

The Swiss connection
Innovation and knowledge at Hero Netherlands and the role of its Swiss parent,
1930-1980.

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Introduction

'Perl has finished, has become old and dusty as we all do if we are not taking care'¹ judged one of Hero Netherlands' senior managers in 1977. Ones Perl was the opposite. This sparkling apple-juice was a symbol of freshness and renewal. It represented the rebirth of a then 20 year old company, that had to innovate radically to survive. But 'then' was the early 1930's. In those days the international economic crisis affected (amongst others) the Dutch food preserving industry, of which Hero was a prominent member. It also affected, and even worse, their main supplier: Dutch agriculture and, in Hero's case, horticulture. These sectors had troubles keeping their export-markets, that were enlarged during the booming first decades of the 20th century. With the increasing export of new products as the tomato and of more traditional products such as apples or grapes the 'golden century' of Dutch horticulture had begun, as it was seen at the end of the 20th century.²

But around 1930 nothing pointed to this qualification. Horticulture faced a severe recession. The slightly increasing interior market couldn't compensate for the loss of export. Hope was set on government support but structural changes for the sector had to come from new products or markets. The horticultural innovation network - in which amongst others the agricultural academy, several horticultural research stations and horticulturist-associations played a role - worked together with their customers to gain new dynamics. The development of juices and soft drink made of Dutch fruit and vegetables, such as Hero's Perl, must be seen in this context.

¹ 'Internal note from H. Vossmer, 11 oct.1977', in: *Brabants Historisch Informatie Centrum Den Bosch (BHIC), Hero Company Archives*,. no. 42.

² See for example H.J. van Oosten, *Wat is de kracht van kennis?* [NRLO-report 2000/5] (Den Haag 2000), 1; [Department for Agriculture], *Kiezen voor landbouw. Een visie op de toekomst van de Nederlandse agrarische sector* (Den Haag 2005), 81.

Perl proved to be a successful innovation for Hero, but not from the start. In 1935 the company made big losses, due to the high investments in the Perl-factory and disappointing sales. After this difficult start however and thanks to a good marketing campaign Perl started to sell, became a showpiece of Hero Netherlands, marked the beginning of Hero as a beverage company and was one of the products that kept Hero Netherlands out of the red until 1975. Then, due to various reasons, the company got in troubles again and had to innovate to survive. The situation affected also the company's managing top, where renewal was essential, as one of the leaving directors and a son of the company's founder pointed out: *'Youthful zest [...] must stimulate the company and lead it to new heights.'*³

In this paper I want to compare Hero's way of innovating in two economic turbulent periods: the early 1930's and the late 1970's. The focus is on the company's knowledge sources and especially on the role of their parent in Lenzburg, Switzerland. After a brief introduction of the history of the company, the innovation process around Perl in the early 1930's is analyzed. Then, the major changes regarding the company's knowledge base and organization-structure in the decades that followed are described and the consequences this had for innovations in the 1970's. Finally I draw some conclusions.

'...whose recipes we want to use...'

Hero Netherlands was established in 1914 by Reinier Jansen. Until that year he ran, together with his father, a delicacies company that also exported fruits and vegetables. One of Jansens Swiss relations then was the 'Conservenfabrik Lenzbourg, ehem. Henckell und Roth', that probably convinced Jansen to start a firm in preserved foods. With Swiss capital and knowledge the 'N.V. Hero Conserven Breda' was founded, initially on a modest scale. The majority of the supervisory board consisted of Lenzburg directors.⁴

³ *Hero Heraut* 29 (1975) 4 (August), cited in: P. Zwaal, 'Hero Nederland in beeld. Een bedrijfshistorisch profiel 1914-1994' [Unpublished document Breda 1994], 20.

⁴ Zwaal, 'Hero Nederland in beeld', 5.

Thanks to Dutch neutrality in W.W. I Hero (and other Dutch food preserving companies) grew fast and besides being a supply company for Lenzburg Hero Breda started to produce preserved foods for various markets. In 1920/21 a large new factory near the city of Breda was build. In the annual report on 1920 the chairman of the board of Hero Netherlands (the only Dutchman) spoke out the intentions with it:

*'The modern design of our factory, combined with the many years' of fabricating experience of the Swiss food-preserving factory Lenzburg, whom we are closely related to and whose recipes we want to use for producing, gives us every hope, that also in our country our products will gain approval, which the Lenzburg products enjoy all over the world.'*⁵

By 1930 Hero served the top-end of the interior market for tinned foods with over 200 different products. It also exported to other countries like Britain and Germany.

Perl

Hero Netherlands got the idea to start producing non-alcoholic beverages on a base of Dutch fruits and vegetables, through contacts with their suppliers. By 1930 Hero Netherlands foresaw rough times coming up for the canning sector and the company. The economic recession hit the small food preserving company's first but one of Hero's bigger competitors, Hoogstraten, also got in trouble, Hero new.⁶ So when the company was approached by the horticultural sector and even the government to study new products (especially drinks) based on Dutch fruits and vegetables to help Dutch market gardeners, opportunities for new markets were seen.⁷

In this time there was a regular contact (for periods almost daily) between Hero Netherlands managing director Reinier Jansen and one of Hero Switzerland's directors Gustav Henkell. They discussed various subjects, as the financial position of the Dutch affiliate, the international economic and political situation, as well as family

⁵ Zwaal, 'Hero Nederland in beeld', 5-6. (citation original from the *Seventh annual report on the financial year 1920 of the NV Hero Breda* (1921), 1.)

⁶ 'Hero Netherlands to Conservenfabrik Lenzburg, 14 July 1931', in: *BHIC, Hero Company Archives*, no. 6.

