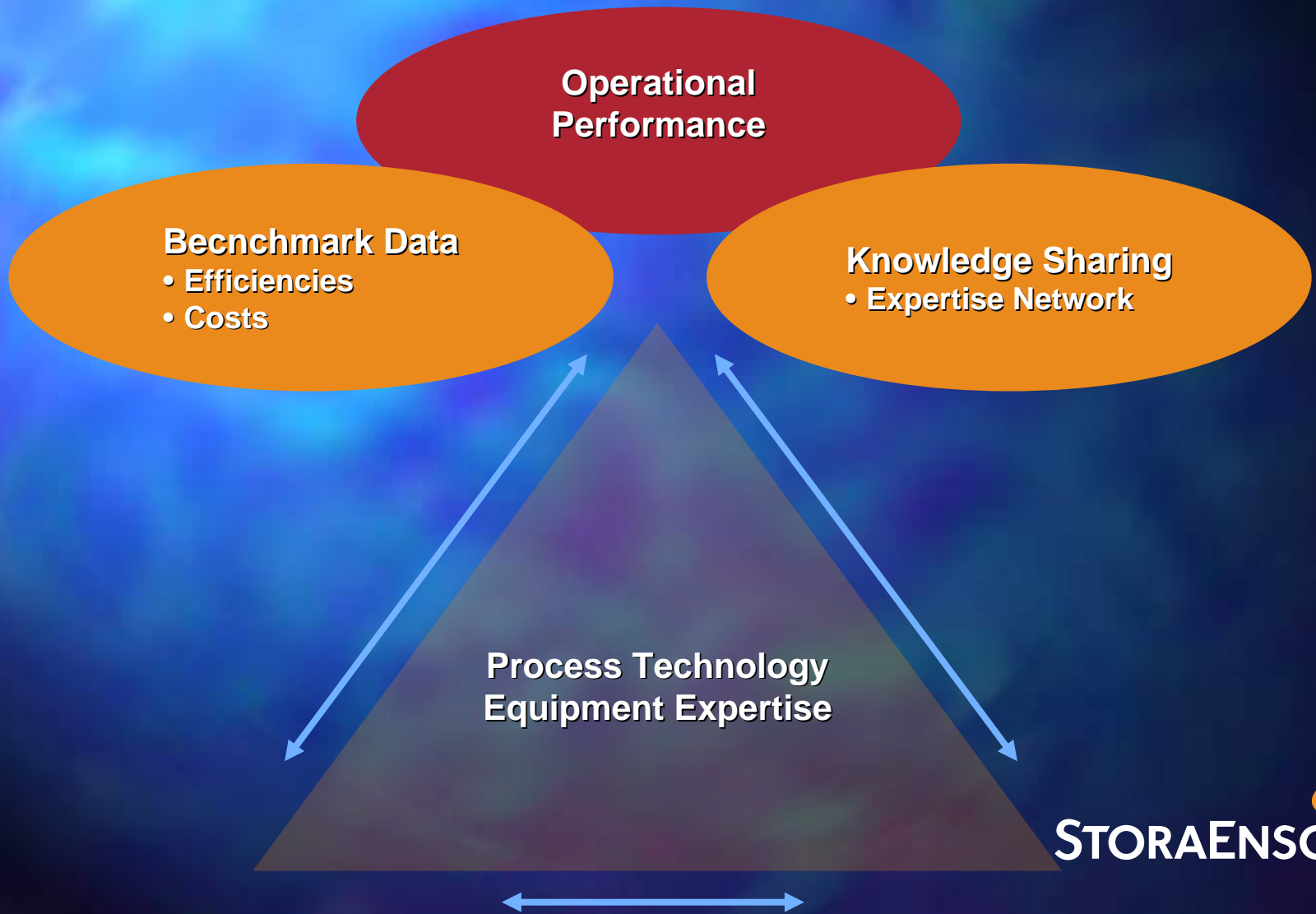
North American Operations

- Identify innovations
- Evaluate and prioritize innovations in cooperation with business units and mills
- Plan sufficient resources for implementation of economically attractive innovations in cooperation with business units and Stora Enso North America Investment Committee