⁷ 'Westland Association to D.S. Huizinga, Inspector Agricultural Education and head of the Interior Agricultural Information Service, 28 June 1932', in: *National Archives (NA), Archive of the Agricultural Directorate, Department of Horticulture*, no. 14.

affairs. These contacts were on a friendly footing without a strict hierarchical spirit about it. Although Hero Switzerland had huge financial interests in its Dutch partner, director Jansen seemed to have relatively large autonomy in decision making. He turned to Henckel for advice and information more than for instructions and approval. It was also for advice and information that Jansen wrote Henckell in January 1932 about the proposals from the Dutch horticultural network about new juices, in particular soft drinks out of grapes:

‘Es kommt mir vor das sich hier eventuell für uns eine Nebenbranche aufbauen lässt, welche der Mühe wert ist zu beachten. Wie Sie sich denken können, ist die holländische Regierung auch sehr besorgt über diese [=Trauben, aut.] Kultur und falls wir in irgend einer Form ein Fabrikat aus diesen Trauben herstellen können bin ich überzeugt, dass seitens der Regierung und auch von den Holländer selbst ein derartiger Artikel guten Anklang finden würde. Wenn sich in dieser Form etwas machen lässt, werden natürlich alle holländische Zeitungen darüber berichten und schon dadurch eine sichere Reklame machen für das in den Handel zu bringende Produkt.’⁸.

‘Recht interessant’, Henckell replied but he stated that a lot of questions had to be answered yet. He asked for an amount of Dutch grapes to be examined in the company's laboratory in Switzerland. In the meanwhile Henckell took some own initiatives. Switzerland (just as e.g. the German Rheinland) had a widespread non-alcoholic beverage-industry. That same month Henckell spoke to the director of one of the largest and innovative of these *mostereien* (‘sweet most’ producing factories) in Menziken, about 20 kilometers from the Hero factories in Lenzburg. It's uncertain whether Henckell had earlier contacts or even a professional relationship with this Julius Schlör A.G., but it's sure that Schlör could convince him quite easily of his *Apfelperle*, a ‘sweet most’ out of apples, and of his production method. Henckell hastened to inform Jansen about his experiences with Schlör, who was willing to offer the Dutch company an exclusive license-agreement.⁹

The effect of Henckell's reaction was twofold. It meant of course that the idea gained momentum but on the other hand that Hero Netherlands seemed to lose the initiative about the innovation project. (Not to mention the consequences for the Dutch tomato and grape growers that were the main initiators of the fruit drinks project, who saw

⁸ ‘Hero Netherlands to Hero Lenzburg, 13 January 1932’, in: *BHIC. Hero Company Archives*, no. 6.

⁹ ‘Henckell to Jansen, 1 Feb. 1932’, in: *BHIC, Hero Company Archives*, no. 189.

the apple growers make off with the market.) As Hero Netherlands had no knowledge at all about producing soft-drinks, this more or less Swiss taking-over did in a way suit the Dutch company. It meant that they could avoid the Dutch public knowledge arena on producing 'sweet most'. This was centered around the horticultural plant-breeding laboratory of Prof. A.M. Sprenger at Wageningen Agricultural Academy. In co-operation with Dutch horticulturist associations and the food preserving industry - competitors of Hero were involved - since 1930 Sprenger collected international available knowledge on sweet most, experimented, and distributed the results. Hero Netherlands was aware of this function of Sprenger as an intermediary in the interior public knowledge network on 'sweet most'. The company wasn't keen on participating in it itself however. Jansens idea of entrepreneurship was out of line with co-operating and sharing knowledge. Secrecy, exclusivity and speed were the key words in his innovation strategy. As long as possible he stayed away from branch-organisations, collaboration and other joined efforts or agreements with competitors, seeing it '*als einen der grössten Fehler welcher dem Geldverdiener im Wege steht.*'¹⁰ This attitude was to a large degree possible because he could lean on its Swiss 'parent'.

When it came to knowledge about the production process of 'sweet most' Jansen had to lean totally on Hero Switzerland. Not willing to participate in the Dutch public knowledge infrastructure and having no proper research laboratory itself, Hero Netherlands needed another way of judging and applying the technology and the production process it bought from Schlör. The technology involved and the production process in itself were not very complicated (see scheme 1) but the combination of a tasty product that was non-perishable made heavy demands on the competence of the fabricator. In the case of Schlör's 'Apfelperle' it was even more demanding because carbon dioxide was added to get a sparkling product. The first measure taken to preclude problems or failure was to obtain Schlör's total commitment with the new Dutch Hero-factory. Hero Switzerland negotiated with Schlör about the license and contract. Schlör emphasized that Hero Breda would gain a state-of-the-art production process:

'Die Schweiz ist allen weit voran [...] Mein Betrieb hat die praktischen und wissenschaftlichen Erfahrungen der Brauereiindustrie (Institut für

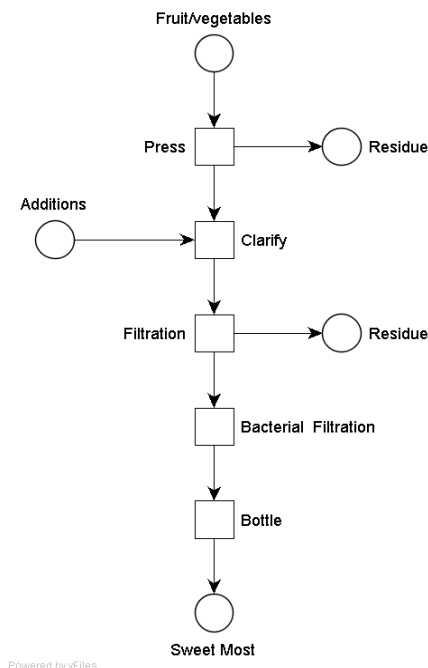
¹⁰ 'Hero Netherlands to Hero Lenzburg, 18 July 1931', in: *BHIC, Hero Company Archives*, no. 6.

Gärungsgewerbe in Berlin) dank meiner Einführung in dieser Branche einbezogen. Dazu kommen die Erfahrungen in meinem eigenen angegliederten Mineralwasserbetrieb (fabrikation alkohlfreier Getränke).’

Furthermore Hero would be kept informed on the latest developments in this branche, for Schlör *‘ist bestrebt sich in- und ausserhalb Europa über den Stand der Entwicklung der Fruchtsaftverwertung und deren Verfahren auf dem laufenden zu halten.’*¹¹

Early March 1932 Jansen left for Switzerland. He deliberated with Henckell and met Schlör. Some weeks later the license agreement was signed. They agreed on Schlör's full responsibility for building up the production line in Holland. Schlör and/or his sons had to be personally present in Breda (where Hero Netherlands had its seat) during the tests and the first production of Hero Perl. Furthermore one of Jansens sons was to learn the ropes of the production process in Menziken under supervision of Schlör personally during summer. Claiming this, Hero hoped to ensure itself of a quick launch of a new quality soft drink on the Dutch market and a sustainable incorporation of Schlör's knowledge into the Dutch company.

Scheme 1: Production process of ‘Sweet most’, ca. 1930



¹¹ ‘Schlör to Hero Breda, 17 Feb. 1932’, in: *BHIC, Hero Company Archives*, no. 189.

But things got complicated. The samples that were taken in August 1932 were turbid in November. Way too quick for the not perishable and attractive product Hero had in mind. Because Hero relayed heavily on Schlör's knowledge (and had a contract with him!), they immediately asked him for clarifications and simultaneously informed Henckell in Lenzburg about the problems. As Gustav Meyer, head of the Lenzburg company laboratory telephonically got in touch with him, Schlör tried to blame the incompetent and overreacting Dutch staff members, including the chemical analyst, working in Breda. Especially Jansen's son Frans, who was made head of the new factory, wasn't able to judge the quality of the new product, according to Schlör: '*Wer erst seit einem halben Jahre seine Nase in diese Sache stecke, könne doch nicht die Erfahrung besitzen wie jemand, der sich seit Jahren damit befasse. [...] Herr Jansen jun. möge sich bitte etwas weniger aufregen.*'¹² But as Meyer told Schlör that he got some samples from Breda that he himself was worried by as well, Schlör had no other choice than take the problems seriously and co-operate in finding solutions.

Regarding the seriousness of the problems, Henckell, who had introduced Schlör to Hero Breda in the first place and had promoted him and his method, decided to broaden Lenzburg's knowledge base for 'sweet most'. Meyer was commissioned to inform himself about Schlör, his method and the (possible) causes of the turbidity of 'Perl'.

Meyer started to read the available relevant literature on the subject and approached Swiss knowledge institutes and other Swiss companies that used Schlör's method.¹³ Among them were the Swiss Experimental Station for Fruit- and Winegrowing in Wädenswil and the *Verband Ostschweizerischer Landwirtschaftlicher Genossenschaften* (VOLG) in Winterthur. In the meanwhile Schlör himself had send the turbid apple drinks to the *Pflanzenphysiologische Versuchsstation* in Geisenheim am Rhein to get tested. 20th March he got their conclusions. They were encouraging. Director Prof. dr. K. Krömer judged 'Hero Perl' as very pleasant to the taste,

¹² 'Typoscript by G. Meyer of his phone call with J. Schlör, 28 Nov. 1932', in: *BHIC, Hero Company Archives*, no. 189.

¹³ He consulted for example American scientific papers as *Industrial Engineering Chemistry*, where in November 1932 (vol. 24, no. 11, p. 1218-1223) research of the New York State Agricultural Experiment Station on 'Sterilization of Fruit Juices by Filtration' was published, authors D. C. Carpenter, C. S. Pederson and W. F. Walsh. Meyer's conclusion however was that the Americans lacked behind their Swiss colleague in this matter (see a note from G. Henckel to Hero Breda, 4 January 1933, in: *BHIC, Hero Company Archives*, no. 189.)

refreshing and with a nice color. It would have been perfect if it wasn't for some floccy substance in it. This turbidity however did not contain any micro-organisms, he concluded.¹⁴ To find out what it was then, he had given the samples to his colleague Dr. Alfred Mehlitz. He discovered traces of iron and phosphoric acid and recommended to keep the product and its ingredients away from iron and ferrous water during the production process.¹⁵ Meyer, who in the mean time had done research into the Schlör-process in his own laboratory, had come to the conclusion that the clarifying process (were the juice was exposed to iron) was probably the cause of the turbidity. So as another clarifying method was used – he suggested a described method (*Möslinger Blauschönung*) from the wine producing industry –¹⁶ the problem could quite easily be solved.¹⁷ So with combined Swiss efforts the problems Hero Netherlands faced with their innovative drink, could be solved. The production of 'Perl' was started, a distributing system set up and a marketing campaign launched. After some time 'Perl' became one of Hero's most profitable products.

Towards a professional innovative company

An important lesson was learned from the Perl turbidity-affair: Hero Breda needed more knowledge in-house. Until then, they weren't able to judge or respond to Schlör's analysis and answers. They had to rely too much on external knowledge and the judgment of it by their Swiss parent. An undesirable situation for an innovation so vital for the company. Also for innovations in future it was necessary to enlarge their own knowledge base. In a meeting of the Board of Directors late February 1933 it was decided that a senior chemical technologist, preferably with experience in the brewing business, had to be added to the 'Perl' factory.¹⁸ Above the already existing foreman and chemical analyst and under managing director Frans Jansen an experienced Swiss

¹⁴ 'Prof. dr. K. Krömer, director of the Pflanzenphysiologische Versuchsstation in Geisenheim am Rhein, to J. Schlör in Menziken, 20 March 1933', in: *BHIC*, *Hero company archives*, no. 189.