The Innovative Organization



The Innovative Organization



The Innovative Organization

Process Technology
Equipment Expertise

Knowledge Sharing
• Expertise Network

Steering External
R&D

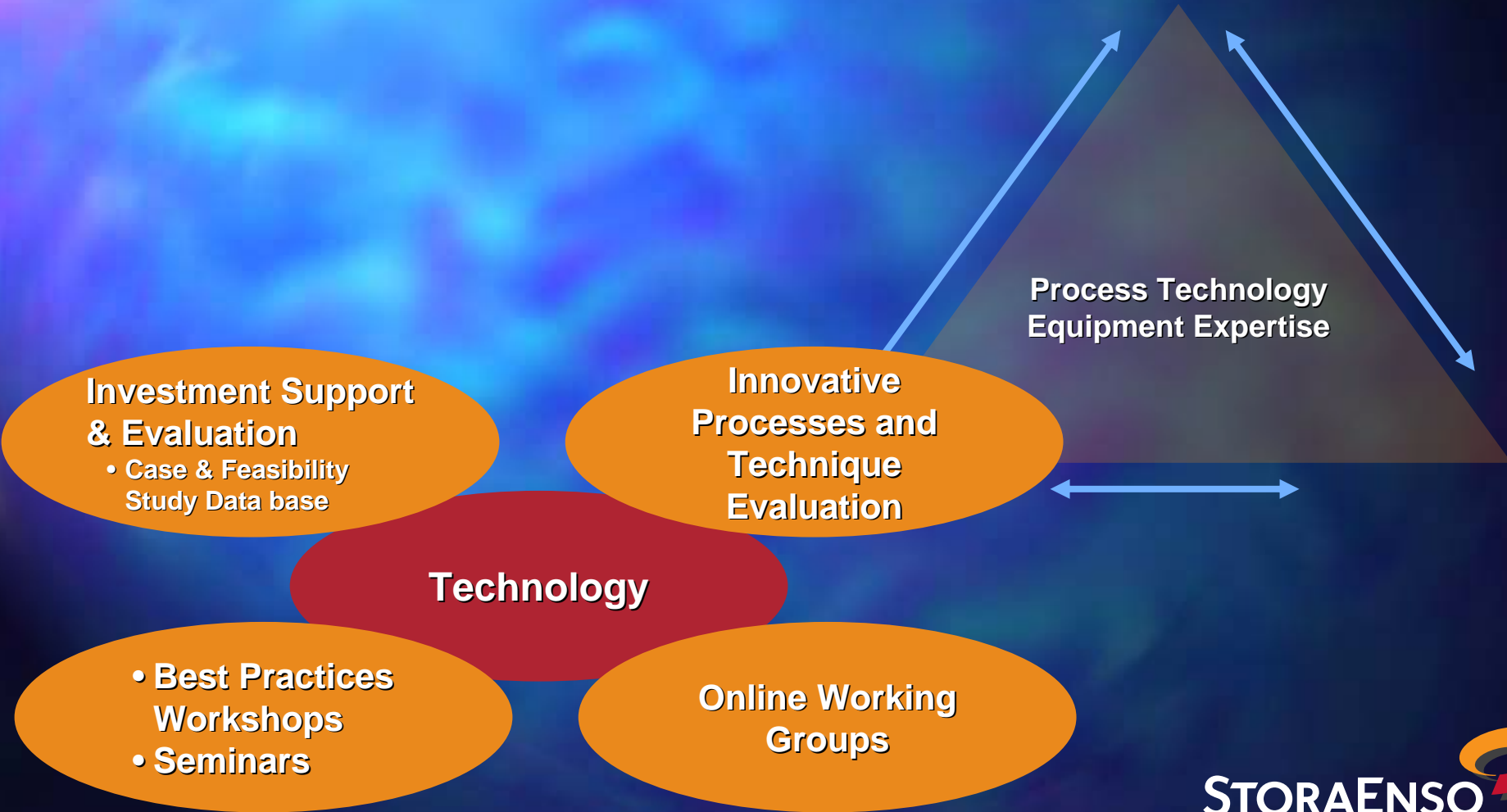
Innovative
Processes and
Technique
Evaluation