¹⁵ 'Dr. A. Mehlitz to J. Schlör, 27 March 1933 (copy)', in: *BHIC*, *Hero company archives*, no. 189.

¹⁶ Meyer provided to Hero Breda an extract about this method from J. Nessler, *Bereitung, Pflege und Untersuchung des Weines* (Stuttgart 1930).

¹⁷ 'G. Meyer to Hero Breda, 3 April 1933', in: *BHIC*, *Hero company archives*, no. 189.

¹⁸ 'Minutes of the Board of Directors meeting of Hero Breda, 23 Feb. 1933', in: *BHIC*, *Hero company archives*, no. 31.

(!) chemical-technical manager was placed. Due to personal frictions and the need for heavy cost reductions at Hero Breda this appointment only lasted for several months.¹⁹ Notwithstanding this temporarily setback Hero Netherlands' knowledge base was extended in the more profitable years to come (after 1935), with the crowning glory of a new and modern laboratory in 1942. In future, knowledge could be developed internally and external knowledge could be judged and take root in the Dutch Hero company.

How things would change in a few decennia time, could be seen at a four-days conference, organized by Hero Switzerland in April 1959. Probably for the first time in the company's history delegates from the Hero-factories in Lyon, Frauenfeld, Hallau and Breda met in Lenzburg, Switzerland to '*gemeinschaftlich im Schosse aller Fabriken eingehende technische, technologische, analytische und wissenschaftliche Besprechungen abzuhalten*'.²⁰

This conference wasn't one-way traffic, at which Hero Switzerland informed their subsidiary companies about technological and scientific developments and how to deal with them. On the contrary, all the delegates provided knowledge that could be shared. Dr. W.J. Hoppenbrouwers, head of the laboratory of Hero Netherlands, conducted three lectures: one was an overview on micro-biology in the food-conserving industry, the second was about blanching in a vacuum and the third was entitled '*Flatsourtechnik, Pektinbestimmung, Zuckerbestimmung, Bestimmung von SO₂*'.²¹

The conference of 1959 shows that in the 1940's and 1950's Hero Netherlands had changed. Regarding innovations, it depended no longer entirely on the knowledge-base of its Swiss parent. Enlarging its own knowledge-base the company obtained a different relationship with its parent. A relationship that was changed in another way too. Decentralization of acquiring and judging knowledge is only one part of the story. Another part is that the management in Switzerland wanted more grip on its subsidiaries because of the expected rise of the European market. The EEC-treaty of 1957 after all anticipated on a common European market in 1970. Hero Switzerland

¹⁹ 'Minutes of the Board of Directors meeting of Hero Breda, 19 Sept. 1933', in: *BHIC, Hero company archives*, no. 31.

²⁰ 'Begrüssung' door Hr. Dir. Wälli van de deelnemers aan 'der Konferenz für die gegenseitige Orientierung über Konserventechnische Neuerungen und Entwicklungen, 21-24 April 1959', in: *BHIC, Archief Hero*, inv. no. 40.

²¹ 'Program für die gegenseitige Orientierung über Konserventechnische Neuerungen und Entwicklungen, 21-24 April 1959', in: *BHIC, Archief Hero*, inv. no. 40.

saw opportunities but only if the subsidiaries had less autonomy and acted in a more coordinated way. Therefore they had to share knowledge and ideas. The 1959-conference must be seen in this light. To intensify the hold on the subsidiaries, in this case Hero Netherlands, Swiss dr. H.A. Christen was appointed in 1965 as director 'especially in charge of technological developments'. He became second in line, after chairman Frans Jansen.²²

The appointment of Christen was part of a broader professionalization-process at Hero Netherlands in the 1960's. One of the major changes was that marketing gained importance. In the 1930's direct market research for Perl was done by director Jansen himself, spreading some bottles of Schlörs 'Apfelperle' amongst his family and some relations. By asking what they thought of it, the chances of this drink in the Netherlands were considered. Thirty years later the way markets were explored and approached was institutionalized. In the early 1960's an internal marketing committee was established (Feb. 1963). It met every two weeks and decided on strategic mid-term issues. Besides this, weekly commercial company meetings were set up (Nov. 1962). Furthermore, Hero started to buy data from an external marketing firm (e.g. in 1963 and 1964).

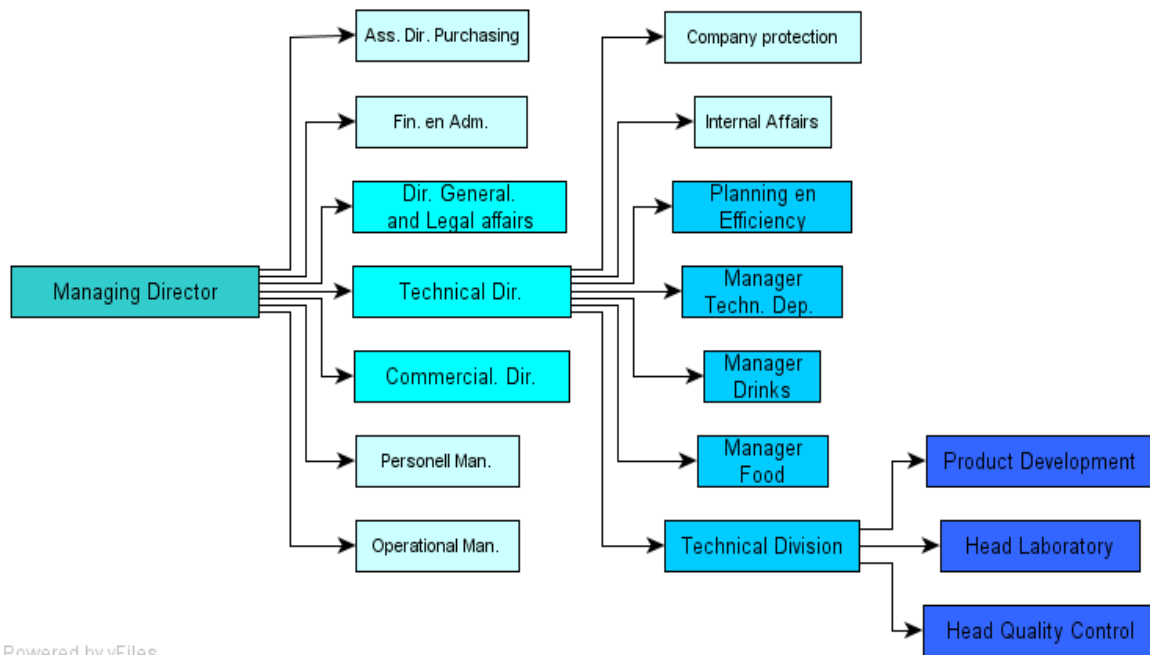
The decision to innovate in Perl in the 1930's was solely taken by director Jansen, backed-up and in a way pushed by his Swiss counterpart Henckell. Innovations – radical or incremental - from the 1960's onward had to pass several panels and expectations had to be substantiated by data. This way the (financial) risks of an innovation were lowered. As a consequence, decision-making took more time. Besides that, gaps appeared between different stages of the innovation process (idea - technological research - product development -marketing etc.). Considering an innovation process as non-linear but full of reverse-loops and feedbacks the risks of sluggish acting and frustrated actors was present, as we will see below.

In scheme 2 Hero Netherlands' organization structure in 1980 is pointed out, elaborated for the technical component. It shows that there were two hierarchical layers between for example the manager product development and the company's managing director. On every layer the 'technician' had to deal with colleagues responsible for other aspects in the innovation process. The manager of the Technical Division, who directed the manager Product Development, the Head of the Laboratory

²² Zwaal, *Hero Nederland in beeld*, 19.

and the Head of Quality Control had to deal with e.g. the manager of the Drinks Department, as it came to innovations in this segment. His boss, the Technical Director, had amongst others to collaborate with the Commercial Director.

Scheme 2 Organization of Hero Netherlands in 1980 (elaborated for the technical component)



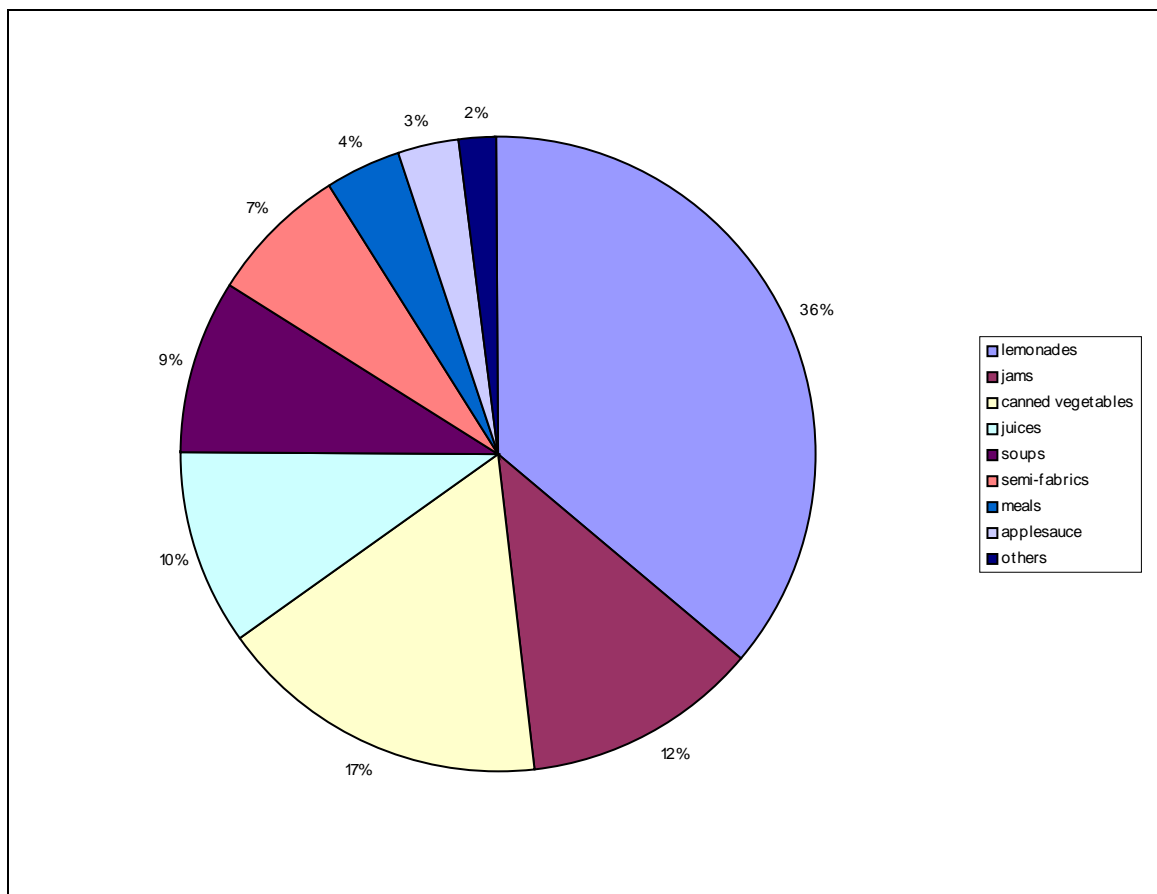
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Innovating at Hero around 1980: pep up the drinks, low calorie and 'food for the elderly'

The increase of its internal knowledge base, a growing importance of marketing and a division in responsibilities in operational management as well as in the innovation process were an outcome of Hero Netherlands post-war ambition to grow on different markets (e.g. food, drinks, semi-manufactured products). These markets were dynamic however and the margins were small. Despite a continues flow of product- and packing innovations Hero Netherlands had severe problems keeping up with its position in the market for preserved foods and soft drinks about 1975. Also raised by an unsuccessful foreign investment Hero faced, for the first time in 40 years, heavy

losses. For different reasons markets shrunk and prices fell for about three quarter of Hero's products. Jams were less sold because of a decline in the consumption of bread. Canned vegetables, that ranked second in Hero's product range (see graph 1) suffered from the consumers growing preference for fresh or frozen vegetables. Finally, the sales of soft drinks, Hero's most important product-group, stagnated also by new legislation (1972), that stimulated competition, led to a price-fall and lower quality and cheaper drinks.