Research &
Development

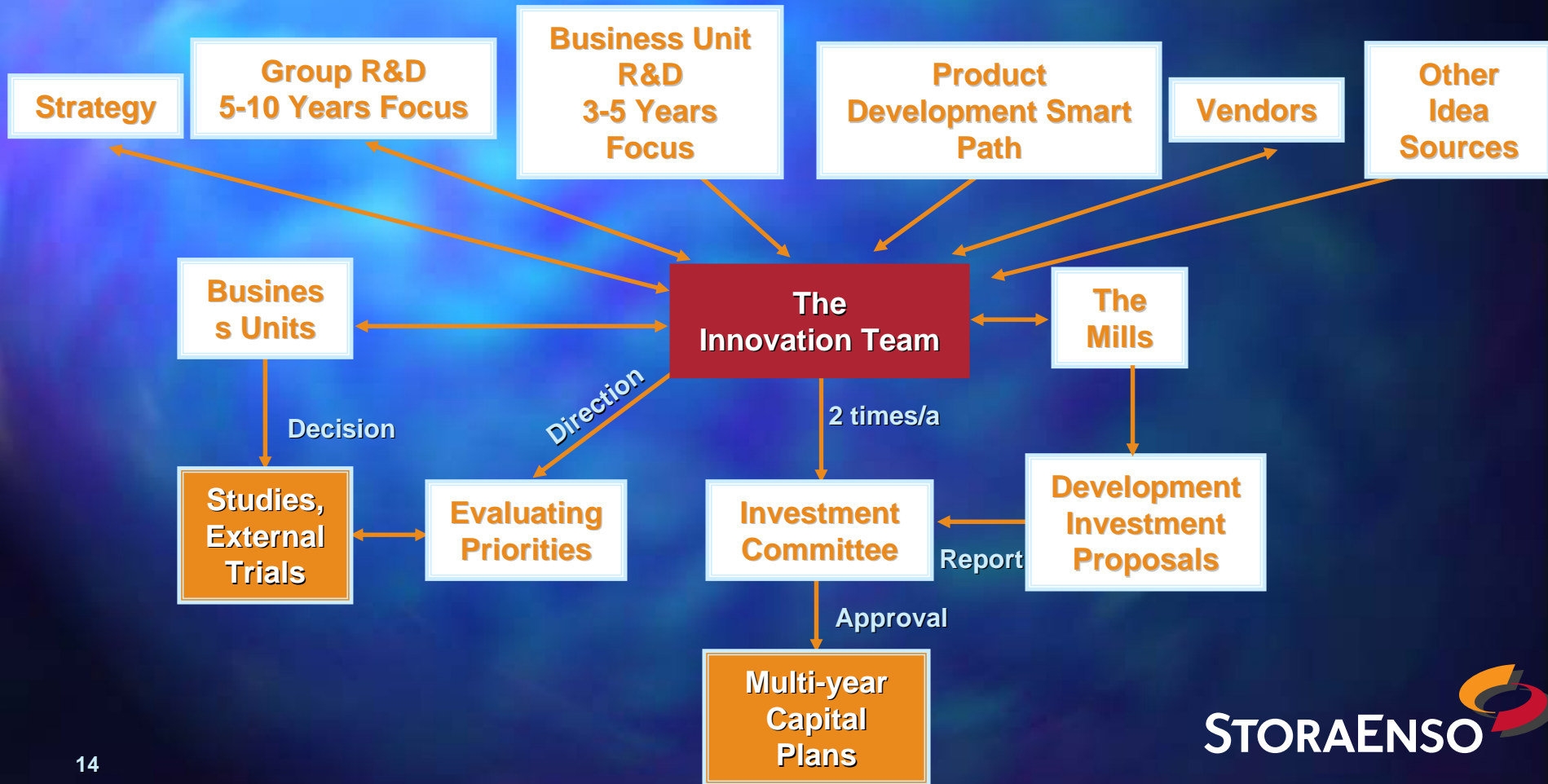
Qualities for
Increase Customer
Value

Raw Material
Optimization

The Innovative Organization

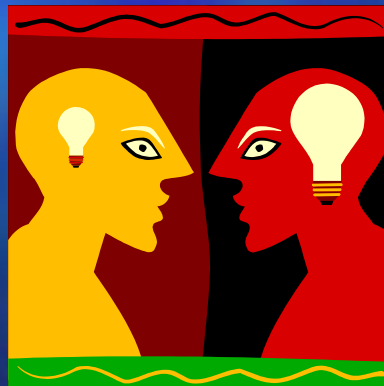


Our Innovation Process



Communication is Vital to Open Innovation

- Requires Effort to Achieve Value
- Innovation Team Facilitates as a “Hub”
- Requires Open Listening Skills
- Grows with Knowledge Sharing