Graph 1 Relative weight of product groups at Hero Netherlands, 1979.



Source: BHIC, Hero company archives, no. 34.

For Hero Netherlands it was clear that radical measures had to be taken. Those measures varied. On the market for jams for example price-fixing between jam-producers was tried. This Dutch 'jam-convention' perhaps functioned for a while

(although it probably didn't last for long) but only because this market was conveniently arranged with domestic providers and well-organized.²³

On most other markets however a more offensive and innovative strategy was necessary, the managing board of Hero concluded. The market for soft-drinks for example had changed dramatically, new managing director R. Timmerman had noticed in 1977. In his view soft-drinks had developed from 'a delicacy for children to an alternative for coffee and tea for adults, especially at parties. Furthermore the consequent qualitative good and quantitative big marketing efforts of Coca-Cola, Pepsi-Cola, 7-Up and others had had its effects too.'²⁴

Timmerman concluded that Hero's beverage department had to respond to this developments and the three pillars of Hero drinks - Cassis, Cerise and Perl - should be revitalized. Options that were considered were adding alcohol (cognac) to Cassis and Perl or chocolate or coffee to Perl.²⁵ In the end they came to the conclusion that Hero Netherlands had insufficient knowledge of the market for soft drinks. A rather haphazardly chosen change of taste for the drinks wouldn't be wise. More profound research (done by the marketing department) had to shed light on the motives why the drinking habits of the Dutch had changed. Furthermore an external marketing consultant was hired to help developing new drinks.²⁶ Finally the suppliers of essences were approached for advise on the level of product-technology.²⁷

Another innovation trajectory that was studied was the development of low-calorie drinks. Sugar-free soft-drinks had gained a remarkable share of the market in the United States in the 1960's (up to 15%).²⁸ Successfully promoted as healthy alternatives (less dental caries and obesity), these cyclamate and saccharine sweetened drinks came under attack themselves end 1960's, early 1970's. The use of larger quantities of these products could provide health care risks, some research pointed out. As a result of this, their market collapsed in the US. Although in the Netherlands these drinks weren't very successful that far and the use of cyclamate and saccharine

²³ 'Note from G. Schatens from Honig representatives of eight jam-producers, including Hero, 25 January 1979', in: *BHIC, Hero company archives*, no. 42; 'Minutes of the meeting of section 13 (Jams and Jellies) of the Association of the Dutch Vegetable- and Fruitprocessing Industry, 10 April 1979', in: *Idem*.

²⁴ 'Note from Timmerman to Cornelissen, J. Jansen en Vosmer, 7 Okt. 1977', in: *BHIC, Hero Company Archives*, no. 42.

²⁵ *Ibid.*

²⁶ 'Note from Timmerman, 27 Okt. 1977', in: *BHIC, Hero Company Archives*, no. 42.

²⁷ 'Note from Vosmer, Okt. 1977', in: *BHIC, Hero Company Archives*, no. 42.

²⁸ P. Zwaal, *Frisdranken in Nederland: een twintigste eeuwse produktgeschiedenis* (Rotterdam 1993), 314-318.

in food and drinks was forbidden (from 1970), respectively subject to strict legislation, soft drink producers had high expectations for low calorie soft drinks in future. Hero as well.

As new research in the 1970's put the risks of these sweeteners in perspective and new sweeteners like aspartame came up, Hero intensified this possible innovation trajectory. It established close contacts with the faculty of Food-Technologies of Wageningen Agricultural Academy. In 1977 Frans Janssen (a son of founder Reinier Janssen) spoke to Prof. dr. H.A. Leniger about low calorie drinks and their relation to the Dutch Food and Drugs Acts. In a meeting of the board of directors Janssen reported about his findings. He had noticed that there was a tendency towards low calorie drinks and efforts were taken to fit them into legislation. From Leniger, Janssen learned that in the US aspartame in combination with for example Sorbitol (so called 'twin sweets') showed promising results.²⁹

Because Hero expected other soft-drink producers to lie in wait for low calory drinks as well, the company stayed close in touch with the Dutch Association for the Beverage Industry and their efforts to easy legislation on the subject. Developments were accelerating in 1979 as the Belgian Ministry of Health Care intended to lower the minimum sugar rates for soft drinks. As a Benelux lemonade-treaty existed, this proposal was discussed at a Benelux governmental meeting in the autumn of that year. Janssen was alert again. As he had done in 1977 after his visit to Prof. Leniger, he advised his fellow board-members again to prepare Hero Netherlands to this developments, so that the company could easily take part into the low calorie trend as soon as legislation would allow.³⁰ Missing the boat would have serious consequents for the company.

A third and last example of an innovation trajectory at Hero Netherlands in the late 1970's was inspired by demographic changes. The population of the Netherlands was ageing and Hero saw a promising niche-market in producing food and meals for the elderly. In the process of getting older the way of life and eating habits were changing, The board of directors of Hero Netherlands concluded. A first stage they saw was a reduction of the family size when children left their parents house. Eating habits changed by this. Furthermore elderly people were more inclined to pay

²⁹ 'Minutes of the Board of Directors Meeting of Hero Breda, 19 Dec. 1977', in: *BHIC, Hero Company Archives*, no. 43.