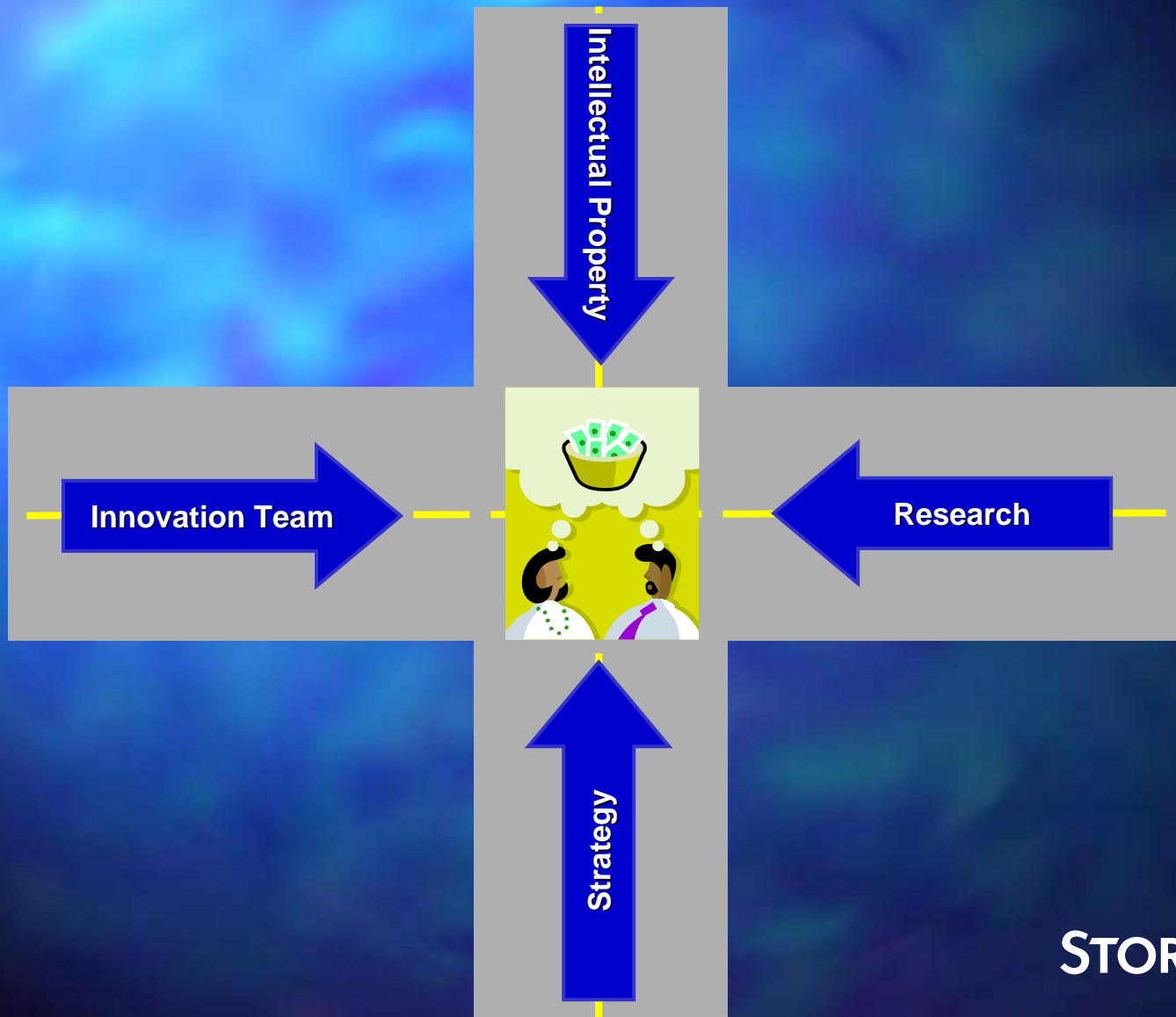
Innovation Team Effectiveness



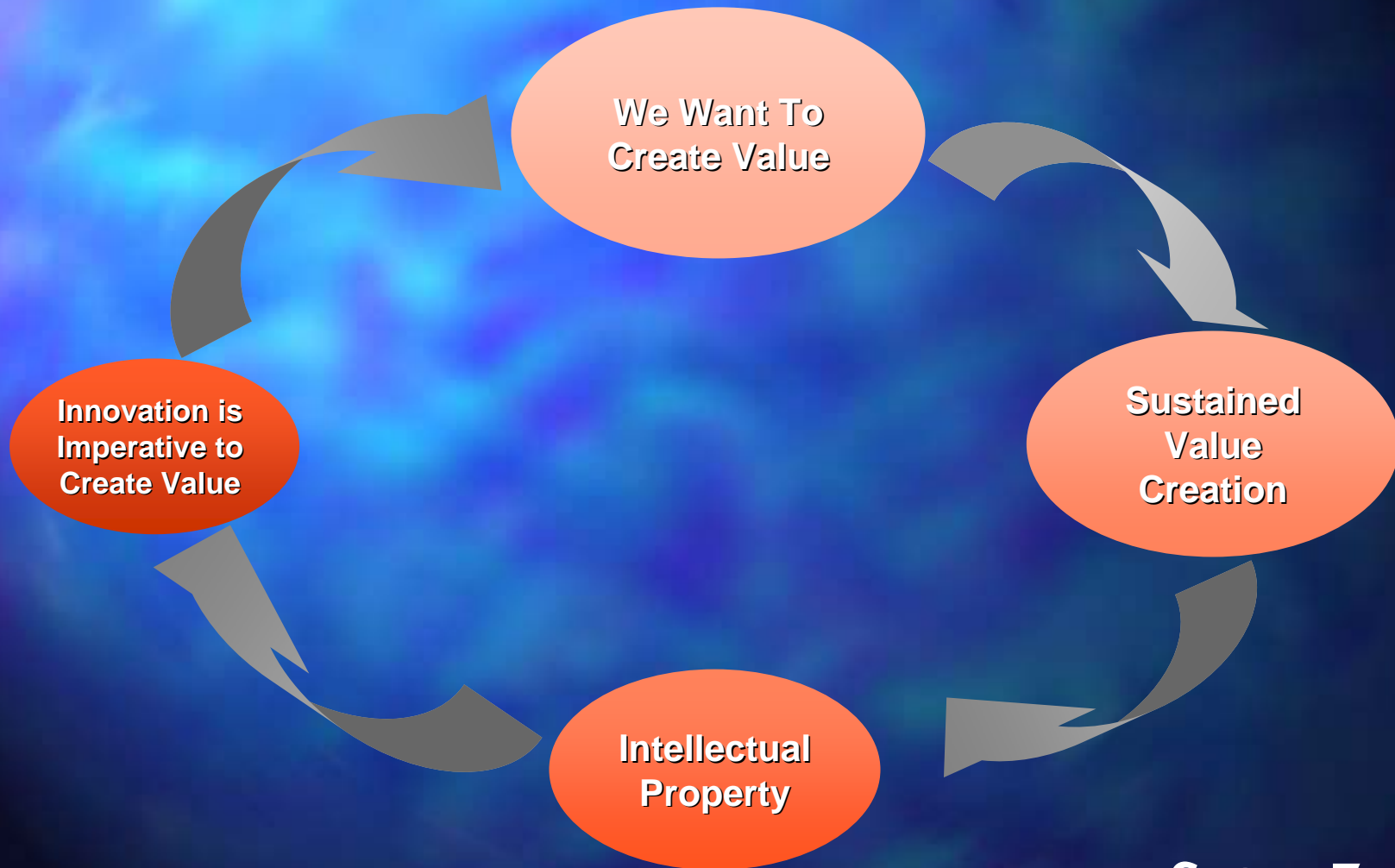
The Innovation Team is comprised of a few voting members of the North American Investment Committee, which controls the allocation of Capital Spending.




Intersection



Value Creation



....Next Steps

- Challenge assumptions – are we ready for this?
- Invest time and money – define the requirements
- Create a networked organization - communicate
- Focus on goals (rather than procedures)
- Identify advocates and owners rather than managers 
- Develop the right measures to track performance

The Stora Enso Innovative Organization