³⁰ 'Note from Jansen, 1 Aug. 1979', in: *BHIC, Hero Company Archives*, no. 42.

attention to healthy aspects of food. More time was taken for the daily meals, that had a more social function again. Finally there was more need for fixed and familiar stages in the day's schedule, which was in favor of proprietary brands.³¹

To examine how Hero Netherlands could anticipate on this development a study group 'Food for the elderly' was formed. Head of Product Development became chairman of this group in which Marketing was also represented. They started gathering public knowledge on the subject from the National Council on Food and the Dutch Food Information Centre. This knowledge was extended by own field-research. Two retirement homes were visited, where Hero spoke to personnel and inhabitants. Also a dietician was counseled as well as a local Foundation for the Elderly. Finally, extensive research was done on special diet food and the spreading of it in the Netherlands.³²

The information that was gathered this way, made the study group conclude that there was no market for specialized food or meals for the elderly. But in general there seemed to be a market for low calorie food and less salty products. Also the market for special diet products could be an interesting niche to Hero Netherlands. Proper information on product labels (especially nutritional value) and good availability of low-salt and low-sugar products were essential conditions for success in this market. The study group had two other recommendations. First, the introduction of one-person portions for the growing number of people that lived alone. Second, improvements in the way packages had to be opened. In general there was a call for more convenient products.³³

These three examples show that innovation was an active strategy of Hero Netherlands to strengthen their market position in foods and drinks in the second half of the 1970's. They also show that, contrary to the 1930's, Hero Netherlands didn't turn to Hero Lenzburg for advise on new products or production processes.³⁴ At least no archival evidence was found for this. The company now had sufficient capabilities

³¹ 'Endreport Hero-studygroup "Getting Older", d.d. 1-4-1978', in: *BHIC, Hero Company Archives*, no. 42.

³² *Ibid.*

³³ *Ibid.*

³⁴ With perhaps one exception: in 1979 Hero Netherlands introduced Rösti on the Dutch market. It's likely that for this innovation the company had close contact on the product-level with its Swiss parent as this is a typical Swiss potato-product. However the most innovative idea behind it was the packaging. It was offered as a ready-to-eat meal in a so called 'alupack'; Zwaal, *Hero Nederland in beeld*, 22.

to innovate: its internal knowledge-base had grown (by a well equipped laboratory for example), the organization was extended with marketing and product development departments and market research was professionalized and played a much bigger role in innovation trajectories.

So didn't Hero Lenzburg play any part at all in Hero Netherlands innovating trajectories in the late 1970's?

'...whose recipe we want to use'

Hero Netherlands was full of ideas to innovate in the late 1970's. There was one problem however. One of its senior managers articulated his view on this in 1977:

*'A clear procedure for product development doesn't exist at Hero Netherlands. All internal departments of the company turn to the Product Development department with ideas for new products or adjustments to existing products. Here, they make a new product or taste, that everybody at the involved departments enjoys. After that more often than not it's placed in a cupboard and nobody looks after it.'*³⁵

Where the company had increased its internal knowledge base and professionalized its internal structure (e.g. by dividing tasks and domains that were used to be combined by one person, namely the owner-director Reinier Jansen and his successors), it had difficulties fitting its innovation strategy and procedures to this modern but also more complex organization. Both radical and incremental innovations occurred more or less in spite of the company's structure that was aimed on innovation, in stead of thanks to it.

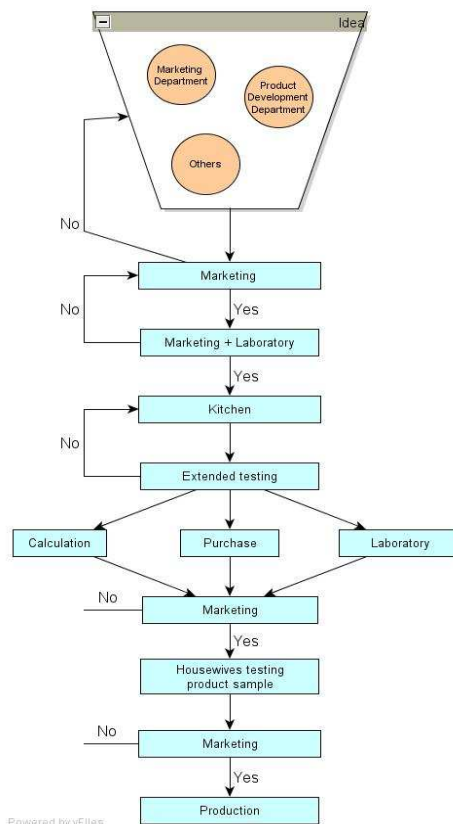
Having analyzed this problem, Hero Netherlands decided they needed Swiss help. They turned to their parent for a general recipe on how to innovate. Hero Lenzburg was willing to help. They had clear procedures on how product-innovations had to be carried out and they told their Dutch affiliate how it could (or should) be done. The idea for a product-innovation, that could come from everywhere within the organization, had to be filled in on a standardized form and handed over to the Marketing Department. There it was roughly screened and as it passed, Marketing

³⁵ 'Note from Vosmer, 11 Okt. 1977', in: *BHIC, Hero Company Archives*, no. 42.

together with the company's Laboratory gave it a closer look, especially regarding its chances on the market, the technology involved and packaging aspects. If these findings didn't lead to rejection, a combined Marketing/Laboratory team instructed the company's kitchen to produce a first sample. The ingredients, the processing and the way of sterilizing were laid down. After a so called 'Friday-morning testing' with an extended panel again a important 'go/no-go' decision was taken.

If a 'go' was given then the Calculation and Purchasing Departments, together with the Laboratory determined a provisional recipe, the production line, the required personnel and the purchasing politics. Also in this stage aspects of the Food and Drug Act were taken into account. They reported to Marketing and again these reports could lead to a rejection. After this came another critical phase: a test of the samples by a panel of housewives. Their results were analyzed by Marketing and the final decision was made. If positive a fabrication plan was fixed and the new product was for the first time produced under supervision of the Laboratory.³⁶

Scheme 2 Model for product innovation at Hero Switzerland, late 1970's



³⁶ 'Note from Vosmer, without date', in: *BHIC, Hero Company Archives*, no. 42.

Although it's not clear to which extent Hero Netherlands copied this innovation-model from its Swiss parent, it is likely that they at least used elements to regulate and smoothen their own innovating procedures. Given the fact that external networks (suppliers, customers, knowledge institutes to name a few) could be and were activated in an innovation-process, as examples of innovation-trajectories show. And given the fact that vital internal actors for product innovations were in stock (Laboratory, Marketing and Product Development Departments etc.), the main hurdle for innovating at Hero Netherlands was a lack of procedures to link the elements in the innovating process. Hero Lenzburg provided an innovation-model and doing so facilitated product-innovations at their subsidiary company.

Concluding remarks

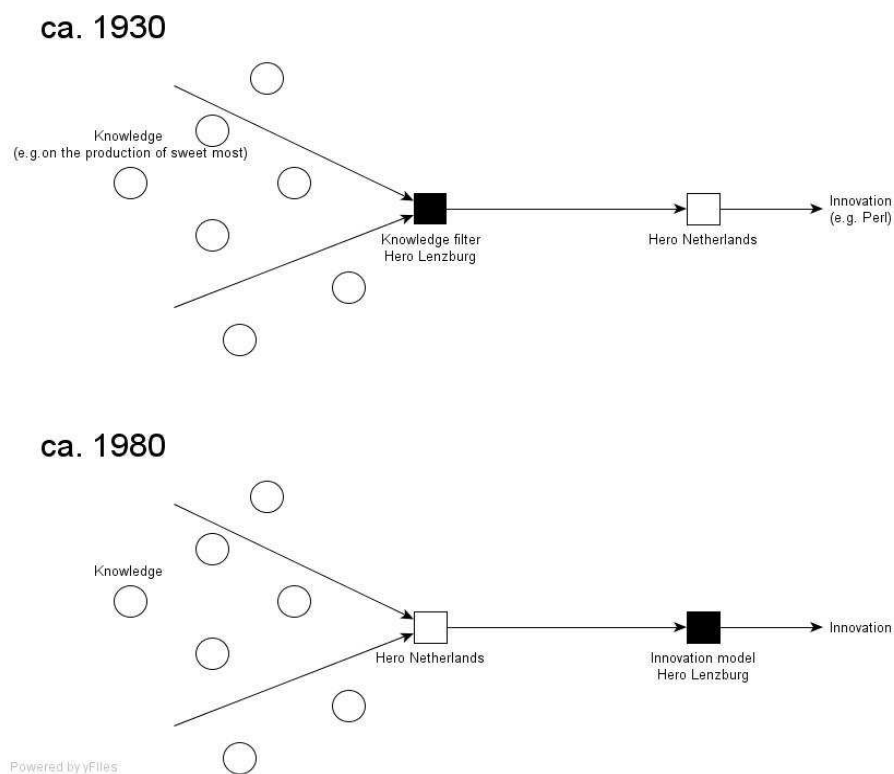
The role of Hero Lenzburg in innovation-processes at Hero Netherlands changed over time. The case of Perl in the 1930's shows a parent company that was deeply involved in a single product-innovation at its Dutch subsidiary. It judged ideas, directed and functioned as a kind of 'knowledge-filter' by providing specific knowledge (mainly on the production process), that was gathered by and 'filtered' in their Swiss laboratory first. As problems with the production process and the quality of the product occurred, Hero Lenzburg functioned as a problem-solver. Furthermore it introduced Hero Netherlands in an international (mainly Swiss and German) network regarding sweet most production.

Fifty years later Hero Lenzburg did not intermingle with product-innovations at Hero Netherlands. They didn't had to (nor wanted to?).³⁷ The decades before, the internal knowledge-base at their Dutch subsidiary was extended and the structure of the organization changed. With it, conditions for innovation strategies had changed as well. The company was able to incorporate external knowledge and develop internal knowledge. The main problem it had was fitting knowledge into new products. Gaps between the different internal departments had to be closed, responsibilities and

³⁷ Because the perspective of Hero Lenzburg on innovations at Hero Netherlands is not taken into account it's difficult to say to what extent Lenzburg was promoting, experiencing or even regretting their changed role. The company archives of Hero Lenzburg could shed more light on this.

decision-making secured. Here, Lenzburg played a role. It provided procedures on how knowledge could be translated into innovations.

Scheme 3 The changing role of Hero Lenzburg in product innovations at Hero Netherlands



Strict procedures weren't necessary in the 1930's as responsibilities and decision-making were clear then, that is in the hands of director Reinier Jansen. Personal relations between him and the Lenzburg directors, especially Gustav Henckel, marked the way Hero Netherlands was governed, including the innovation strategies. Some decades later relations between Hero Netherlands and Lenzburg had become professionalized. The Swiss company supervised their subsidiary from a distance, interfering (at a higher level) when necessary. They took action in 1983 for example as Hero Netherlands made heavy losses again. Lenzburg hired McKinsey Consultancy to study the problems with Hero Netherlands. Their findings resulted in a number of measures, especially aimed at gaining back market share. This kind of meddling from

Lenzburg suited the modern hierarchical bonds between the two firms. Personal ties were weakened, professional ties strengthened. Hero of the 1930's was history. So was Perl. Once a symbol for a modern Hero was taken out of the market in 1988....and re-introduced in 2007, sweetened by mainly cyclamate and saccharine. Sometimes innovation has an old name.